

ROMCARBON S.A. AND SUBSIDIARIES

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
ADOPTED BY THE EUROPEAN UNION**

TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Romcarbon S.A.
Buzau, Romania

Report on the consolidated financial statements

Opinion

1. We have audited the consolidated financial statements of Romcarbon S.A. and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.
2. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by European Union.

Basis for Opinion

3. We conducted our audit in accordance with the Auditing Standards adopted by the Chamber of Auditors of Romania, which are International Standards on Auditing (ISAs). Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Reporting requirements concerning the consolidated administrators' report

5. The administrators are responsible for the preparation and presentation of the consolidated administrators' report in accordance with the requirements of the Ministry of Public Finance Order 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards as adopted by EU, which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of a consolidated administrator's report that is free from material misstatement, whether due to fraud or error.

The consolidated administrators' report and is not part of the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the consolidated administrators' report.

In connection with our audit of the consolidated financial statements, we have read the administrators' report accompanying the consolidated financial statements and we report as follows:

- a) in the administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the consolidated financial statements attached;
- b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations compliant with International Financial Reporting Standards as adopted by EU;
- c) based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2016, we have not identified information included in the administrators' report that contains a material misstatement of fact.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

7. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
8. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. 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.
10. 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.

11. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Farrukh Khan, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania under no. 1533/25.11.2003

On behalf of:

DELOITTE AUDIT S.R.L.

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

Bucharest, Romania
March 31, 2017

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Note</u>	<u>Year ended December 31, 2016</u> <i>thousand LEI</i>	<u>Year ended December 31, 2015</u> <i>thousand LEI</i>
Income	3	238,236	213,491
Other income		3,889	1,388
Investment income		1,989	1,850
Other gains or losses	5	(1,386)	(3,617)
Changes in finished products and production in progress		4,183	2,130
Raw materials and consumables used	4	(147,840)	(140,933)
Depreciation and amortization expense	6	(14,851)	(8,640)
Employee salaries and social security	7	(51,191)	(41,685)
Finance costs	8	(3,060)	(2,500)
Other expenses	9	(30,318)	(16,621)
Share of profit of associates	14	3,904	3,980
Profit before taxation		<u>3,555</u>	<u>8,843</u>
Income tax expense	10	(270)	(271)
Profit for the year from operations		<u>3,285</u>	<u>8,572</u>
Profit for the year		<u>3,285</u>	<u>8,572</u>
Attributable to:			
Owners of the parent		3,464	8,523
Non-controlling interests		(178)	49
From core operations:			
RON (cents per share)		0,01	0,03
Average number of shares		264,122	264,122

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on March 31, 2017.

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Note</u>	<u>Year ended December 31, 2016</u> <i>thousand LEI</i>	<u>Year ended December 31, 2015</u> <i>thousand LEI</i>
Comprehensive income			
Other comprehensive income subsequently transferred to profit or loss			
Exchange differences on translating foreign operations		148	258
Net losses on revaluation of property, plant and equipment		(1,988)	
Other comprehensive income subsequently transferrable to profit or loss			
Exchange differences on translating foreign operations		437	(867)
Comprehensive income of the year			
Attributable to:			
Owners of the parent		437	(432)
Non-controlling interests		-	(177)
Total comprehensive income		<u>1,884</u>	<u>7,963</u>
Owners of the parent		2,062	8,091
Non-controlling interests		(178)	(128)

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ROMCARBON S.A.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2016**

	<u>Note</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
ASSETS			
Non-current assets			
Property, plant and equipment	11	195,416	197,495
Investment property	32	45,680	43,799
Goodwill	12	144	143
Other intangible assets	13	373	435
Investment in associates	14	28,270	26,978
Financial assets	14	197	197
Total non-current assets		<u>270,080</u>	<u>269,047</u>
Current assets			
Inventories	15	37,171	28,049
Trade and other receivables	16	29,728	56,686
Other current assets	17	1,372	2,004
Cash and bank balances	31	11,544	17,014
Total current assets		<u>79,815</u>	<u>103,753</u>
Total assets		<u>349,895</u>	<u>372,800</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	26,412	26,412
Share premiums		2,182	2,182
Reserves	19	41,364	43,248
Retained earnings	20	80,032	77,870
Equity attributable to owners of the parent		149,990	149,712
Non-controlling interest	21	1,072	1,400
Total equity		<u>151,062</u>	<u>151,112</u>

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

ROMCARBON S.A.**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2016**

	<u>Note</u>	<u>December 31, 2016</u> <i>thousand LEI</i>	<u>December 31, 2015</u> <i>thousand LEI</i>
Non-current liabilities			
Long-term borrowings	22	58,009	54,538
Finance lease liabilities	22	85	1,275
Deferred tax liabilities	10	10,468	11,143
Other non-current liabilities with provisions		265	8
Deferred income	26	<u>35,199</u>	<u>43,107</u>
Total non-current liabilities		<u>104,026</u>	<u>110,070</u>
Current liabilities			
Trade and other liabilities	24	33,351	37,808
Short-term borrowings	22	52,794	69,203
Finance leases	22	1,112	1,719
Deferred income		4,008	24
Other current liabilities	23	<u>3,541</u>	<u>2,864</u>
Total current liabilities		<u>94,806</u>	<u>111,619</u>
Total liabilities		<u>198,832</u>	<u>221,689</u>
Total equity and liabilities		<u>349,895</u>	<u>372,800</u>

*Retrospective adjustment of deferred income, see Note 34.

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2016	26,412	2,182	44,728	-	(1,480)	77,870	149,712	1,400	151,113
Dividends distributed	-	-	-	-	-	(2,245)	(2,245)	-	(2,245)
Increases from revaluation of property, plant and equipment	-	-	4,351	-	-	-	4,351	-	4,351
Decreases from revaluation of property, plant and equipment	-	-	(6,338)	-	-	-	(6,338)	-	(6,338)
Net profit / (loss) of the period	-	-	-	-	-	3,464	3,464	(178)	3,286
Transfer of reserves to retained earnings	-	-	(385)	-	-	385	-	-	-
Corrections of financial assets disposed and repossessed	-	-	-	-	-	549	549	-	549
Exchange differences on translating foreign operations	-	-	-	-	437	-	437	-	437
Corrections of ownership interests in associates during the year	-	-	52	-	-	-	52	-	52
Minority interests from company de-registrations*	-	-	-	-	-	-	-	(150)	(150)
Minority interests from the acquisition of companies	-	-	-	-	-	-	-	(1)	(1)
Corrections	-	-	-	-	-	9	9	-	9
Total December 31, 2016	26,412	2,182	42,407	-	(1,043)	80,032	149,990	1,072	151,062

The general meeting of shareholders' decision of 28.04.2016 approved the distribution of RON 2,245,038 as dividends. The amount was entirely transferred to the Central Depository to pay the dividends owed to the shareholders.

*The decrease of minority interests is due to de-registration of Greensort Recycling SRL from the Trade Registry of and assignment of Next Eco Reciclyng SA (Note 30).

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Other reserves</u>	<u>Exchange differences on translating foreign operations</u>	<u>Retained earnings</u>	<u>Attributable to owners of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
Total January 1, 2015	26,412	2,182	45,185	-	(1,049)	70,678	143,409	1,765	145,174
Realized revaluation reserve	-	-	(462)	-	-	462	-	-	-
Disposal of interest in 3 companies	-	-	-	-	-	-	-	(366)	(366)
Minority interests from the acquisition of Next Eco	-	-	-	-	-	-	-	131	131
Exchange differences on translating foreign operations	-	-	-	-	(431)	-	(431)	(177)	(609)
Net profit of the year	-	-	-	-	-	8,523	8,523	49	8,572
Reclassifications	-	-	-	-	-	-	-	-	-
Corrections	-	-	5	-	-	214	219	0.8	218
Dividends distributed	-	-	-	-	-	(2,007)	(2,007)	-	(2,007)
Total December 31, 2015	26,412	2,182	44,728	-	(1,480)	77,870	149,712	1,400	151,113

The shareholders' decision of 29.04.2015 approved the distribution of RON 2,007 thousand from the 2014 profit to shareholders as dividends.

* The increase of minority interests is due to the acquisition in 2015 of Next Eco Recycling SA (Note 29).

** The decrease of minority interests is due to de-registration of the Trade Registry of Taipei Cimeo, Polymaster Chemicals, Total Commercial Management (Note 30).

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**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Note</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash flows from operating activities:		
Gross profit for the year	3,556	8,843
Finance expenses recognized in profit	3,060	2,498
Gain / (Loss) on sale or disposal of fixed assets	(115)	59
Income from dividends	-	-
Loss on impairment of stocks	483	-
Loss on impairment of trade receivables	248	708
Loss on impairment of goodwill	-	834
Amortization / Depreciation of non-current assets	14,851	8,578
Net gain / loss on foreign exchange	437	507
Gain / Loss on investment	2,329	(640)
Gain / Loss on revaluation of investment property	(759)	2,502
(Gain) / Loss from short term investments	-	-
Gain on share of profit of associates	(3,904)	(3,980)
Increase / Decrease in provisions	257	(25)
Increases in subsidies	(3,889)	(1,387)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	7,787	(37,757)
(Increase) / Decrease in inventories	(9,604)	(4,538)
(Increase) / Decrease in other assets	632	(458)
Increase / (Decrease) in trade and other payables	(5,564)	2,884
Increase / (Decrease) in other payables	(134)	31,409
Cash generated by/used in operating activities	9,671	10,040
Interest paid	(2,657)	(1,997)
Income tax paid	(320)	(621)
Bank commissions paid	(402)	(501)
Net cash generated by operating activities	6,292	6,920
Cash flows from investing activities:		
Payments for property, plant and equipment	(13,203)	(85,376)
Payments for intangible assets	-	-
Proceeds from disposal of property, plant and equipment	-	-
Proceeds from subsidies	18,923	13,481
Proceeds from investments in associates	-	993
Acquisition of subsidiaries	-	(1,129)
Payments for investment property	(1,121)	-
Interest received	12	22
Dividends received	-	-
Net cash generated by / (used in) investing activities	4,611	(72,007)

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

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016**

<u>Note</u>	<u>Year ended December 31, 2016</u> <i>thousand LEI</i>	<u>Year ended December 31, 2015</u> <i>thousand LEI</i>
Cash flows from financing activities:		
	(12,938)	64,828
	(1,190)	(1,430)
	(2,245)	(1,944)
	<u>(16,373)</u>	<u>61,453</u>
	<u>(5,470)</u>	<u>(3,632)</u>
	<u>17,014</u>	<u>20,646</u>
	-	-
	<u>11,544</u>	<u>17,014</u>

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1. GENERAL INFORMATION

ROMCARBON S.A. (the "Parent") has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. As at December 31, 2015 the Parent's shares were traded on the BSE and its main shareholders as at December 31, 2015 were Living Plastic Industry S.R.L., Joyful River Limited Loc. Nicosia CYP, ROMANIAN INVESTMENT FUND (Romanian Opportunities Corporation Loc. Road Town VIR), STICHTING BEWAARDER OVERLEVINGSFONDS.

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

As at December 31, 2016 the Parent was holding directly or through other subsidiaries, participating interest in the following entities, thus forming Romcarbon Group:

RC ENERGO INSTALL S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 100%. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, where S.C. Romcarbon S.A. has held since 2011 99% of the shares and the remaining shares are held by legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Data processing, hosting and related activities (NACE code 6311).

YENKI S.R.L. is a company established in 2007, where S.C. Romcarbon S.A. holds 25.00% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

GRINFILD UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.

GRINRUH LLC UKRAINE is a company established in 2007, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and other wholesale.

1. GENERAL INFORMATION (continued)

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

RECYPLAT LTD is a company established in 2011, wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus. The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

ECO PACK MANAGEMENT SA is a company established in 2010, where SC Romcarbon SA directly holds 25.36% and 74.62%, indirectly. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

GREEN RESOURCES MANAGEMENT is a company established in 2016, where SC Romcarbon SA indirectly holds 99%. The company's main office is located in Buzau, Str. Transilvaniei, nr. 132, Remiza PSI Camera 1. The company's object of activity is – NACE code 7022 - Business and other management consultancy activities.

ROMGREEN UNIVERSAL LTD is a company established in 2011, where SC Romcarbon SA indirectly holds 17.59% of the shares. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090 Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

GREENFIBER INTERNATIONAL SA is a company established in 2004, where SC Romcarbon SA indirectly holds 17.47% of the shares. The company's main office is located in Buzău, Aleea Industriilor, no. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, where SC Romcarbon SA indirectly holds 15.72% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, where SC Romcarbon SA indirectly holds 17.47% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GREENTECH DOO MACEDONIA is a company established in 2007, where SC Romcarbon SA indirectly holds 15.63% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

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1. GENERAL INFORMATION (continued)

GREENTECH SA is a company established in 2002, where SC Romcarbon SA indirectly holds 17.59% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENWEEE INTERNATIONAL SA is a company established in 2007 where SC Romcarbon SA indirectly holds 17.59% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is dismantling of wrecks for materials recovery (NACE code 3831).

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, where SC Romcarbon SA indirectly holds 17.59%. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em. 1. The company's object of activity is Management of used waste and treatment of other waste.

GREENLAMP RECICLARE S.A. is a company established in 2010, where SC Romcarbon SA indirectly holds 17.59%, and the remaining shares are held by GREENWEEE INTERNATIONAL S.A. The company's main office is located in Tintesti, Odaia Banului village, Frasinu farm, Greenweee warehouse, etaj 1, camera 1, Buzău county. The company's main object of activity is - NACE code 3822 - Treatment and disposal of hazardous waste.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.53% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.31% of the shares. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et. 1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

In 2016, GREENSORT RECYCLING SRL, where SC Romcarbon SA was holding 51.00% of the shares and whose object of activity was Recovery of sorted materials was de-registered from the Trade Registry (NACE code 3832).

In July 2016, SC LivingJumbo Industry SA disposed its holding in NEXT ECO RECICLYNG SA. The company's main object of activity is - 8299 - Other business support service activities n.e.c. The Group purchased such company in December 2015.

In June 2016, SC GRENFIBER INTERNATIONAL SA disposed its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

1. GENERAL INFORMATION (continued)

Name	Place of establishment	Object of activity	Interest %	Control %	Cost as at 31.12.2016	Interest %	Control %	Cost as at 31.12.2015
S.C. Greenweee International S.A.	Romania	Dismantling of wrecks for materials recovery	17.59%	17.59%	-	19.10%	19.10%	-
Greenfiber International S.A.	Romania	Manufacture of man-made fibres	17.47%	17.47%	-	16.96%	16.96%	-
Greenweee International Hungary KFT	Hungary	Management of used waste and treatment of other waste	17.59%	17.59%	-	19.10%	19.10%	-
LivingJumbo Industry S.A.	Romania	Manufacture of plastic packing goods	99.00%	99.00%	1,639,232	99.00%	99.00%	1,639,232
Greentech DOO Serbia	Serbia	Recycling of non-metallic waste and scraps	15.72%	15.72%	-	15.26%	15.26%	-
Grinteh MK DOO Macedonia	Macedonia	Recycling of non-metallic waste and scraps	62.62%	15.63%	-	15.17%	15.17%	-
Grinfild LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	2,687,755	62.62%	62.62%	3,207,871
Grinruh LLC Ukraine	Ukraine	Wholesale trade	62.62%	62.62%	4,426,809	62.62%	62.62%	4,426,809
RC Energo Install S.R.L.	Romania	Plumbing, heat and air conditioning installation	100.00 %	100.00 %	15,112	100.00%	100.00 %	15,112
Info Tech Solutions S.R.L.	Romania	Data processing, hosting and related activities	99.50%	99.50%	1,980	99.50%	99.50%	1,980
Total Waste Management S.R.L.	Romania	Collection of non-hazardous waste	17.52%	17.52%	-	17.56%	17.56%	-
Greentech SA	Romania	Recovery of sorted materials	17.59%	17.59%	-	17.56%	17.56%	-
Greentech Recycling Deutschland GMBH	Germany	Trade with plastics and recycling of plastic waste	17.47%	17.47%	-	16.96%	16.96%	-

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1. GENERAL INFORMATION (continued)

	<u>Place of establishment</u>	<u>Object of activity</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2016</u>	<u>Interest %</u>	<u>Control %</u>	<u>Cost as at 31.12.2015</u>
Greenfiber Hellas	Greece	Recycling of non-metal waste and scrap	0%	0%	-	4.07%	4.07%	-
"Greenlife" Ecological Association	Romania		33.33%	45.00%	-	33.33%	44.84%	-
Recyplat LTD	Cyprus	Business and other management consultancy activities	100.00%	100.00%	20,857,287	100.00%	100.00%	20,857,287
Romgreen Universal Cipru	Cyprus	Business and other management consultancy activities	17.59%	17.59%	-	25.00%	25.00%	-
Greenlamp Reciclare SA	Romania	Treatment and disposal of hazardous waste	17.58%	17.58%	-	25.00%	25.00%	-
Eco Pack Management SA	Romania	Other business support service activities n.e.c.	99.24%	99.24%	2,619,254	99.24%	99.24%	2,619,254
Next Eco Recycling SA	Romania	Other business support service activities n.e.c.	0%	0%	-	69.30%	69.30%	1,129,075
Polymaster Chemicals SA	Romania	Manufacture of plastic plates, sheets, tubes and profiles	0.00%	0.00%	-	0.00%	0.00%	-
Greensort Recycling SRL	Romania	Recovery of sorted materials	0%	0%	-	51.00%	51.00%	20,400
Romcarbon Deutschland GMBH	Germany	Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste	100.00%	100.00%	110,138	100.00%	100.00%	110,138
Arch Development Associates SRL	Romania	Real estate development	0.23%	0.23%	1,020	-	-	-
Green Resources Management SRL	Romania	Consultancy and management	99.00%	99.00%	200	-	-	-

This is a free translation from the original Romanian version.

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

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

Bases of preparation

The consolidated financial statements were prepared on a going concern basis, at historical cost, adjusted to hyperinflation as at December 31, 2003 for fixed assets, share capital and reserves.

The financial statements are prepared based on the statutory accounts kept in accordance with Romanian accounting principles, adjusted for compliance with IFRS.

The main accounting policies are described below.

Bases of consolidation

The consolidated financial statements include the financial statements of the Parent, of its subsidiaries and joint ventures. Control is obtained when the Parent has the power to govern the financing and operating policies of an entity to acquire benefits from the latter's activities.

The profit of the subsidiary acquired during the year is included in the consolidated income statement as at the acquisition date.

Where required, the subsidiary's financial statements are corrected to adjust its accounting policies in accordance with the policies used by the Parent.

All group transactions, balances, income and expenses are completely eliminated from the consolidation.

Non-controlling interests in net assets (excluding goodwill) of the subsidiary are disclosed separately from the Group's equity. Non-controlling interests consist in the sum of interests as at the date of the original business combination (see below) and the non-controlling share in changes in equity starting from the combination date. Losses corresponding to the minority, which exceed the non-controlling interest held in the subsidiary's equity are allocated as compared to the Group's interests, except if the minority holds an obligation and can make additional investments to cover losses.

Application of the new and revised International Financial Reporting Standards

Initial application of the new amendments to the existing standards effective for the current reporting period:

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

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

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

Amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

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

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

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards and amendments to the existing standards, which were not endorsed for use in EU:

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

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

2. MAIN ACCOUNTING PRINCIPLES (continued)

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

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

More details about individual standards, amendments to existing standards and interpretations:

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

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

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

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

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

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

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognizes a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognizes finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.
- **Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.
- **Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** issued by IASB on 12 September 2016. The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception** issued by IASB on 18 December 2014. The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.
- **Amendments to IFRS 11 "Joint Arrangements" - Accounting for Acquisitions of Interests in Joint Operations** issued by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative** issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.
- **Amendments to IAS 7 "Statement of Cash Flows" - Disclosure Initiative** issued by IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.
- **Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealized Losses** issued by IASB on 19 January 2016. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortization** issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants** issued by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.
- **Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions** issued by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.
- **Amendments to IAS 27 "Consolidated Financial Statements" - Equity Method in Separate Financial Statements** issued by IASB on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2. MAIN ACCOUNTING PRINCIPLES (continued)

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.
- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** issued by IASB on 12 December 2013. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measuring short-term receivables and payables; (v) proportionate restatement of accumulated depreciation application in revaluation method and (vi) clarification on key management personnel.
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** issued by IASB on 25 September 2014. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'.
- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3-E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10-B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.
- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

2. MAIN ACCOUNTING PRINCIPLES (continued)**Business combination**

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

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

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

Interests in joint ventures

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

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

Goodwill

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

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

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

2. MAIN ACCOUNTING PRINCIPLES (continued)**Income recognition**

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

Sale of goods

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

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

Dividend and interest income

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

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

Lease

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

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

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

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

2. MAIN ACCOUNTING POLICIES (continued)**Foreign currency transactions**

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

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

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

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

Costs related to long-term borrowings

Costs related to long-term borrowings directly attributable to the acquisition, construction or production of assets, which require a substantial amount of time to be used or for sale are added to the cost of such assets, until such assets are ready to be used according to their purpose or for sale.

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

Government subsidies

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

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

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

Employee contributions

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

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

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2015 the Group's financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Group's winding up. The Group's management considers that there is no intention to use such reserves to cover accounting losses. Nevertheless, if such reserves are used to cover losses, the Group must register an income tax liability in connection with such reserves.

Deferred tax

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

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

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

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

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

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

Current and deferred tax for the period

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

Property, plant and equipment

Land and buildings held to be used in the production or delivery of goods or services or for administrative purposes are recorded in the balance sheet at historical value adjusted to the effect of hyperinflation as at December 31, 2003, according to IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and other losses of value.

As of December 31, 2013 the Group companies conducted a valuation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity.

As of December 31, 2016 the Group companies conducted a revaluation of land and buildings based on a valuation report issued by a professional valuer, in order to determine the fair value thereof as at the balance sheet date. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The decreases in the book values were debited to Revaluation reserves under Equity up to the level previously credited and the difference was registered to profit or loss.

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

The buildings' depreciation is charged to the income statement.

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

Plant and equipment are recorded in the balance sheet at historical cost adjusted to the effect of hyperinflation as at December 31, 2003, in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies less the subsequently accumulated depreciation and impairment losses.

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

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

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

The following useful lives are used in the depreciation calculation:

	<u>Years</u>
Buildings	5 – 45
Plant and equipment	3 – 20
Other installations, office equipment	3 – 30
Vehicles in finance lease	5 – 6

Investment property

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

Intangible assetsIntangible assets acquired separately

Intangible assets acquired separately are carried at cost less accumulated amortization. Amortization is calculated on a straight line basis throughout their useful life. The estimated useful life and method of amortization are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The calculation of amortization uses the following useful lives:

	<u>Years</u>
Licenses	1 – 5

Impairment of tangible and intangible assets, goodwill exclusively

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the Group estimates the recoverable amount of the asset in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation cannot be identified, tangible assets are allocated to the smallest group of cash-generating units for which a consistent and reasonable allocation basis can be identified.

2. MAIN ACCOUNTING POLICIES (continued)**Impairment of tangible and intangible assets, goodwill exclusively**

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

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

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

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

Inventories

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

Provisions

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

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

Warranties

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

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

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

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

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

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

Financial assets available for sale (AFS)

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

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

Impairment of financial assets

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

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

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

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

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

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

De-recognition of assets and liabilities

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

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

Use of estimates

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

3. INCOME

An analysis of the Group's income for 2016 is presented below:

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Income from sale of finished products	165,530	146,447
Income from sale of commodities	39,169	40,883
Income from services delivered	18,245	6,212
Other income (income from sale of semi-finished goods, residual goods, other income)	15,293	19,950
Total	238,236	213,491

3. INCOME (continued)

Segment reporting	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Sales on domestic market (Romania)	166,687	146,306
Sales on foreign market (Europe)	71,449	67,073
Other (Israel, Taiwan)	100	112
Total	238,236	213,491

	Segment income		Segment profit	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Plastics	154,066	146,335	28,597	27,804
Compound recycled products	18,246	12,891	534	164
Other productive sectors	7,480	7,401	1,825	1,188
Other	58,444	46,864	684	469
Total from operations	238,236	213,491	31,640	29,625
Investment income	-	-	1,989	1,850
Other income	-	-	3,889	1,388
Administrative and salary expenses	-	-	(30,903)	(21,521)
Finance expenses	-	-	(3,060)	(2,499)
Profit before taxation	-	-	3,555	8,843

Investment Income	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Rental income	1,976	1,828
Dividends from related parties	-	-
Interest Income	13	22
Other income	-	-
Total	1,989	1,850

3. INCOME (continued)

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

“**Compounds – Recycled products**” segment includes income from sale of compounds and re-granulated materials made of recycled polymers and plastics compounds made of virgin polymers used by the processors of plastics products that manufacture items for various uses in the automotive industry, the electrical and household industry, furniture, constructions, pipes, packaging, etc.

Other productive sectors include the following groups of products:

- “**Materials for respiratory protection and activated coal**” include respiratory protection equipment used by the big chemical and petrochemical plants in the country as well as activated coal applied in different actions of purification of methane in the biodegradation of household waste, pit soil reclamation, retention of toxic gas from incinerators, etc.
- “**Filters**” include sales of oil, fuel and air filters for both motor vehicles and industrial use.
- “**Processed PVC**” includes products made of recycled materials used to produce traffic signs.

3. INCOME (continued)

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

Assets and liabilities	Asset segment		Liability segment		
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	147,075	167,798	124,812	142,919
Romcarbon	Compound recycled products	93,079	90,759	37,687	46,109
Romcarbon	Other productive sectors	14,666	9,861	4,462	4,505
Romcarbon	Other activities	95,075	104,383	31,872	28,156
Total assets/liabilities		349,895	372,801	198,833	221,688

Depreciation and non-current assets additions	Depreciation segment		Segment of non-current assets additions *		
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015	
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	
Romcarbon, LivingJumbo	Polyethylene + polystyrene + polypropylene plastics	8,899	4,256	4,554	58,732
Romcarbon	Compound recycled products	4,447	2,699	6,138	21,863
Romcarbon	Other productive sectors	85	472	16	48
Romcarbon	Other activities	1,420	1,212	3,210	842
Total		14,851	8,640	13,918	81,485

* Non-current assets additions represent inflows of fixed assets during the year and do not include inflows from purchases of subsidiaries.

In "Other activities" segment, the Group has one client (Kasakrom Chemicals SRL) whose turnover represents 14% (17% in 2015) of the Group's income accounts.

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2016	Year ended December 31, 2015
	<u>thousand LEI</u>	<u>thousand LEI</u>
Raw materials	77,661	62,599
Commodities sold	10,167	6,828
Energy expenses	8,611	7,203
Goods sold	50,940	63,989
Packaging cost	461	315
	<u>147,840</u>	<u>140,933</u>

5. OTHER GAINS AND LOSSES

	Year ended December 31, 2016	Year ended December 31, 2015
	<u>thousand LEI</u>	<u>thousand LEI</u>
Income from the sale of fixed assets	1,027	1
Other income	1,015	133
FOREX gains	4,551	4,697
FOREX losses	(4,934)	(6,125)
Income / (Expenses) from changes in fair value of investment property	750	(2,502)
Income / (Expenses) from assets disposed and capital operations	(3,256)	303
Client allowances	(731)	(427)
Compensations, fines and penalties	476	1,190
Net income from provisions	161	34
Other finance expenses	(445)	(87)
Other general expenses	-	(834)
Other financial income	1	-
Total	<u>(1,386)</u>	<u>(3,617)</u>

6. DEPRECIATION AND AMORTIZATION EXPENSE

	Year ended December 31, 2016	Year ended December 31, 2015
	<u>thousand LEI</u>	<u>thousand LEI</u>
Amortization/depreciation	<u>14,851</u>	<u>8,640</u>
of which:		
Depreciation of property, plant and equipment	14,649	8,297
Amortization of intangible assets	202	343

7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Salaries	39,346	32,006
Social contributions	9,384	7,811
Meal tickets	2,461	1,868
Total	51,191	41,685

8. FINANCE COSTS

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Total interest	2,657	1,997
of which:		
Interest	2,657	1,997
Bank commissions and assimilated charges	43	503
Total	3,060	2,500

9. OTHER EXPENSES

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Expenses with repairs	418	375
Expenses with rents	503	511
Expenses with insurance premiums	398	352
Research expenses	-	-
Other expenses with commissions	149	127
Protocol, advertising and publicity expenses	973	782
Transport	6,022	5,424
Expenses with travels	202	281
Expenses with postal charges and telecommunications	234	235
Expenses with third party services	14,935	7,546
Other taxes and levies	882	708
Losses on receivables and sundry debtors	56	319
Expenses with indemnifications, fines and penalties	167	3
Other expenses	5,379	706
Total	30,318	16,621

10. INCOME TAX
Income tax expenses

Income tax expenses comprise:	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Current income tax expense	945	170
Deferred tax income expense / (income)	(675)	101
Total expense (income) with income tax	270	271

The tax rate applied for the reconciliation above related to 2016 and 2015 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, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Profit before taxation	3,555	8.842
Tax calculated according to the 16% rate	569	1,415
Effect of non-taxable income	(1,116)	(1,141)
Sponsorship deductions	-	-
Exemption of reinvested profit	(620)	(1,283)
Tax loss from previous years	620	-
Effect of deferred tax	(675)	101
Effect of non-deductible expenses	1,492	1,179
Expense with income tax recognized in income statement	270	271

Components of deferred tax liabilities

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Property, plant and equipment	9,186	9,919
Investment property	1,640	1,519
Inventories	(201)	(124)
Trade and other receivables	(157)	(171)
Other	-	-
Recognized deferred income tax liabilities	10,468	11,143
of which: deferred tax on revaluation reserves from comprehensive income	9,830	10,564

This is a free translation from the original Romanian version.

10. INCOME TAX (continued)

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Opening balance as at January 1	<u>11,142</u>	<u>11,042</u>
(Expense) / Income during the year		
- movement from revaluation reserves	(675)	100
- recognized in income statement	-	-
- from acquisition of subsidiaries	-	-
Closing balance as at December 31	<u>10,468</u>	<u>11,142</u>

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u> <i>thousand LEI</i>	<u>Constructions</u> <i>thousand LEI</i>	<u>Plant and equipment</u> <i>thousand LEI</i>	<u>Other fixtures, plant and furniture</u> <i>thousand LEI</i>	<u>Tangible assets in progress and advances</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>
COST						
Balance as at January 1, 2016	54,522	19,824	159,622	1,411	7,394	242,774
Additions, of which	-	8,768	9,153	126	14,590	32,637
- Transfers	-	3,011	7,080	76	1,113	11,280
- Revaluation	-	4,351	-	-	-	4,351
Disposals, of which	6,366	6,380	751	108	11,669	25,275
- Transfers	-	-	-	-	11,280	11,280
- Revaluation	6,239	4,648	-	-	-	10,887
Balance as at December 31, 2016	48,156	22,202	168,024	1,430	10,315	250,136
Balance as at January 1, 2015	54,522	17,754	80,405	1,315	4,146	158,141
Additions, of which	-	2,092	79,304	97	83,688	165,183
- Transfers	-	1,189	78,464	-	-	79,572
Disposals, of which	-	22	86	1	80,440	80,550
- Transfers	-	-	-	-	79,752	79,572
Balance as at December 31, 2015	54,522	19,824	159,622	1,411	7,394	242,774

In 2016, the additions of fixed assets were in amount of RON 13,540 thousand of which the amount of RON 10,167 thousand for Romcarbon, RON 3,150 thousand for LivingJumbo Industry and RON 223 thousand for RC Energo Install.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016**
11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u> <i>thousand LEI</i>	<u>Buildings</u> <i>thousand LEI</i>	<u>Plant and equipment</u> <i>thousand LEI</i>	<u>Installations and furniture</u> <i>thousand LEI</i>	<u>Tangible assets in progress</u> <i>thousand LEI</i>	<u>Total</u> <i>thousand LEI</i>
ACUMULATED DEPRECIATION						
Balance as at January 1, 2016	11	3,562	41,049	658	-	45,282
Depreciation charge	4	1,408	13,128	109	-	14,649
Disposals from sale of assets	-	(292)	(580)	(58)	-	(929)
Revaluation decrease	-	(4,282)	-	-	-	(4,282)
Balance as at December 31, 2016	15	397	53,598	709	-	54,720
Balance as at January 1, 2015	7	2,096	34,337	567	-	37,007
Depreciation charge	4	1,482	6,783	100	-	8,370
Disposals from sale of assets	-	(15)	(71)	(9)	-	(95)
Additions from business acquisitions	-	-	-	-	-	-
Revaluation decrease	-	-	-	-	-	-
Balance as at December 31, 2016	11	3,562	41,049	658	-	45,282
NET BOOK VALUE						
As at December 31, 2016	48,141	21,805	114,425	720	10,325	195,416
As at December 31, 2015	54,511	16,251	118,572	754	7,394	197,495

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2013 the Company revaluated tangible assets from the land and buildings category using the services of an independent valuator. The differences in value reflected in the financial statements ended December 31, 2013 amounted to LEI 29,101 thousand.

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

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

The net book value of tangible assets under finance lease is LEI 6,793 thousand as at December 31, 2016 (LEI 8,001 thousand as at December 31, 2015).

Pledged and restricted tangible assets**ROMCARBON S.A.**

Tangible assets having a net book value of LEI 136,593 thousand as at December 31, 2016 (December 31, 2015: LEI 126,063 thousand) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank and EXIMBANK SA. Some of the commercial banks issued letters of guarantee for the company's commercial partners. To issue such letters of guarantee, the company pledged fixed assets with a net book value of LEI 12,598 thousand as at December 31, 2016 (December 31, 2015: LEI 96,243 thousand).

Living Jumbo Industry S.A.

Tangible assets with a net book value of LEI 43,099 thousand as at December 31, 2016 (December 31, 2015: LEI 46,239 thousand) consisting of technical installations and equipment represent security for loans and credit lines contracted from BRD GSG and UniCredit Bank SA.

Guarantees granted to Group companies

ROMCARBON S.A. is guarantor in the investment loan contracted by LivingJumbo Industry SA from UniCredit Bank SA in amount of EUR 607,200 (due in February 2024) by an immovable mortgage of subsequent rank over real estate located on Simileasca (DN2) ringroad, Buzau, identified by cadastral no. 59505 formerly 18740 (having a total surface area of 3,933 sq m) together with mortgage over the superficies right and the construction built by YENKI SRL SRC 22404794, holding cadastral number 59505-C1 (Land Registry no. 59505-C1) as well as over any constructions to be built on such properties, cadastral no. 59506 formerly 18741 (having a total surface area of 64,256 sq m) and cadastral no. 59507 formerly 18742 (having a total surface area of 70,231 sq m). As at December 31, 2016 the net book value of such real estate is LEI 13,693 thousand.

12. GOODWILL

COST	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	143	143
Additions from acquisition of subsidiaries	1	834
Impairment of goodwill	-	(834)
Disposals from sale of subsidiaries	-	-
Balance at the end of the year	144	143

According to International Financial Reporting Standards, goodwill is reviewed at the end of each reporting period for any impairment.

In December 30, 2015, the Group acquired NEXT ECO RECYCLING SA.

NEXT ECO RECYCLING SA is a company established in 2011, where S.C. Romcarbon S.A. holds indirectly through LivingJumbo Industry SA 69.30% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The main object of activity of the company is Other business support service activities n.e.c. (NACE code 8299).

Further to the acquisition, goodwill was registered in amount of RON 834 thousand, for which an impairment was registered as at December 31, 2015.

On July 14, 2016 the Group lost control over Next Eco Recycling SRL.

In 2016, the Group established Green Resources Management SRL.

13. OTHER INTANGIBLE ASSETS

COST	Licenses <i>thousand LEI</i>	Other intangible assets <i>thousand LEI</i>	Intangible assets in progress <i>thousand LEI</i>	Total <i>thousand LEI</i>
Balance as at January 1, 2016	453	1,213	-	1,667
Additions	137	386	-	523
Disposals	(11)	(401)	-	(412)
Balance as at December 31, 2016	579	1,198	-	1,778
Balance as at January 1, 2015	378	1,144	-	1,522
Additions, of which	76	115	-	191
Transfers	-	-	-	-
Acquisitions	-	-	-	-
Disposals, of which	-	-	-	-
Decreases	-	(46)	-	(46)
Transfers	-	-	-	-
Balance as at December 31, 2015	453	1,213	-	1,667

13. OTHER INTANGIBLE ASSETS (continued)

ACUMULATED AMORTIZATION	Licenses	Other intangible assets	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance as at January 1, 2016	378	854	1,232
Expenses with amortization	97	104	201
Write-offs on disposal of assets	(2)	(26)	(28)
Transfer	-	-	-
Balance as at December 31, 2016	473	932	1,405
Balance as at January 1, 2015	378	574	952
Expenses with amortization	-	282	282
Write-offs on disposal of assets	-	(2)	(2)
Transfer	-	-	-
Balance as at December 31, 2015	378	854	1,232
NET BOOK VALUE			
As at December 31, 2016	106	266	373
As at December 31, 2015	75	359	435

14. OTHER FINANCIAL ASSETS

Details on the Group's associates are as follows:

Name of investment	Core activity	Place of establishment and operations	Ownership interest	
			2016	2015
			%	%
Kang Yang Biotechnology Co. Ltd	Manufacture of products beneficial for human health	Taiwan	5%	5%
Romgreen Universal Ltd "Greenlife" Ecological Association	Business and other management consultancy activities, core activity	Cyprus	17.59%	25%
Registrul Miorita SA	Non-profit organization	Romania	33.33%	33.33%
Yenki	Insurance related to Shareholders' Registry	Romania	4%	4%
ARCH DEVELOPMENT ASSOCIATES SRL	Real estate development	Romania	33.34%	33.34%
			0.23%	-

14. OTHER FINANCIAL ASSETS (continued)

Changes of investment regarding associates and financial assets:

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
As at January 1	27,175	23,930
Share of profit of associates (Romgreen)	3,904	3,980
Additions	-	-
Transfer to other comprehensive income	148	258
Dividends collected elimination	-	-
Reduction of Romgreen* share premiums	-	(1,001)
Net loss on the reduction of partial holdings in Romgreen**	(2,760)	-
Others	-	8
Total	28,467	27,175

*In 2015, the shareholders of Romgreen decided to decrease the share premiums by EUR 900 thousand. Recyplat holds 25% in Romgreen, which means that EUR 225 thousand was transferred to it, thus reducing the cost of the investment held by Recyplat in Romgreen.

** In July 2016, the share capital of Romgreen Limited increased by EUR 7.3 million, in which the Group did not participate.

15. INVENTORIES

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Raw materials	21,430	15,125
Consumables	3,575	3,007
Items of inventory	119	174
Packaging	237	152
Finished products	4,845	3,686
Production in progress	2,029	1,912
Semi-finished products	5,399	4,336
Residual products	361	19
Commodities	463	443
Impairment allowances for inventories	(1,287)	(805)
Total	37,171	28,049

Inventories cost recognized in the income statement in 2016 amounted to LEI 147,840 thousand (in 2015 it amounted to LEI 140,933 thousand).

In 2016, the Group's average turnover was 49 days, as compared to 43 days in 2015.

16. TRADE AND OTHER RECEIVABLES

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade receivables	30,097	39,500
Allowances for doubtful clients	(2,586)	(2,498)
Advances to suppliers of fixed assets	-	-
Advances to suppliers of inventories	267	409
Advances to services suppliers	343	329
Subsidies	-	18,923
Warranties withheld	2	14
Other receivables	1,605	10
Total	<u>29,728</u>	<u>56,686</u>

* In investment projects non-refundable financing co-funded by the European Regional Development Fund, Priority Axis 1, generically called - "Development of S.C. ROMCARBON S.A. through the purchase of new equipment" and "Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment", the Group registered as at December 31, 2015 subsidies receivable in amount of LEI 1,124 thousand, and LEI 17,799 thousand.

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Changes of allowance for doubtful clients		
Balance at the beginning of the year	<u>2,498</u>	<u>2,096</u>
Receivables transferred to expenses during the year	248	434
Decrease of allowance recognized in profit and loss	(160)	(33)
Balance at the end of the year	<u>2,586</u>	<u>2,498</u>

When determining the recoverability of a receivable, the Group takes into account any change in the receivable's crediting capacity from the date the loan was granted, until the reporting date. The level of credit risk is limited given that the client basis is large and the client portfolio is diverse. Therefore, the Group's management considers that there is no need for an additional provision exceeding the allowance for doubtful debts.

	Analysis of receivables past due beyond 60 days		Analysis of value adjustments by age	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
60 - 90 days	42	243	-	(381)
90 - 120 days	9	4	-	-
More than 120 days	2,862	2,995	(2,586)	(2,117)
Total	<u>2,913</u>	<u>3,242</u>	<u>(2,586)</u>	<u>(2,498)</u>

17. OTHER CURRENT ASSETS

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Suppliers-debtors for services	-	-
Pre-paid amounts	23	296
Taxes recoverable	1,349	1,708
Total	1,372	2,004

18. ISSUED CAPITAL

	Share capital	
	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
264,122,096 fully paid ordinary shares (2014: 264,122,096).		
The value of one share is LEI 0.1	26,412	26,412
Total	26,412	26,412

	December 31, 2016		December 31, 2015	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry S.R.L.	86,774,508	32.854%	86,774,508	32.854%
Unitai International Corporation	615,500	0.233%	615,500	0.233%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.519%	54,195,089	20.519%
Romanian Investment Fund (Eastern Eagle Fund LTD)	10,337,983	3.914%	27,622,431	10.458%
Stichting Bewaarder Overlevingsfonds	13,207,000	5.000%	13,206,106	5.000%
BRAICONF SA	15,000,000	5.679%	10,000,000	3.786%
Other legal persons	33,121,409	12.540%	21,843,341	8.270%
Other natural persons	50,870,607	19.260%	49,865,121	18.880%
Total	264,122,096	100.000%	264,122,096	100.000%

19. RESERVES

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Revaluation reserves	42,407	44,723
Reserves from the application of IAS 29 on items of equity	-	-
Translation differences	<u>(1,043)</u>	<u>(1,475)</u>
Total	<u>41,364</u>	<u>43,248</u>

20. RETAINED EARNINGS

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	<u>77,869</u>	<u>70,678</u>
Net profit attributable to parent	3,464	8,522
Write-off of application of IAS 29 on capital accounts	-	-
Reclassification of revaluation reserve to retained earnings	385	462
Corrections of financial assets disposed and repossessed	549	-
Dividends paid	(2,245)	(2,007)
Other	<u>9</u>	<u>214</u>
Balance at the end of the year	<u>80,032</u>	<u>77,869</u>

21. NON-CONTROLLING INTERESTS

	Year ended December 31, 2016	Year ended December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Balance at the beginning of the year	<u>1,400</u>	<u>1,765</u>
Share of profit / (loss) for the year	(178)	49
Share of other items of capital	-	(177)
Increases from acquisition of interests	-	130
Dissolution of subsidiaries	<u>(150)</u>	<u>(366)</u>
Balance at the end of the year	<u>1,072</u>	<u>1,400</u>

22. BORROWINGS

	Short-term		Long-term	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Secured borrowings – at amortized cost	thousand LEI	thousand LEI	thousand LEI	thousand LEI
Overdraft and Investment loans	52,794	69,203	58,009	54,538
Lease liabilities	1,112	1,718	85	1,274
Total	53,906	70,921	58,094	55,812

Short-term bank loans	Entity	December 31, 2016	December 31, 2015
		thousand LEI	thousand LEI
Credit line Euro - BRD	Romcarbon	11,062	9,742
Investment loan Euro - BRD	LivingJumbo Industry	-	-
Credit line Euro - BRD	LivingJumbo Industry	4,087	1,712
Investment loan in Euro - BRD [CCE project]	LivingJumbo Industry	-	-
Bridge loan in Euro - UniCredit Tiriac Bank SA - Project CCE 2015	LivingJumbo Industry	-	18,079
Credit line Euro - UniCredit Tiriac Bank SA	Romcarbon	15,489	14,137
Object loan in Euro - UniCredit Tiriac Bank SA	Romcarbon	10,442	10,213
Credit line Euro - Unicredit Tiriac Bank SA	Taipei Cimeo SRL	-	-
Credit line Euro - NBG London	Romcarbon	-	-
Investment loan in Euro- NBG Malta	Romcarbon	-	-
Bridge loan in Euro - UniCredit Tiriac Bank SA - CCE 2015 project	Romcarbon	-	9,384
VAT facility in Lei - UniCredit Tiriac Bank SA - CCE 2015 project	Romcarbon	-	1,220
Investment loan Euro-BRD II	Romcarbon	2,046	2,038
Investment loan Euro-BRD II	Romcarbon	331	47
Investment loan Euro-BRD I	Romcarbon	2,386	2,377
Investment loan in Lei - Eximbank SA		1,024	255
Investment loan Euro - UniCredit Bank SA - CCE 2015 project	Romcarbon	978	-
Investment loan I in Euro - BRD	LivingJumbo Industry	488	-
Investment loan Euro - UniCredit Bank SA	LivingJumbo Industry	328	-
Investment loan Euro - UniCredit Bank SA - CCE 2015 Project	LivingJumbo Industry	2,553	-
Investment loan I in Lei - UniCredit Bank	Romcarbon	402	-
Investment loan II in Lei - UniCredit Bank	Romcarbon	156	-
Investment loan IV in Lei - UniCredit Bank	Romcarbon	1,023	-
Total		52,794	69,203

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22. BORROWINGS (continued)

<u>Long-term bank loans</u>	<u>Entity</u>	<u>Year ended December 31, 2016</u>	<u>Year ended December 31, 2015</u>
		<i>thousand LEI</i>	<i>thousand LEI</i>
Investment loan in Euro Banca Romaneasca - NBG Malta	Romcarbon	-	-
Investment loan in Euro - BCR [CCE project]	Romcarbon	-	-
Investment loan in Euro Euro-BRD I	Romcarbon	398	2,774
Investment loan in Euro Euro-BRD II	Romcarbon	2,743	3,073
Investment loan in Euro Euro-BRD III	Romcarbon	8,353	10,360
Credit Investitii I in lei - UniCredit Bank	Romcarbon	2,789	-
Credit Investitii II in lei - UniCredit Bank	Romcarbon	627	-
Credit Investitii IV in lei - UniCredit Bank	Romcarbon	4,091	-
Investment loan in Euro - UniCredit Tiriac Bank SA – CCE project	Romcarbon	12,497	13,426
Investment loan in Lei - Eximbank SA	Romcarbon	4,607	2,800
Investment loan I in Euro - BRD	LivingJumbo Industry	2,043	1,210
Investment loan II in Euro - BRD	LivingJumbo Industry	49	-
Investment loan in Euro - UniCredit Tiriac	LivingJumbo Industry	1,814	871
Investment loan in Euro - UniCredit Tiriac Bank SA - CCE 2015 project	LivingJumbo Industry	17,999	20,025
Total		58,009	54,538

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

As at December 31, 2015 the group companies fulfilled all the covenants provided in the loan contracts, except for Total financial liabilities /EBITDA. In April 2016, the Company sent a letter to the bank mentioning that due to the 2016 investments, the financial liabilities /EBITDA covenant would not be complied with and requested a revision.

In November 2016, the bank communicated the group companies that it would suspend the revision of the contractual financial covenants until the completion of the financial statements. The group companies obtained as at the approval date of the separate financial statements a letter from the bank stipulating that the Company was not in breach of the contractual provisions and it would not demand the early repayment of the loans made available.

As at December 31, 2016, the Group had more loans contracted from various banks, the most important of which are presented below.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings****a) Credit line contracted from UniCredit Tiriac Bank in amount of EUR 3,450,000**

- Outstanding amount as at December 31, 2016: lei 15,488,569 (equivalent of EUR 3,410,753)
 - Due on: July 2, 2017
 - Securities:
1. Mortgage on the following immovable assets (land + constructions), having a net book value as at December 31, 2016 of lei 27,282,202 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. 59506 formerly, 18741 (having a total surface area of 64,256 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 59507 formerly, 18742 (having a total surface area of 70,231 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 64699, having a surface area of 3,308 sq m, resulting from the division of the area holding cadastral no. 52858, formerly 344/1/15/2 (having a total surface area of 5.467 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;
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Tiriac Bank – Buzău Branch;
 3. Mortgage over 70 machinery having a net book value of lei 67,184 as at December 31, 2016;
 4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts with LivingJumbo Industry SA (except contract no. 161/28.01.2010 assigned to BCR), P.H. Bratpol Poland, Yugosac D.O.O.Serbia;
 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.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)**

b) credit line for the EUR 2,500,000 financing of the company's general expenses contracted from UniCredit Tiriac Bank, resulting from the conversion of the credit line granted for financing the purchase of raw materials from suppliers (required to execute the contract with Kasakrom Chemicals SRL).

- Outstanding amount as at December 31, 2016: lei 10,441,801 (equivalent of EUR 2,299,399)
- Due on: July 4, 2017
- Securities:

1. Mortgage of subsequent rank over immovable assets (land + constructions) having a net book value as at December 31, 2016 of lei 22,412,542, 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 holding 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. 59506, formerly 18741 (having a total surface area of 64,256 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 59507, formerly 18742 (having a total surface area of 70,231 sq m) located on the ring road Simileasca (DN2), Buzău;
 - cadastral no. 64699, having a surface area of 3,308 sq m, resulting from the division of the area holding cadastral no. 52858, formerly 344/1/15/2 (having a total surface area of 5,467 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. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău
2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Tiriac Bank – Buzău Branch;
3. Mortgage over 70 machinery having a net book value of lei 67,183 as at December 31, 2016;
4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts with LivingJumbo Industry SA (except contract no. 161/28.01.2010 assigned to BCR), P.H. Bratpol Poland, Yugosac D.O.O.Serbia;
5. Blank promissory note, with the mention "No Protest";
6. Assignment of the claims, notified and accepted by 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, clients of SC ROMCARBON SA, which are assigned debtors, with possibility of supplementing the security by other new contracts/relations that will be performed throughout the validity period of the facility.
7. LivingJumbo Industry SA as co-borrower.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****c) Credit line contracted from BRD GSG in amount of EUR 2,550,000**

- Outstanding amount as at December 31, 2016: lei 11,061,421 (equivalent of EUR 2,435,846)
 - Due on: October 30, 2017
 - Securities:
1. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 13,359,687 as at December 31, 2016, 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 6,505 sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău;
 - 52788 (6778), 52861(6779), 52765 (6777), 61093-C1-U12 (2362/0;1), 61099-C1-U2 (1155/0;2) located at Bld.Unirii, Bl. E3-E4, Buzău having a total surface area of 287 sq m.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 305,397 as at December 31, 2016;
 3. Mortgage over the credit balance of the accounts opened by S.C. Romcarbon S.A. with BRD GSG - Buzău Branch.

As at December 31, 2016, 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, 2016: lei 2,783,791 (equivalent of EUR 613,021)
 - Due on: March 1, 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, 2016 of lei 12,245,652 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 16,250,952 as at December 31, 2016;
 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.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)****b) *Investment loan II in amount of EUR 1,000,000 (partly drawn) contracted from BRD GSG.***

- Outstanding amount as at December 31, 2016: lei 3,073,578 (equivalent of EUR 676,836)
- Due on: September 3, 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 over the assets purchased out of the outstanding loan estimated at EUR 1,400,000 (without VAT).

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

- Outstanding amount as at December 31, 2016: lei 10,398,187 (equivalent of EUR 2,289,795)
- Due on: February 3, 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 34,605 sq m and a net carrying amount as at December 31, 2016 of lei 13,732,674, identified by the following cadastral numbers: 61517 with a surface area of 16,818 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.

22. BORROWINGS (continued)**Romcarbon S.A. 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, partly used.***

- Outstanding amount as at December 31, 2016: lei 5,630,625
- Due on: June 20, 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, 2016 of lei 4,949,274, 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 over future goods to be purchased by Romcarbon SA out of such loan;
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" in amount of EUR 2,967,420 contracted from UniCredit Bank SA:*

- Outstanding amount as at December 31, 2016: lei 13,475,350 (equivalent of EUR 2,967,420)
- Due on: December 4, 2023
- Securities:

1. Mortgage over the goods purchased in project "Development of Romcarbon SA" at a net book value of lei 29,717,081 as at December 31, 2016
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, 2016: lei 3,191,000
- 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 4,865,967 as at December 31, 2016;

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)**

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. 59506, formerly 18741(in total surface area of 64.256 sq m) and holding cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m). As at December 31, 2016 the net book value of such real estate was lei 13,692,640;
3. 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;
4. 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, 2016: lei 783,198
 - 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. 59506, formerly 18741(in total surface area of 64.256 sq m) and holding cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m). As at December 31, 2016 the net book value of such real estate was lei 13,692,640.
 2. Movable property mortgage over the movable assets purchased within the project;
 3. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

22. BORROWINGS (continued)**Romcarbon S.A. borrowings (continued)*****h) Investment loan III in amount of EUR 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan***

- Outstanding amount as at December 31, 2016: lei 0
- 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. 59506, formerly 18741 (in total surface area of 64.256 sq m) and holding cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m). As at December 31, 2016 the net book value of such real estate was lei 13,692,640.
2. Movable property mortgage over the movable assets purchased within the project;
3. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

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

- Outstanding amount as at December 31, 2016: lei 0
- Due on: 19.09.2021
- Securities:

1. Immovable property mortgage over real estate located in Stefanestii de jos, Str.Sinaia nr.15, Ilfov, identified by cadastral/topographic no. 50009, having a total surface area of 12,774 sq m and a net book value of lei 4,865,967 as at December 31, 2016;
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. 59506, formerly 18741 (in total surface area of 64.256 sq m) and holding cadastral no. 59507, formerly 18742 (in total surface area of 70,231 sq m). As at December 31, 2016 the net book value of such real estate was lei 13,692,640;
3. Movable property mortgage over 47 machinery having a net book value of lei 4,521,272 as at December 31, 2016;
4. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

22. BORROWINGS (continued)**LivingJumbo Industry S.A.****a) Credit line contracted from BRD GSG within the limit of EUR 1,500,000**

- Outstanding amount as at December 31, 2016: lei 4,087,444 (equivalent of EUR 900,100)
- Due on: September 30, 2017
- Securities:

1. Mortgage without dispossession over the machinery belonging to the company estimated at a market value of EUR 800,150;
2. Mortgage over the credit balance of the accounts opened in LEI or foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG - Buzău Branch;
3. Assignment of amounts received based on the commercial contracts concluded with clients in amount of minimum EUR **4,461,299 in 2016 and EUR 4,572,222 in 2017**.

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

- Outstanding amount as at December 31, 2016: lei 2,531,536 (equivalent of EUR 557,472)
- Due on: July 7, 2022
- Securities:

1. Mortgage without dispossession over the machinery forming the object of the investment;
2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG – Buzău Branch.

c) Long-term loan contracted from UniCredit Bank SA at an initial value of EUR 607,200 (partly contracted)

- Outstanding amount as at December 31, 2016: Lei 2,142,691 (equivalent of EUR 471,844)
- Due on: February 15, 2024
- Securities:

1. Mortgage of subsequent rank over the real estate held by SC Romcarbon SA located in Buzau, Simileasca ring road (cadastral no. 59507 Land Registry no 59507 (former Land Registry no. 35485, former cadastral no. 18742), cadastral no. 59506 Land Registry no 59506 (former Land Registry no 35484, former cadastral no. 18741), cadastral no. 59505 Land Registry no 59505 (former Land Registry no 35483, former cadastral no. 18740));

22. BORROWINGS (continued)**LivingJumbo Industry S.A. (continued)**

2. Mortgage of subsequent rank over the real estate held by S.C YENKI S.R.L located in Buzău municipality, Șoseaua Nordului - DN2, Buzău county, consisting of building C1 – industrial and urban building, erected in 2010 based on construction permit no. 137/06.08.2010 issued by the Buzău City Hall, in surface area according to measurements of 85 sq m, registered in Land Registry under no. 59505-C1 of the Buzău locality, bearing cadastral/topographical no. 59505-C1, located on the land owned by ROMCARBON S.A. (which established a right of superficies in favour of YENKI SRL) and over the related right of superficies and over all future buildings, improvements, annexes and all further improvements of the real estate, present or future rents or leases produced by the real estate and payments made under the guarantee/insurance contracts of any kind related to and in connection with the payment of such rents or leases.
3. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Tiriac Bank SA;
4. Guarantor: SC Romcarbon SA and S.C YENKI S.R.L.

d) *Long-term loan contracted from UniCredit Bank SA to co-fund investment project "Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment" at an initial value of EUR 4,723,205 (partly contracted)*

- Outstanding amount as at December 31, 2016: Lei 20,552,192 (equivalent of EUR 4,525,818)
- Due on: February 15, 2024
- Securities:
 1. The machinery funded, the estimated value, without VAT, EUR 8,867,855; the assignment of the insurance policy of the machinery purchased out of the loan to UniCredit Tiriac Bank SA, which will be the sole beneficiary of the policy;
 2. Mortgage over the accounts and sub-accounts opened in LEI and foreign currency with UniCredit Tiriac Bank SA.

e) *Long-term loan contracted from BRD GSG at an initial value of EUR 160,000 (partly contracted)*

- Outstanding amount as at December 31, 2016: Lei 48,535 (equivalent of EUR 10,688)
- Due on: November 1, 2021
- Securities:
 1. Mortgage without dispossession over the machinery forming the object of the investment.
 2. Mortgage over the credit balance of the accounts opened in LEI and foreign currency by S.C. LIVING JUMBO INDUSTRY S.A. with BRD-GSG – Buzău Branch

23. OTHER CURRENT LIABILITIES

	Current	
	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Liabilities to employees	1,478	1,128
Liabilities related social contributions	1,248	1,057
VAT payable	374	252
Income tax	-	-
Tax on salaries	439	421
Other taxes payable	3	6
Other non-trade liabilities	-	-
Interest payable	-	-
Total	3,541	2,864

24. TRADE AND OTHER LIABILITIES

	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Trade liabilities	31,546	32,262
Suppliers invoices not received	980	1,021
Advances to clients	641	1,438
Sundry creditors (a)	184	3,086
Total	33,351	37,808

In 2015, sundry debtors include LEI 385 thousand, which represents borrowings from natural and legal person shareholders, most of which to be repaid in 2016 (see note 27).

25. FINANCE LEASE OBLIGATIONS
Lease contracts

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

25. FINANCE LEASE OBLIGATIONS (continued)
Finance lease liabilities

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
Present value of finance lease payments				
Amounts due within one year	1,133	1,796	1,112	1,718
More than one year, but less than 5 years	83	1,405	85	1,275
Total lease liabilities	1,216	3,201	1,197	2,993
Less future finance expenses	(19)	(208)	-	-
Present value of finance lease payments	1,197	2,993	-	-
Included in the financial statements as:				
Short-term borrowings	1,112	1,718	-	-
Long-term borrowings	85	1,275	-	-

26. OTHER LONG-TERM LIABILITIES

As at December 31, 2015, investment subsidies received by the Group amounted to LEI 43,107 thousand, as follows:

- Romcarbon SA – LEI 24,476 thousand, of which Lei 9,803 thousand for the project “Modernization of the undertaking by purchasing new technologies in production, reshaping, rehabilitation and extension of existing shop floor” not transferred to income and Lei 14,605 thousand related to project “Development of S.C. ROMCARBON S.A. through the purchase of new equipment”.
- LivingJumbo Industry SA - Lei 18,631 thousand, of which Lei 17,799 thousand related to investment project “Development of S.C. LIVINGJUMBO INDUSTRY S.A. through the purchase of new equipment” and Lei 832 thousand related to the investment project co-funded from European funds implemented in 2011.

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

As at December 31, 2016 the value of investment subsidies received from the Group amounts to Lei 39,149 thousand, as follows:

Romcarbon SA: Lei 22,204 thousand
LivingJumbo Industry SA: Lei 16,945 thousand

27. FINANCIAL INSTRUMENTS**(a) Capital risk management**

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

The Company's capital consists of liabilities, which include the borrowings presented in note 22, cash and cash equivalent and equity attributable to the company. Equity comprises the share capital, reserves and retained earnings as presented in notes 18, 19 and 20.

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

(b) Main accounting policies

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

(c) Objectives of financial risk management

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

(d) Market risk

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

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

(e) Currency risk management

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

27. FINANCIAL INSTRUMENTS (continued)**(f) Interest rate risk management**

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

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

(g) Other risks regarding prices

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

(h) Credit risk management

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

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

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

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities. Note 32 includes a list of additional facilities not drawn, available to the Group in order to further mitigate liquidity risk.

27. FINANCIAL INSTRUMENTS (continued)***(j) Fair value of financial instruments***

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

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

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

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

27. FINANCIAL INSTRUMENTS (continued)

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

2016	EUR 1 EUR= LEI	USD 1 USD= LEI	Leu 1 LEI	31-Dec-2015 Total
	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>
Cash and cash equivalents	2,016	63	9,465	11,544
Receivables and other current assets	6,598	249	22,881	29,728
Other current assets	-	-	1,372	1,372
LIABILITIES				
Trade and other liabilities	7,266	480	25,605	33,350
Other current liabilities	-	-	3,541	3,541
Short and long-term borrowings	96,085	-	14,718	110,804
Short and long-term finance lease liabilities	1,197	-	-	1,197
2015	EUR 1 EUR= LEI	USD 1 USD= LEI	Leu 1 LEI	31-Dec-2015 Total
	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>	<u><i>thousand LEI</i></u>
Cash and cash equivalents	3,358	61	13,594	17,014
Receivables and other current assets	8,212	86	48,388	56,686
Other current assets	-	-	2,004	2,004
LIABILITIES				
Trade and other liabilities	12,188	44	25,575	37,808
Other current liabilities	-	-	2,846	2,864
Short and long-term borrowings	77,571	-	46,171	123,741
Short and long-term finance lease liabilities	2,904	-	89	2,993

This is a free translation from the original Romanian version.

27. FINANCIAL INSTRUMENTS (continued)

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

	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Loss	(10,270)	(12,673)

Tables regarding liquidity and interest rate risks

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

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

2016	Less than 1 year	1-2 years	2-5 years	Total
	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>	<i>thousand LEI</i>
<i>Non-interest bearing</i>				
Trade liabilities and other current liabilities	33,351	-	-	33,351
<i>Interest bearing instruments</i>				
Short and long-term borrowings	52,794	12,205	45,804	110,803
Short and long-term leases	1,112	85		1,197
<i>Non-interest bearing</i>				
Cash and cash equivalents	11,544	-	-	11,544
Receivables and other current assets	31,100	-	-	31,100

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

2015	Less than 1 year	1-2 years	2-5 years	Total
	thousand LEI	thousand LEI	thousand LEI	thousand LEI
Non-interest bearing				
Trade liabilities and other current liabilities	-	-	-	-
	40,672	-	-	40,672
Interest bearing instruments				
Short and long-term borrowings	69,203	10,268	44,270	123,742
Short and long-term leases	1,720	1,102	171	2,993
Non-interest bearing				
Cash and cash equivalents	17,014	-	-	17,014
Receivables and other current assets	-	-	-	-

The table below present the credit limit and the balance of 10 major counterparties as at the date of the balance sheet, in LEI:

Company	Counterparty	Turnover 2016	Value of receivable as at 31.12.2016	Credit limit	Credit in days
ROMCARBON	KASAKROM CHEMICALS SRL	33.221	2.818	NO NO	max 105
ROMCARBON	DEDEMAN SRL BACAU	5.255	1.042	NO	90
ROMCARBON	PRODINGER oHG	4,579	150	NO NO	30
ROMCARBON	PH BRATPOL JERZY BRATKOWSKI POLONIA - EUR ROMPETROL RAFINARE	4.013	829	NO	75
ROMCARBON	SA NAVODARI	3.678	1.585	NO	90
LIVINGJUMBO INDUSTRY	EXPERGO BUSINESS NETWORK SRL	11.302	2.832	NO	60
LIVINGJUMBO INDUSTRY	BAOBAG	9.444	1.145	NO	60
LIVINGJUMBO INDUSTRY	CIECH SODA ROMANIA S.A.	3.909	375	NO	30
LIVINGJUMBO INDUSTRY	POLIMERO	3.763	308	NO	35
LIVINGJUMBO INDUSTRY	THRACE-IPOMA SA	3,727	299	NO	30

28. RELATED PARTY TRANSACTIONS

The transactions among the Parent and its subsidiaries – Group’s related parties – were eliminated from the consolidation and are not presented under this note. Companies and individuals may be deemed related parties if one party holds control or exercises significant influence over the other party.

Indemnities granted to top management

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

	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Management salaries	3,328	2,694
Benefits for Board of Administration	382	597
Total	<u>3,710</u>	<u>3,291</u>

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

Shareholder borrowings	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
WU HUI TZU (Living Jumbo Industry SA)	18	18
WINPACK INDUSTRY (Eco Pack Management SRL)	196	365
(Greensort Recycling SRL)	-	2
Total	<u>215</u>	<u>385</u>

28. RELATED PARTY TRANSACTIONS (continued)

Related party transactions

(all amounts are expressed in thousand LEI)

	Sales of goods and services		Purchases of goods and services		Receivables from related parties		Payables to related parties	
	12 months 2016	12 months 2015	12 months 2016	12 months 2015	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Greenfiber International SA	2,748	2,677	199	198	337	479	42	52
Grinteh D.O.O Macedonia	76	-	-	-	-	-	-	-
GREENTEH DOO SERBIA	8	-	-	4	-	-	-	-
Greenglass Recycling SA	7	86	-	155	-	1	-	-
Greentech sa	4,777	3,067	2,781	1,575	746	725	670	108
Total Waste Management	968	957	163	707	120	132	42	205
Greenweee International SA	653	450	984	1,545	40	104	37	220
Greenlamp Reciclare SA	5	9	-	-	1	3	-	-
TOTAL	9,243	7,246	4,127	4,184	1,245	1,444	791	585

29. ACQUISITION OF SUBSIDIARIES

In December 2015, the Group acquired NEXT ECO RECYCLING SRL.

NEXT ECO RECYCLING SA is a company established in 2011, where S.C. Romcarbon S.A. holds indirectly through LivingJumbo Industry SA 69.30% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The main object of activity of the company is Other business support service activities n.e.c. (NACE code 8299). The Group acquired this company in December 2015. For the acquisition of this company, the Group paid Lei 129 thousand in January 2016.

Assets and liabilities recognized as at the acquisition date

	December 31, 2016
	<i>thousand LEI</i>
Current assets	
Items of inventory	46
Other receivables	3
Trade receivables	66
Petty cash and bank accounts	37
Non-current assets	
Buildings	299
Current liabilities	
Suppliers and similar liabilities	23
Other liabilities	2

Further to the acquisition, goodwill was registered in amount of RON 834 thousand, for which an impairment was registered as at December 31, 2015.

Minority interest following the acquisition is Lei 131 thousand.

30. DISPOSAL OF SUBSIDIARIES

In June 2015, TOTAL COMMERCIAL MANAGEMENT SRL, whose object of activity was Agents involved in the sale of a variety of goods (NACE code 4619) was de-registered from the Trade Registry.

In October 2015, POLYMASTER CHEMICALS S.A., whose object of activity was Manufacture of plastic plates, sheets, tubes and profiles (NACE code 2221) was de-registered from the Trade Registry.

In November 2015, TAIPEI CIMEO SRL, whose object of activity was Other human health activities (NACE code 8690) was de-registered from the Trade Registry.

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

In July 2016, Next Eco Recycling SA was assigned.

30. DISPOSAL OF SUBSIDIARIES (continued)

Analysis of assets and liabilities for which control was lost:

	December 31, 2015
	<i>thousand LEI</i>
Current assets	
Merchandise	60
Trade receivables	71
Petty cash and bank accounts	177
Non-current assets	
Intangible assets	52
Current liabilities	
Suppliers and similar liabilities	40
Other liabilities	117
Short-term loans	380

Cash from the exit of companies from the group

	December 31, 2016
	<i>thousand LEI</i>
Money received	-
Petty cash and bank accounts of companies that left the group	(177,207)
TOTAL	(177,207)

After the companies mentioned above left the group, the minority interests decreased by Lei 366 thousand. Also, the companies' exit generated profit of Lei 618 thousand.

31. CASH ON HAND AND AT BANKS

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

	December 31, 2016	December 31, 2015
	<i>thousand LEI</i>	<i>thousand LEI</i>
Cash at banks	11,363	16,977
Cash on hand	55	30
Cash equivalents	126	7
Total	11,544	17,014

32. INVESTMENT PROPERTY

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
	<i>thousand LEI</i>	<i>thousand LEI</i>
Land	31,399	31,196
Buildings	<u>14,281</u>	<u>12,603</u>
Total investment property	<u>45,680</u>	<u>43,799</u>

The Parent holds non-current fixed assets (land and buildings) located in Iași, Ștefănești and Buzău in amount of LEI 43,799 thousand as at December 31, 2015 and in amount of LEI 45,680 thousand as at December 31, 2016.

The Group does not intend to use the assets in Iași in its core activity, they will be held for future capitalization. In consideration of such fact, the property, plant and equipment in Iași were reclassified to investment property as at December 31, 2015 and December 31, 2016 based on IAS 40 "Investment property".

Both the land and the building were registered at the fair value of investment property based on the report of the independent valuator, prepared as at the end of every year. Investment property is not subject to depreciation.

As at December 31, 2016, the Company valued investment property and the result of the valuation, in amount of Lei 759,449 thousand, was registered to profit or loss.

If the Company had valued the investments at cost, their value as at December 31, 2016 would have been Lei 35,433 thousand.

33. COMMITMENTS AND CONTINGENCIES

Potential tax liabilities

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

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

Transfer pricing

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

33. COMMITMENTS AND CONTINGENCIES (continued)**Environmental matters**

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

34. RETROSPECTIVE ADJUSTMENT OF DEFERRED INCOME

In accordance with IAS 8 Accounting policies, changes in accounting estimates and errors, the Company adjusted retrospectively deferred income from investment subsidies outstanding as at December 31, 2015. In the financial statements as at December 31, 2015, the LEI 3,889 thousand was presented in long-term liabilities, although it was obtained in 2016. The management deemed this amount significant and adjusted retrospectively this error, presenting the amount of LEI 3,889 in the current financial statements as at December 31, 2015 as short-term liabilities.

35. SUBSEQUENT EVENTS**ROMCARBON S.A.**

There were no significant events subsequent to the balance sheet date.

LIVINGJUMBO INDUSTRY SA

The approval of a new Collective Employment Contract for the period 2017 - 2019.

The approval of S.C LIVINGJUMBO INDUSTRY S.A (as assignor) assignment to S.C. GREENTECH S.A (as assignee) of the 20 share parts that S.C. LIVINGJUMBO INDUSTRY S.A. holds in S.C. GREEN RESOURCES MANAGEMENT S.R.L., which represent (further to the share capital increase) 0.05% of the subscribed and paid in share capital of S.C. GREEN RESOURCES MANAGEMENT S.R.L.

Approval of the change of legal form of organization of GREEN RESOURCES MANAGEMENT from Limited Liability Company to joint-stock company.

Increase of share capital of S.C. GREEN RESOURCES MANAGEMENT S.R.L. by Lei 399,800, cash contribution, by adding two new shareholders: S.C. GREENTECH S.A. and S.C. HEINEKEN ROMANIA S.A.

The consolidated financial statements were approved by the Board of Administration and were authorized for issuance on March 31, 2017.

PREPARED,

For signatures, please refer to the original Romanian version.

HUNG CHING LING,
Administrator

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer



S.C. ROMCARBON S.A.



ADMINISTRATORS' CONSOLIDATED REPORT FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2016

ACTIVITY OF THE GROUP OF COMPANIES

As at December 31, 2016 SC ROMCARBON SA Buzau holds participations directly and/or indirectly in 14 companies:

Company	31/12/2016		Consolidation method
	Interest	Control	
RECYPLAT LTD CYPRUS	100.00%	100.00%	Global
ROMCARBON DEUTSCHLAND GMBH	100.00%	100.00%	Global
RC ENERGO INSTALL SRL	100.00%	100.00%	Global
ECO PACK MANAGEMENT SA	25.36%	99.24%	Global
INFOTECH SOLUTIONS SRL	99.00%	99.00%	Global
LIVINGJUMBO INDUSTRY SA	99.00%	99.00%	Global
GRINFILD LLC UKRAINE	62.62%	62.62%	Global
GRINRUH LLC UKRAINE	62.62%	62.62%	Global
GREEN RESOURCES MANAGEMENT SRL	99.00%	99.00%	Global
ASOCIATIA ECOLOGICA GREENLIFE	33.33%	33.33%	Equity method
YENKI SRL	33.34%	33.34%	Equity method
KANG YANG BIOTECHNOLOGY CO.LTD	4.81%	4.81%	Outside the consolidation area
REGISTRUL MIORITA SA	3.79%	3.79%	Outside the consolidation area
ARCH DEVELOPMENT ASSOCIATES SRL	0.23%	0.23%	Outside the consolidation area

As at December 31, 2016, the Group also holds participations through Recyplat LTD in Romgreen Universal LTD and its subsidiaries, according to the table below.

Company	31/12/2016	
	Interest	Control
ROMGREEN UNIVERSAL LTD CYPRUS	17.5879%	17.5879%
GREENLAMP RECICLARE SA	17.5879%	17.5879%
GREENWEEE INTERNATIONAL SA	17.5879%	17.5879%
GREENWEEE INTERNATIONAL HUNGARY KFT	17.5879%	17.5879%
GREENTECH SA	17.5875%	17.5875%
GREENGLASS RECYCLING SA	12.3116%	12.3116%
GREENFIBER INTERNATIONAL SA	17.4682%	17.4682%
GREENTECH DOO SERBIA	15.7214%	15.7214%
GREENTECH RECYCLING DEUTSCHLAND GMBH	17.4682%	17.4682%
GRINTEH MK DOO MACEDONIA	15.6288%	15.6288%
TOTAL WASTE MANAGEMENT SRL	17.5249%	17.5249%



S.C. ROMCARBON S.A.



PRESENTATION OF THE GROUP AND THE MAIN INDICATORS ACHIEVED IN 2016

PRESENTATION OF THE GROUP'S MEMBER COMPANIES

As at December 31, 2016 the company was holding directly or through other subsidiaries, participating interest in the following entities:

RECYPLAT LTD is a company established in 2011, having a share capital of Lei 112,532 (EUR 26,000) wholly owned by SC Romcarbon SA. The company's main office is located in Akropoleos, 59-61, 3rd floor, Nicosia, Cyprus.

The company's main object of activity is the Conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization

ROMCARBON DEUTSCHLAND GMBH is a company established in 2013, with a share capital of lei 110,138 (EUR 25,000), wholly owned by S.C. Romcarbon S.A. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastic finished products, recycling of plastic materials and purchase of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

RC ENERGO INSTALL S.R.L. is a company established in 2005, with a share capital of lei 2,000, fully owned by S.C. Romcarbon S.A. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the maintenance and repair of heating, water installations, sewage and substations; the main object of activity is Plumbing, heat and air conditioning installation (NACE code 4322).

ECO PACK MANAGEMENT SA is a company established in 2010, with a share capital of lei 1,446,000, where SC Romcarbon SA directly holds 25.36% and 73.88% indirectly. The remaining shares are held by Romanian legal persons. The company's main office is located in Bucharest, sector 2, str. Barbu Vacarescu (formerly, Fabrica de Glucoza 2-4), nr. 164A, etaj 3, within Building C3 – Office Building. The company's main object of activity is - NACE code 8299 - Other business support service activities n.e.c.

INFO TECH SOLUTIONS S.R.L. is a company established in 2005, with a share capital of lei 2,000, where S.C. Romcarbon S.A. holds 99.00% of the shares and the remaining shares are held by natural persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company was established by outsourcing the IT services and its main object of activity is Data processing, hosting and related activities (NACE code 6311).

LIVINGJUMBO INDUSTRY S.A. is a company established in 2002, with a share capital of lei 806,400, where S.C. Romcarbon S.A. has held since 2011 99% of the shares and the remaining shares are held by Romanian legal persons. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132. The company's main object of activity is Manufacture of plastic packing goods (NACE code 2222).

GRINFILD LLC UKRAINE is a company established in 2007, with a share capital of lei 4,312,062, where SC Romcarbon SA holds 62.62% of the shares and the remaining shares are held by foreign legal persons. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is wholesale.



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GRINRUH LLC UKRAINE is a company established in 2007, with a share capital of lei 4,426,809, where SC Romcarbon SA holds 62.62%. The company's main office is located in Ukraine, Odessa region, Krijianivka locality, Str. Mikolayevska, Bl. 2. The company's main object of activity is construction and wholesale.

YENKI S.R.L. is a company established in 2007, with a share capital of lei 328,000, where S.C. Romcarbon S.A. holds 33.34% of the shares and the remaining shares are held by Romanian legal and natural persons. The company's main office is located at Soseaua Nordului, DN2, Buzău. The company's main object of activity is Operation of sports facilities (NACE code 9311).

"Greenlife" Ecological Association, established in accordance with GO no. 26/2000, is a non-governmental, non-profit and non-political organization. The association's patrimony amounts to RON 1,200. The association's purpose is to represent, promote and support the employer and professional interests of its members in the relationship with public authorities and other legal and natural persons, to consolidate their authority and social renown and to act towards modernizing the developing the field regarding environmental protection according to the international rules and standards. Also, the association sets itself to promote human solidarity, by organizing and supporting humanitarian actions. The association was established by SC Greenfiber International SA, SC Greentech SA and SC Romcarbon SA as founding members, each holding 33.33% of its patrimony.

GREEN RESOURCES MANAGEMENT is a company established in 2016, with a share capital of Lei 200, where SC Romcarbon SA indirectly holds 99%. The company's main office is located in Buzău, Str. Transilvaniei, nr. 132, Remiza PSI Camera 1. The company's object of activity is - NACE code 7022 - Business and other management consultancy activities.

In July 2016, the Group disposed its 70% holding in NEXT ECO RECICLYNG SA (a company established in 2011, whose main object of activity is - 8299 - Other business support service activities n.e.c.). The Group purchased such company in December 2015.

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

ROMGREEN UNIVERSAL LTD Cyprus is a company established in 2011, with a share capital of lei 177,858 (EUR 39,800), where SC Romcarbon SA indirectly holds 17.5879% of the shares through Recyplat LTD Cyprus. The company's main office is located in 2 Prodromou & Dimitrakopoulou, 5th floor, 1090, Cyprus. The company's object of activity is the conduct of activities and business of consultants, experts in all scientific fields, financial, administrative or otherwise, in relation to the setting up, operation, development and improvement of any business, industry, company, partnership or other organization.

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



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GREENWEEE INTERNATIONAL SA is a company established in 2007, with a share capital of lei 26,212,300, where SC Romcarbon SA indirectly holds 17.5879% of the shares. The company's main office is located in Buzău, Comuna Tintesti, Str. Ferma Frasinu. The company's object of activity is Dismantling of wrecks for materials recovery (NACE code 3831).

GREENWEEE INTERNATIONAL HUNGARY KFT is a company established in 2011, with a share capital of lei 45,563, where SC Romcarbon SA indirectly holds 17.5879%. The company's main office is located in 1051 Budapest, Dorottya utca 9.2. em.1. The company's object of activity is Management of used waste and treatment of other waste.

GREENTECH SA is a company established in 2002, with a share capital of lei 4,649,117, where SC Romcarbon SA indirectly holds LTD 17,5875% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Recovery of sorted materials (NACE code 3832).

GREENFIBER INTERNATIONAL SA is a company established in 2004, with a share capital of lei 35,250,000, where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Buzău, Aleea Industriilor, nr. 17. The company's main object of activity is Manufacture of man-made fibres (NACE code 2060).

GREENTECH DOO SERBIA is a company established in 2005, with a share capital of lei 2.189.903 (RSD 46,568,790.67), where SC Romcarbon SA indirectly holds 15.7214% of the shares. The company's main office is located in Serbia, Backa Palanka, str. Zarka Zrenjanina nr. 152. The company's main object of activity is the recycling of non-metallic waste and scraps.

GREENTECH RECYCLING DEUTSCHLAND GMBH is a company established in 2010, with a share capital of lei 108,808 (EUR 25,000), where SC Romcarbon SA indirectly holds 17.4681% of the shares. The company's main office is located in Bergisch Gladbach, Germany. The company's main object of activity is trade with plastics and recycling of plastic waste. As at the date of these financial statements, the company is under voluntary liquidation.

GRINTEH MK DOO MACEDONIA is a company established in 2007, with a share capital of lei 3,238,205 (MKD 46,684,925), where SC Romcarbon SA indirectly holds 15.6288% of the shares and the remaining shares are held by foreign natural persons. The company's main office is located in Macedonia, Skopje, bd. Romanija b.b Gazela, 1000. The company's main object of activity is Recycling of non-metallic waste and scraps.

TOTAL WASTE MANAGEMENT SRL is a company established in 2005. In 2012, it changed its object of activity from Business and other management consultancy activities (NACE code 7022) to Collection of non-hazardous waste (NACE code 3811). The company's share capital is lei 2,110,900. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17. As at the date of these financial statements, SC Romcarbon SA was indirectly holding 17.5249% of the share capital.

GREENGLASS RECYCLING SA is a company established in 2013, where SC Romcarbon SA indirectly holds 12.3116% of the shares. The remaining shares are held by natural and legal persons. The company's share capital is lei 6,750,000. The company's main office is located in Buzău, Str. Aleea Industriilor, nr. 17, pav. Comercial, Et.1, Cam. 2. The company's main object of activity is Recovery of sorted materials (NACE code 3832).



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In June 2016, SC GRENFIBER INTERNATIONAL SA disposed its 60% holding in GREENFIBER HELLAS (a company established in 2008 whose main object of activity was the recycling of scraps and non-metal waste).

In July 2016, the shareholders of ROMGREEN UNIVERSAL LTD decided to increase the share capital of the company by issuing 11,800 shares (11,252 Class A shares and 548 Class b shares) at a nominal value of EUR 1/share. The capital increase was performed by an issuance premium of EUR 624.7015/share.

RECYPLAT LTD, a company 100% held by ROMCARBON SA, did not participate in this increase, therefore the shareholding in ROMGREEN UNIVERSAL dropped to 17.5879%.

In July 2016, ROMGREEN UNIVERSAL LTD increased its holding in subsidiaries by purchase of shares from minority shareholders. Consequently, the holding shares of RECYPLAT LTD in such companies also changed.

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

ACTIVITY OF THE GROUP OF COMPANIES

PRESENTATION OF THE GROUP COMPANIES

The following persons ensured the executive management of the group companies in 2016:

RECYPLAT LTD CYPRUS – Director – Nicos Avraamides

RC ENERGO INSTALL SRL – CEO Banucu Ileana

ECO PACK MANAGEMENT SA – CEO from 1 January to 30 April 2016: Adin Ionescu; from 1 May to 1 December 2016: Damov Constantin; from 28 December 2016 Adrian Ianca,

INFO TECH SOLUTIONS SRL - CEO Hristache Cornel



S.C. ROMCARBON S.A.



LIVINGJUMBO INDUSTRY SA – CEO Manaila Carmen
GRINFILD LLC UCRAINA – CEO Perepelitea Olena Ivanivna
GRINRUH LLC UCRAINA-- CEO Iulia Golets
YENKI SRL – Administrator Petre Romeo Florinel
ROMCARBON DEUTSCHLAND GmbH – Administrator - Ms. Csilla Orban (until 31 March 2016);
starting from 1 April 2016 trustee in bankruptcy Franz Fassbender
GREEN RESOURCES MANAGEMENT SRL – Administrator –Adrian Ianca

ROMGREEN UNIVERSAL LTD CYPRUS – until 4 July 2016: Nicos Avraamides, Natalie Gureghian, Anna Dracou, Irene Pipera
From 4 July 2016: Nicos Avraamides, Constantinos Constantinides, Grzegorz Adam Piejka, Nicolaos Koronis, Paulina Anna Pietkiewicz

GREENLAMP RECICLARE S.A. – CEO Hung,Ching-Ling
GREENGLASS RECYCLING SA – CEO Costache Iulian Marius
GREENWEEE INTERNATIONAL SA – CEO Hung Ching-Ling
GREENWEEE INTERNATIONAL HUNGARY KFT - Managing Director - Costache Iulian Marius
TOTAL WASTE MANAGEMENT SRL – Administrators CRISTEA CONSTANTIN - member, Mihai Zamfir – BoA President, Marin Georgian Ionut - member
GREENTECH SA - CEO Hung Ching-Ling
GREENFIBER INTERNATIONAL SA – CEO Hung,Ching-Ling
GREENTECH RECYCLING DEUTSCHLAND GMBH - Administrator- Ms. Csilla Orban (until 31 March 2016); starting 1 April 2016 trustee in bankruptcy Franz Fassbender
GREENTECH DOO SERBIA – CEO – Mihail Mateski
GRINTEH MK DOO MACEDONIA – CEO – Mihail Mateski and Sofia Mateska

The general results of the activity of the company and its subsidiaries in the reporting period

No.	Indicator [thousand lei]	31.12.2014	31.12.2015	31.12.2016
1	Net sales	194,930	213,491	238,236
2	Total income	214,613	233,321	264,359
3	Total expenses	203,424	224,752	261,071
4	Net profit of the year	11,189	8,572	3,285
5	Profit attributable to parent	11,320	8,523	3,464



S.C. ROMCARBON S.A.



ACTIVITY OF THE GROUP OF COMPANIES

The evolution of the subsidiaries' contribution to the consolidated net profit of the group in 2016 is presented in the table below:

Company	Net profit/loss (thousand lei)	Attributable to parent	Attributable to NCI
Romcarbon SA	4,903	4,903	-
Living Jumbo Industry SA	-1,970	-1,950	-20
RC Energo Install SRL	2,008	2,008	-
Infotech Solutions SRL	160	158	2
Grinfield Ukraine	-	-	-
Grinruh Ukraine	-	-	-
Recyplat Ltd Cyprus	-277	-277	-
Romcarbon Deutschland GmbH	-48	-48	-
Eco Pack Mangement SA	-689	-684	-5
Green Resources Management SRL	-	-	-
Next Eco Recycling SA*	-503	-349	-154
Consolidation adjustments	-298	-298	-
Total	3,286	3,464	-178

Note: Consolidation adjustments include the elimination of dividends received from Recyplat LTD, LivingJumbo Industry SA, RC Energo Install SRL and Info Tech Solutions SRL, the elimination of intra-group transactions, the result of the de-consolidation of Next Eco Reciclyng SA and Greensort Reciclyng SRL, the shareholders' profit share (Romgreen, Yenki), the write-off of impairment of financial investments.

Next Eco Reciclyng SA was included in the consolidation in the profit or loss for the period January 1 – July 4, 2016, when it was controlled by the Group.



S.C. ROMCARBON S.A.



FINANCIAL ACCOUNTING STATUS

A.) STATEMENT OF FINANCIAL POSITION

Indicator	31.12.2014	31.12.2015	31.12.2016	Variation	2016 vs. 2015
Property, plant and equipment	121,134	197,495	195,416	-2,079	▼ -1.05%
Investment property	46,317	43,799	45,680	1,881	▲ 4.29%
Goodwill	143	143	144	1	▲ 0.70%
Other intangible assets	570	435	374	-61	▼ -14.02%
Investments in associates	23,733	26,978	28,270	1,292	▲ 4.79%
Other financial investments	197	197	197	0	— 0.00%
Total non-current assets	192,094	269,047	270,080	1,033	▲ 0.38%
Inventories	23,466	28,049	37,171	9,122	▲ 32.52%
Trade receivables	33,053	56,686	29,728	-26,958	▼ -47.56%
Other current assets	956	2,004	1,372	-632	▼ -31.54%
Cash and cash equivalents	20,646	17,014	11,544	-5,470	▼ -32.15%
Total current assets	78,121	103,753	79,815	-23,938	▼ -23.07%
Total assets	270,215	372,800	349,895	-22,905	▼ -6.14%
Share capital	26,412	26,412	26,412	0	— 0.00%
Share premiums	2,182	2,182	2,182	0	— 0.00%
Reserves	44,137	43,248	41,364	-1,884	▼ -4.36%
Retained earnings	70,678	77,870	80,032	2,162	▲ 2.78%
Equity attributable to owners of the parent	143,409	149,712	149,991	279	▲ 0.19%
Non-controlling interests	1,765	1,400	1,072	-328	▼ -23.43%
Total capital	145,174	151,112	151,063	-49	▼ -0.03%
Borrowings	14,843	54,538	58,009	3,471	▲ 6.36%
Finance leases and other interest bearing payables	2,705	1,275	85	-1,190	▼ -93.33%
Deferred tax payables	11,042	11,143	10,468	-675	▼ -6.06%
Other long-term provision payables	33	8	265	257	▲ 3212.50%
Deferred income	10,702	39,218	35,199	-4,019	▼ -10.25%
Total non-current payables	39,325	106,181	104,026	-2,156	▼ -2.03%
Trade payables	34,697	37,808	33,351	-4,457	▼ -11.79%
Borrowings	44,070	69,203	52,794	-16,409	▼ -23.71%
Finance leases and other interest bearing payables	1,678	1,719	1,112	-607	▼ -35.31%
Deferred income	1,849	3,913	4,008	95	▲ 2.43%
Other current payables	3,422	2,864	3,541	677	▲ 23.64%
Total current payables	85,716	115,508	94,806	-20,701	▼ -17.92%
Total payables	125,042	221,689	198,832	-22,857	▼ -10.31%
Total capital and payables	270,216	372,800	349,895	-22,906	▼ -6.14%



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

Company	Non-current assets	Current assets	Non-current liabilities	Current liabilities
Romcarbon SA	215,777	58,064	66,597	76,914
LivingJumbo Industry SA	47,219	24,956	37,424	23,071
RC Energo Install SRL	255	4,784	2	2,207
InfoTech Solutions SRL	21	293	-	151
Grinfild Ukraine	4,427	-866	-	5
Grinruh Ukraine	1,186	1,008	-	7
Recyplat Limited Cyprus	20,608	720	-	19
Romcarbon Deutschland GmbH	-	4	4	18
Eco Pack Management SA	309	190	-	1,048
Green Resources Management SRL	-	-	-	-
<i>Consolidation adjustments</i>	-19,722	-9,337	-	-8,634
Total	270,080	79,815	104,026	94,806

NON-CURRENT ASSETS

In 2016, **non-current assets** accounted for 77.19% of the group's assets, registering an increase of lei 1,033 thousand, namely 0.38% as compared to the beginning of the year.

Non-current assets	31.12.2016	% of total NCA	% of total Asset	2016 vs. 2015
Property, plant and equipment	195,416	72.35%	55.85%	-1.05%
Investment property	45,680	16.91%	13.06%	4.29%
Goodwill	144	0.05%	0.04%	0.70%
Other intangible assets	374	0.14%	0.11%	-14.02%
Investments in associates	28,270	10.47%	8.08%	4.79%
Other financial investments	197	0.07%	0.06%	0.00%
Total	270,080	100.00%	77.19%	0.38%



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CURRENT ASSETS

Current assets account for 22.81% of total assets, registering a decrease of lei 23,938 thousand, namely 23.07% as compared to the beginning of the year.

Current assets (CA)	31.12.2016	% of total CA	% of total assets	2016 vs. 2015
Inventories	37,171	46.57%	10.62%	32.52%
Trade receivables	29,728	37.25%	8.50%	-47.56%
Other current assets	1,372	1.72%	0.39%	-31.54%
Cash and cash equivalents	11,544	14.46%	3.30%	-32.15%
Total	79,815	100.00%	22.81%	-23.07%

PAYABLES

Total payables of the group account for 56.83% of total Capital and payables, registering a decrease of lei 22,857 thousand, namely 10.31% as compared to the beginning of the year.

The current payables of the group, accounting for 47.68% of total payables and 27.10% of total capital and payables, registered a decrease of lei 20,701 thousand as compared to December 31, 2015, namely by 17.92%.

Current payables (CP)	31.12.2016	% of TCP	% of total payables	% of total assets	2016 vs. 2015
Trade payables	33,351	35.18%	16.77%	9.53%	-11.79%
Borrowings	52,794	55.69%	26.55%	15.09%	-23.71%
Finance leases and other interest bearing payables	1,112	1.17%	0.56%	0.32%	-35.31%
Deferred income	4,008	4.23%	2.02%	1.15%	2.43%
Other current payables	3,541	3.73%	1.78%	1.01%	23.64%
Total (TCP)	94,806	100.00%	47.68%	27.10%	-17.92%

As compared to 2015, *the group's non-current payables* registered a decrease of lei 2,156 thousand, namely 2.03%, and account for 52.32% of total payables and 29.73% of total capital and payables.

Non-current payables	31.12.2016	% of TNP	% of total payables	% of total assets	2016 vs. 2015
Borrowings	58,009	55.76%	29.17%	16.58%	6.36%
Finance leases and other interest bearing payables	85	0.08%	0.04%	0.02%	-93.33%
Deferred tax payables	10,468	10.06%	5.26%	2.99%	-6.06%
Other long-term provision payables	265	0.25%	0.13%	0.08%	3212.50%
Deferred income	35,199	33.84%	17.70%	10.06%	-10.25%
Total (TNP)	104,026	100.00%	52.32%	29.73%	-2.03%



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As at December 31, 2016 the Group had contracted bank loans in amount of lei 110,804 thousand apportioned as follows:

- Short-term bank loans in amount of lei 52,794 thousand

Company	Type of loan	2014	2015	2016
Living Jumbo Industry SA	Investment loan in Euro - BRD	335	-	-
Living Jumbo Industry SA	Credit line in Euro - BRD	-	1,712	4,087
Living Jumbo Industry SA	Investment loan in Euro - BRD [IEC project]	494	-	-
LivingJumbo Industry SA	Bridge loan in Euro - CCE 2015 project - UniCredit Bank SA	-	18,079	-
LivingJumbo Industry SA	Investment loan in euro - CCE 2015 project - UniCredit Bank SA	-	-	2,553
LivingJumbo Industry SA	Investment loan in euro [2015] - UniCredit Bank SA	-	-	328
LivingJumbo Industry SA	Investment loan in Euro - BRD [II]	-	-	488
Taipei Cimeo SRL	Credit line in Euro - UniCredit Tiriac Bank SA	440	-	-
Romcarbon SA	Credit line in Euro - BRD	11,173	9,742	11,061
Romcarbon SA	Credit line in Euro - UniCredit Tiriac Bank SA	15,463	14,137	15,489
Romcarbon SA	Credit line in Euro - UniCredit Tiriac Bank SA	9,099	10,213	10,442
Romcarbon SA	Investment loan in Euro - NBG Malta	4,711	-	-
Romcarbon SA	Investment loan in Euro - BCR [IEC project]	-	-	-
Romcarbon SA	Investment loan in Euro - BRD [I]	2,355	2,377	2,386
Romcarbon SA	Investment loan in Euro - BRD [II]	-	47	331
Romcarbon SA	Investment loan in Euro - BRD [III]	-	2,038	2,046
Romcarbon SA	Investment loan in Euro - Proiect CCE 2015 - UniCredit Bank SA	-	-	978
Romcarbon SA	Investment loan in Euro-UniCredit [I]	-	-	402
Romcarbon SA	Investment loan in Euro - UniCredit [II]	-	-	156
Romcarbon SA	Investment loan in Euro - UniCredit [IV]	-	-	1,023
Romcarbon SA	Investment loan in Lei - Eximbank SA	-	255	1,024
Romcarbon SA	Bridge loan in Euro - CCE 2015 Project - UniCredit Bank SA	-	9,384	-
Romcarbon SA	VAT facility in Lei - CCE 2015 Project - UniCredit Bank SA	-	1,220	-
Total		44,070	69,203	52,794



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➤ Long-term bank loans in amount of lei 58,009 thousand

Company	Type of loan	31.12.2014	31.12.2015	31.12.2016
LivingJumbo Industry SA	Investment loan in Euro-BRD [I]	-	1,210	49
LivingJumbo Industry SA	Investment loan in Euro-BRD [CCE project]	-	-	-
LivingJumbo Industry SA	Investment loan in Euro-BRD [II]	-	-	2,043
LivingJumbo Industry SA	Investment loan in Euro [2015]-UniCredit Bank SA	-	871	1,814
LivingJumbo Industry SA	Investment loan in Euro - CCE 2015 Project - UniCredit Bank SA	-	20,025	17,999
Romcarbon SA	Investment loan in Euro-NBG Malta	9,029	-	-
Romcarbon SA	Investment loan in Euro-BCR [CCE project]	-	-	-
Romcarbon SA	Investment loan in Euro-BRD [I]	5,103	2,774	398
Romcarbon SA	Investment loan in Euro-BRD [II]	711	3,073	2,743
Romcarbon SA	Investment loan in Euro-BRD [III]	-	10,360	8,353
Romcarbon SA	Investment loan in Euro-UniCredit [I]	-	-	2,789
Romcarbon SA	Investment loan in Euro-UniCredit [II]	-	-	627
Romcarbon SA	Investment loan in Euro-UniCredit [IV]	-	-	4,091
Romcarbon SA	Investment loan in Lei - Eximbank SA	-	2,800	4,607
Romcarbon SA	Investment loan in euro - CCE 2015 project - UniCredit Bank SA	-	13,426	12,497
	Total	14,843	54,538	58,009

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

Such loans were secured by mortgages and pledges over buildings, fixed assets, by assignment of receivables and by assignments of the cash-flow in banks.

EQUITY accounts for 43.17% of total capital and payables, amounting to lei 151,063 thousand, of which lei 1,072 thousand pertain to non-controlling interest. Equity decreased by lei 49 thousand, namely 0.03%.



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B.) STATEMENT OF COMPREHENSIVE INCOME [thousand lei]

	2014	2015	2016		2016 vs. 2015
Income	194,930	213,491	238,236	▲	24,745
Other income	1,560	1,388	3,889	▲	2,501
Investment income	7,018	1,850	1,989	▲	139
Other gains or losses	534	-3,617	-1,386	▲	2,231
Changes in inventories of finished products and goods in progress	2,785	2,127	4,183	▲	2,056
Raw materials and consumables used	-131,400	-140,933	-147,840	▲	- 6,907
Depreciation and amortization expense	-8,752	-8,640	-14,851	▲	- 6,211
Employee salaries and social security	-36,605	-41,685	-51,191	▲	- 9,506
Financial costs	-2,823	-2,499	-3,060	▲	- 561
Other expenses	-17,187	-16,621	-30,318	▲	- 13,697
Shareholders' profit share	2,346	3,980	3,904	▼	- 76
Profit (loss) before taxation	12,406	8,843	3,555	▼	- 5,285
Income tax	-1,217	-271	-270	▲	1
Profit/loss for the year, attributable to:	11,189	8,572	3,285	▼	- 5,284
Owners of the parent	11,320	8,523	3,462	▼	- 5,061
Non-controlling interests	-128	49	-178	▼	- 227
Profit/Loss for the year	11,191	8,572	3,285	▼	- 5,287
Exchange differences on translating foreign operations	-1,374	-609	586	▲	1,195
Net loss on revaluation of property, plant and equipment	0	0	-1,988	▲	- 1,988
Deferred tax on comprehensive income	0	0	0	▼	-
Comprehensive income, attributable to:	9,817	7,963	1,884	▼	- 6,080
Owners of the parent	10,354	8,091	2,062	▼	- 4,041
Non-controlling interests	-537	-128	-178	▼	- 50



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NET SALES

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

Company	2014 [thousand lei]	% of total	2015 [thousand lei]	% of total	2016 [thousand lei]	% of total	2016 vs. 2015
Romcarbon SA	157,958	68.58%	176,703	70.30%	178,719	66.46%	1.14%
LivingJumbo Industry SA	60,398	26.22%	61,448	24.45%	64,337	23.92%	4.70%
RC Energo Install SRL	6,114	2.65%	6,241	2.48%	10,878	4.05%	74.31%
Eco Pack Management SA	3,521	1.53%	4,197	1.67%	59	0.02%	-98.58%
Info Tech Solutions SRL	1,080	0.47%	1,322	0.53%	1,728	0.64%	30.69%
Taipei Cimeo SRL	143	0.06%	-	0.00%	-	0.00%	0.00%
Next Eco Reciclyng SA	-	-	-	-	13,206	4.91%	0.00%
Romcarbon Deutschland GmbH	1,113	0.48%	1,458	0.58%	-	0.00%	0.00%
Total, of which:	230,327	100.00%	251,368	100.00%	268,928	100.00%	6.99%
Group turnover	35,397	15.37%	37,877	15.07%	30,692	11.41%	-18.97%
Turnover outside the group	194,930	84.63%	213,491	84.93%	238,236	88.59%	11.59%

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

Structure of Income (Net sales) [thousand lei]	2014	% of total	2015	% of total	2016	% of total	2016 vs. 2015
Income from sales of finished products (701+709)	135,523	70%	146,447	69%	165,530	69%	13.03%
Income from sales of semi-finished products	19,028	10%	19,066	9%	14,343	6%	-24.77%
Income from sale of residual products	20	0%	17	0%	10	0%	-43.24%
Sales from supplies of services	5,692	3%	6,212	3%	18,245	8%	193.73%
Income from sale of commodities	33,753	17%	40,883	19%	39,169	16%	-4.19%
Income from other activities	913	0%	866	0%	940	0%	8.47%
Total	194,930	100%	213,491	100%	238,236	100%	11.59%



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C.) ECONOMIC AND FINANCIAL RATIOS

1 Profitability ratios

	Ratio	Calculation	31.12.2014	31.12.2015	31.12.2016
a)	EBITDA in total sales	EBITDA	11.28%	8.47%	7.21%
		Income			
b)	EBITDA in equity	EBITDA	15.15%	11.97%	11.37%
		Equity			
c)	Rate of gross profit	Gross profit	6.36%	4.14%	1.49%
		Income			

2 Liquidity ratios

	Ratio	Calculation	31.12.2014	31.12.2015	31.12.2016
a)	Current liquidity	Current assets	0.91	0.90	0.84
		Current liabilities			
b)	Immediate liquidity (acid test)	Current assets-Inventory	0.64	0.66	0.45
		Current liabilities			

3 Risk ratios

	Ratio	Calculation	31.12.2014	31.12.2015	31.12.2016
a)	Gearing ratio	Long-term liabilities	0.27	0.70	0.69
		Equity			
b)	Interest coverage ratio	EBIT	6.15	5.43	2.34
		Interest expenses			

4 Activity ratios

	Ratio	Calculation	31.12.2014	31.12.2015	31.12.2016
a)	Trade receivables turnover	Average outstanding trade receivables	60	76	65
		Net sales			
b)	Trade liabilities turnover	Average outstanding trade liabilities	61	61	54
		Net sales			

5 Profitability ratios

	Ratio	Calculation	31.12.2014	31.12.2015	31.12.2016
a)	Return on Assets (ROA)	Net result	4.1408%	2.2988%	0.9391%
		Total assets			
b)	Return on Equity (ROE)	Net result	7.7073%	5.6713%	2.1753%
		Equity			
c)	Return on sales (ROS)	Net result	5.7400%	4.0142%	1.3793%
		Net sales			



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D.) STATEMENT OF CASH FLOWS

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

	2014	2015	2016
Net cash generated by operating activities	11,277	6,920	6,292
Net cash used in investing activities	3,813	-72,007	4,611
Net cash generated by financing activities	-8,837	61,453	-16,373
Net increase in cash and cash equivalents	6,253	-3,632	-5,470
Cash and cash equivalents at the beginning of the year	14,393	20,646	17,014
Effect of exchange rate on the foreign currency cash balance	-	-	-
Cash inflows from acquisition of new subsidiaries	-	-	-
Cash and cash equivalents at the end of the year	20,646	17,014	11,544

*
* *

INTERNAL CONTROL

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

Internal control is organized so as to comply not only with financial-accounting regulations, but with all regulations, such as environmental, occupational health and safety, emergency situations, the Civil Code.

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

The Boards of Administration are independent of the management at the organization and their members are involved in management activities, which they supervise carefully. The Boards of Administration of the Group's member companies delegates to the managers responsibilities regarding internal control and make systematic and independent assessments of the internal control system established by management.

Internal (financial) audit has an assistance function that must ensure management that each of the companies' internal procedures are implemented and adhered to by all departments involved.



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

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

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

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

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

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

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

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

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

- achievement of the objectives of the organization
- preservation of the assets of the organization
- the accounting function;



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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:

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

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

THE GROUP'S OBJECTIVES AND POLICIES REGARDING RISK MANAGEMENT

The parent company implemented risk management in accordance with Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating department, the Organization's Risk Register and the Risk Treatment Action Plan.

Capital risk

The management of the Group's risk also consists in a regular review of the capital structure. The Group will balance the general structure of its capital by dividend payment, issuance of new shares and redemption of shares.

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Financial risks

The Group's treasury function supplies services necessary to the business, coordinates access to national and international financial market, monitors and manages financial risk related to the Group's operations through reports on internal risks, analyzing exposure by the degree and extent of risks.

Liquidity risk

Liquidity risk, also called funding risks, is the risk for a company to face difficulties in raising funds to fulfill its commitments associated to the financial instruments.

The ultimate responsibility for liquidity risk management rests with the Board of Administration, which has built a proper liquidity risk management framework regarding the Group funds' short, medium and long term insurance and the liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, backup banking facilities and loan facilities, by continually monitoring cash flows and matching the maturity profiles of financial assets and liabilities.

Credit risk

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

Market risk

Given the international climate, where the financial crisis has affected in recent years the markets where the Group operates, in 2016 the Group managed to obtain a turnover of lei 238,236 thousand, and for 2017 it sets itself to maintain a growing trend by 10-15% as compared to last year. However, the Group's management cannot predict the changes that may occur on domestic and foreign markets or the effects thereof on its financial statement, operating results and cash flows.

President of the BoA,

Chief Executive Officer: Eng. Andrei Radu

Hung Ching Ling

Chief Financial Officer: Ec. Zainescu Viorica Ioana