

ROMCARBON SA

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

FOR THE YEAR ENDED DECEMBER 31, 2018

Prepared in accordance with Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards as adopted by the European Union, as amended

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Romcarbon SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the separate financial statements of Romcarbon SA (the Company), with registered office in Buzau, Str. Transilvaniei, nr. 132, identified by the unique tax registration code RO1158050, which comprise the separate statement of financial position as at December 31, 2018, and the separate statement of comprehensive income, separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
2. The separate financial statements as at December 31, 2018 are identified as follows:

• Net assets / Equity	RON	137,190,295
• Net profit for the financial year	RON	4,800,356
3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2018, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

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

Other Aspects

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

Key Audit Matters

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

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

Other information – Administrators’ Report

7. The administrators are responsible for preparation and presentation of the other information. The other information comprises the Administrators’ report but does not include the separate financial statements and our auditor’s report thereon, nor the non-financial information declaration which is presented in a separate report.

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

In connection with our audit of the separate financial statements for the year ended December 31, 2018, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2018, we are required to report if we have identified a material misstatement of this Administrators’ report. We have nothing to report in this regard.

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

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

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

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

Report on Other Legal and Regulatory Requirements

16. We were appointed by the General Meeting of Shareholders on April 26, 2018 to audit the separate financial statements of Romcarbon SA for the financial year ended December 31, 2018. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended December 31, 2018.

We confirm that:

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

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

Andreea Gheorghe, Audit Director

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

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 4579

On behalf of:

DELOITTE AUDIT SRL

Registered with the Authority for the Public Oversight of the Statutory Audit Activity under number 25

Sos. Nicolae Titulescu nr. 4-8, America House, Intrarea de Est,
Etajul 2 - zona Deloitte și Etajul 3, sector 1,
Bucharest, Romania
March 26, 2019

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

	Note	Year ended:	
		December 31, 2018	December 31, 2017
Net sales	3	198,460,719	195,140,695
Investment income	3	3,464,433	3,987,533
Other gains or losses	5	3,388,764	2,796,780
Changes in inventories		372,436	2,304,367
Raw materials and consumables used	4	(136,656,677)	(139,437,993)
Depreciation and amortisation expense	6	(11,553,840)	(10,706,926)
Impairment of financial assets	6	-	-
Employee salaries and benefits	7	(35,940,642)	(28,174,199)
Social security expenses	7	(1,139,629)	(6,608,431)
Net finance cost	8	(1,945,033)	(1,728,613)
Income from subsidies		2,263,169	2,264,436
Other expenses	9	(16,247,641)	(14,099,311)
Profit before taxation		4,466,059	5,738,338
Income tax	10	334,297	(940,272)
Net profit		4,800,356	4,798,066
Comprehensive income			
Other comprehensive income		-	-
Net loss on revaluation of tangible assets		-	-
Adjustment of deferred tax on fiscally non-deductible revaluation reserves		1,275,648	-
Total comprehensive income		6,076,004	4,798,066
Earnings per share		0.023	0.0182
Number of shares		264,122,096	264,122,096

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS			
Non-current assets			
Property, plant and equipment	11	130,049,723	137,757,935
Investment property	12	18,033,515	49,859,449
Intangible assets	13	78,269	160,081
Financial assets	14	<u>22,247,181</u>	<u>22,247,181</u>
Total non-current assets		<u>170,408,688</u>	<u>210,024,646</u>
Current assets			
Inventories	15	20,695,918	23,824,916
Trade and other receivables	16	35,722,416	32,493,266
Related party loans	26	6,174,452	-
Taxes receivable		-	-
Other assets	17	1,007,913	820,245
Cash and cash equivalents	27	3,331,011	2,529,017
Non-current assets held for sale		<u>16,000,390</u>	
Total current assets		<u>82,932,100</u>	<u>59,667,444</u>
Total assets		<u>253,340,788</u>	<u>269,692,090</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	18	26,412,210	26,412,210
Share premiums		2,182,283	2,182,283
Reserves	19	58,492,792	53,222,860
Retained earnings	20	<u>50,103,010</u>	<u>51,304,266</u>
Total equity		<u>137,190,295</u>	<u>133,121,619</u>
Non-current liabilities			
Loans from banks	21	22,666,821	32,911,592
Finance leases and other interest-bearing liabilities	24	-	-
Deferred tax liabilities	10	8,902,075	10,758,395
Deferred income	28	<u>15,413,305</u>	<u>17,676,474</u>
Total non-current liabilities		<u>46,982,201</u>	<u>61,346,461</u>

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

**STATEMENT OF FINANCIAL POSITION
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

	<u>Note</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Current liabilities			
Trade and other payables	23	24,537,065	28,571,443
Loans from banks	21	39,935,675	41,726,661
Finance leases and other interest-bearing liabilities	24		86,797
Deferred income	28	2,265,476	2,305,250
Other liabilities	22	2,430,076	2,533,859
Total current liabilities		<u>69,168,292</u>	<u>75,224,010</u>
Total liabilities		<u>116,150,493</u>	<u>136,570,471</u>
Total equity and liabilities		<u>253,340,788</u>	<u>269,692,090</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

	<u>Share capital</u>	<u>Share premiums</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Other reserves</u>	<u>Retained earnings</u>	<u>Total</u>
January 1, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,338,852</u>	<u>3,874,993</u>	<u>10,009,015</u>	<u>51,304,266</u>	<u>133,121,619</u>
Distribution of dividends	-	-	-	-	-	(2,007,328)	(2,007,328)
Net profit of the period	-	-	-	-	-	4,800,356	4,800,356
Transfer to reserves	-	-	-	240,018	4,560,338	(4,800,356)	-
Transfer of reserves to retained earnings	-	-	(806,072)	-	-	806,072	-
Adjusted deferred tax related to fiscally non-deductible revaluation reserves	-	-	<u>1,275,648</u>	-	-	-	<u>1,275,648</u>
December 31, 2018	<u>26,412,210</u>	<u>2,182,283</u>	<u>39,808,428</u>	<u>4,115,011</u>	<u>14,569,353</u>	<u>50,103,010</u>	<u>137,190,295</u>

As at December 31, 2018, the Company allocated the tax exempt profit for reinvested profit, less the legal reserve portion in amount of RON 240,018 for setting up reserves in amount of RON 4,560,338.

The total amount of RON 14,569,353 of such reserves is not subject to allocations to other destinations.

The resolution of the General Meeting of Shareholders of 01.08.2018 approved the dividend allocation in amount of RON 2,007,328. The full amount was transferred to the Central Depository to pay dividends owed to shareholders.

Further to the sale of investment property, the Company adjusted the deferred tax related to fiscally non-deductible revaluation reserves by RON 1,275,648.

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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The accompanying notes are integral part of these separate financial statements in accordance with IFRS.
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

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

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

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

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

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

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**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

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

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

In 2017, the Company reclassified the revaluation reserve to retained earnings in amount of RON 3,011,094.

As at December 31, 2018 the Company established the legal reserve, as per article 183 of Law 31/1990, as amended, according to which: "Out of the company's profit, entities shall use at least 5% to set up the reserve fund, until it reaches at least one fifth of the share capital", in amount of RON 240,018.

At the end of 2018, the amount of RON 4,560,338 (representing tax exempt accounting profit, less the related legal reserve), was transferred to "Other reserves" (according to Art. 22: Tax exemption of reinvested profit according to Law 227/2015 corroborated with GR 1/2016 on the Tax Code and the Application Rules thereof).

In 2018, the Company reclassified the revaluation reserve to retained earnings in amount of RON 806,072.

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

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)**

	2018	2017
Net profit for the year	4,800,356	4,798,066
Income tax expense / (income)	246,375	650.117
Deferred income tax expense / (income)	(1,856,320)	290.155
Non-current asset depreciation/(impairment)	10,797,119	10,706,926
(Gain) / Loss on sale of fixed assets	(11,254)	424,790
(Gain) / Loss on changes in fair value of investment property	(307,659)	(1,490,374)
(Gain) / Loss on disposal of investment property	(2,709,699)	(2,385,785)
(Gain) / Loss on changes in fair value of assets held for sale	756,722	
Gains on internal set-up of fixed assets	(635,401)	
Expenses / (Revenues) regarding value adjustments for clients and inventories	(36,085)	16,976
Loss on receivables and sundry debtors	206,804	165,833
(Gain) / Loss on financing investments	-	-
Expenses / (Revenues) regarding allowances for financial assets	-	-
Interest expense	1,702,834	1,587,652
Interest income	(91,477)	(3,653)
Income from dividends	(1,117,270)	(1,157,997)
Income from subsidies	(2,263,169)	(2,264,436)
Unrealised foreign exchange gain / (loss)	(88,767)	1,528,593
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(3,399,869)	(6,122,323)
(Increase) / Decrease in inventories	3,128,998	1,843,573
(Increase) / Decrease in other assets	-	447,239
Increase / (Decrease) in trade payables	(4,034,378)	1,674,948
Increase / (Decrease) in deferred income	(39,774)	12,597
Increase / (Decrease) in other liabilities	264,222	477,986
Cash used in operating activities	5,312,308	11,200,885
Income tax paid	(212,766)	(7,163)
Interest paid	(1702,834)	(1,587,652)
Net cash generated in operating activities	3,396,708	9,606,070
Cash flows from investing activities:		
(Payments) / Collections for financial assets	-	-
Interest received	91,477	3,653
Dividends received	1,117,270	1,157,997
Payments for tangible assets	(3,091,315)	(8,340,113)
Payments for investment property	-	-
Proceeds from sale of investment property	18,086,180	3,575,112
Proceeds from disposal of tangible assets	94,612	1,821,663
Proceeds from subsidies	-	597,187
Related party loans (granted)/received	(6,174,452)	-
Payments for intangible assets	(19,139)	(33,918)
Payments for dividends	(1,961,297)	(2,037,153)
Net cash generated by/(used in) investing activities	8,143,336	(3,255,571)

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

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in RON, unless specified otherwise)**

	<u>2018</u>	<u>2017</u>
Cash flows from financing activities:		
Cash payments of lessee to reduce a finance lease liability	(86,797)	(1,105,061)
Proceeds from bank loans	2,602,061	5,202,494
Repayments of bank loans	(13,253,314)	(13,534,243)
Repayments of related party borrowings	-	-
Proceeds from subsidies	-	-
Net cash generated by/(used in) financing activities	<u>(10,738,050)</u>	<u>(9,436,810)</u>
Net increase/(decrease) in cash and cash equivalents	<u>801,994</u>	<u>(3,086,312)</u>
Cash and cash equivalents at the beginning of the year	<u>2,529,017</u>	<u>5,615,329</u>
Cash and cash equivalents at the end of the year	<u>3,331,011</u>	<u>2,529,017</u>

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****1. GENERAL INFORMATION**

ROMCARBON S.A. has its main office in Buzău, Str. Transilvaniei, nr. 132 and is organised as a joint-stock company with the following identification details: registered with the Registry of Commerce under no. J10/83/1991, Fiscal Code RO1158050. The Company's shares are traded on the BSE, and its main shareholders as at December 31, 2018 are Living Plastic Industry S.A., Joyful River Limited Loc. Nicosia - Cyprus, New Carpathian Fund.

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

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

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

Basis of preparation

These separate financial statements of the Company were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS") effective on the Company's reporting date, i.e. December 31, 2018 and in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, with subsequent amendments and clarifications. Such provisions are consistent with the requirements of the International Financial Reporting Standards adopted by the European Union.

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

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

The Company has the obligation to prepare separate and consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union ("IFRS"). The Romcarbon group, which includes Romcarbon S.A. and its subsidiaries, will prepare a set of consolidated financial statements in accordance with IFRS as adopted by EU, for the financial year ended December 31, 2018, which will be published in accordance with the legislation in force.

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

The main accounting policies are described below.

Basis of preparation of the separate financial statements

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Basis of preparation of the separate financial statements (continued)

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

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

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

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

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

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

The Company's direct holdings as at December 31, 2018 and December 31, 2017 in subsidiaries or associates, which were not consolidated in these separate financial statements, are presented in Note 14. Investments in such subsidiaries or associates were disclosed in these separate financial statements at cost.

The Company will issue for 2018 consolidated financial statements in accordance with IFRS as adopted by the European Union.

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

The following new standards, amendments to the existing standards and interpretation issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),
- **IFRS 15 "Revenue from Contracts with Customers"** and further amendments (effective for annual periods beginning on or after 1 January 2018),
- **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 IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "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 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).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

New standards and amendments to existing standards in issue not yet adopted

At the date of authorisation of these financial statements, the following new standards, amendments to existing standards and new interpretation were in issue, but not yet effective:

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019),
- **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 IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015-2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** (effective for annual periods beginning on or after 1 January 2019).

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

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **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),
- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions – adopted by the EU on 26 February 2018 (effective for annual periods beginning on or after 1 January 2018),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2018).
- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property – adopted by the EU on 14 March 2018 (effective for annual periods beginning on or after 1 January 2018),
- **Amendments to IFRS 1 and IAS 28 due to "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 – adopted by the EU on 7 February 2018 (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"** – adopted by the EU on 28 March 2018 (effective for annual periods beginning on or after 1 January 2018).

Standards and 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 new standard, amendments to the existing standard and interpretation issued by IASB and adopted by the EU are not yet effective:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

New standards and amendments to the 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 for the following new 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,
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period).
- **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 IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material (effective for annual periods beginning on or after 1 January 2020),

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to References to the Conceptual Framework in IFRS Standards** (effective for annual periods beginning on or after 1 January 2020).

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

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate

- **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 all financial instruments.

Impairment - IFRS 9 introduces 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 recognised and to recognise 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 recognised in profit or loss.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 15 “Revenue from Contracts with Customers”** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise 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 recognise 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.
- **IFRS 16 “Leases”** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises 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 recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative, depending on how the benefit from use of the underlying asset is diminished.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. IFRS 16 replaces existing lease instructions, including IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases - Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease. Adoption of the earlier standard is permitted for entities applying IFRS 15 on or before the initial application of IFRS 16. The standard eliminates the current dual accounting model for lessees and requires companies to register most of the leases in the balance sheet into a single model, eliminating the distinction between operating leases and finance leases. In accordance with IFRS 16, a contract is or contains a lease if it confers the right to control the use of an asset identified for a period of time in exchange for consideration.

For such contracts, the new model requires the lessee to recognize a right to use the asset and a lease right. Assets with right of use are amortized, and the liability generates interest. This will cause higher expenses at the start of the lease, even if the lessee pays constant rents. The lessee’s accounting remains largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be maintained.

The Company intends to apply IFRS 16 as of 1 January 2019 using the revised retrospective method. As a result, the comparative periods were not restated. Also, due to the insignificant impact of the restatement as of January 1, 2018, the effect of the restatement was not registered in retained earnings, but will be recognized to the profit or loss for 2019.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **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 9 "Financial Instruments" - Prepayment Features with Negative Compensation** issued by IASB on 12 October 2017. The amendments modifies the existing requirements in IFRS 9 regarding termination rights in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of an early repayment gain.
- **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. 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 IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" - Definition of Material** issued by IASB on 31 October 2018. The amendments clarify the definition of material and how it should be applied by including in the definition guidance.
- **Amendments to IAS 19 "Employee Benefits" - Plan Amendment, Curtailment or Settlement** issued by IASB on 7 February 2018. The amendments require to use the updated assumptions from this remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures" - Long-term Interests in Associates and Joint Ventures** issued by IASB on 12 October 2017. Amendments were introduced to clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Amendments also delete paragraph 41 because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (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 due to "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 IFRS 12 by specifying that the disclosure prerequisites of IFRS 12 except those in paragraphs B10-B16 apply to the interests of an entity listed in paragraph 5, which are classified as held for sale, as held for distribution or 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 an associate in a holding that is owned by an entity that is a venture capital organisation or another qualifying entity, is available for each investment in an associate or joint venture on an investment basis on initial recognition.
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business issued by IASB on 22 October 2018. Amendments were introduced to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance.
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** issued by IASB on 12 December 2017. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording. The amendments clarify that: a company remeasures its previously held interest in a joint operation when it obtains control of the business (IFRS 3); a company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business (IFRS 11); a company accounts for all income tax consequences of dividend payments in the same way (IAS 12); and a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale (IAS 23).
- **Amendments to References to the Conceptual Framework in IFRS Standards** issued by IASB on 29 March 2018. Due to the fact that Conceptual Framework was revised, the IASB updated references to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. This was done to support transition to the revised Conceptual Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS Standard applies to a particular transaction.
- **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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

- **IFRIC 23 "Uncertainty over Income Tax Treatments"** issued by IASB on 7 June 2017. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

Income recognition

The Company has applied IFRS 15 for the first time effective from January 1, 2018.

Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services. Income is recognized at the fair value of the services rendered or the goods delivered, net of VAT, excise duties and other sales taxes.

IFRS 15 "Revenue from contracts with customers"

IFRS 15 "Revenue from contracts with customers" introduces a comprehensive model for the recognition and measurement of income. The standard replaces the existing income recognition criteria, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs". Under the new standard, revenue is recognized when or as the customer acquires control of the goods or services at the value that reflects the price that the Company expects to be entitled to receive in exchange for those goods and services.

Being permitted by the standard, the Company adopted IFRS 15 as of January 1, 2018 using the revised retrospective method with cumulative adjustments from the initial application recognized as at 1 January 2018 in equity and without altering the figures for prior periods. Initial application has no impact on the Company's retained earnings.

In applying IFRS 15, the Company has not identified any impact on the financial statements.

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

Sale of goods

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

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

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.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Lease

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

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

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

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

Foreign currency transactions

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

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

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

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

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

- December 31, 2016: RON 4.3033/ USD 1 and RON 4.5411 / EUR 1
- December 31, 2017: RON 3.8915/ USD 1 and RON 4.6597 / EUR 1
- December 31, 2018: RON 4.0736/ USD 1 and RON 4.6639 / EUR 1

Costs related to long-term borrowings

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Government subsidies**

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

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

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

Employee contributions

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

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

Taxation

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

Current tax

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

Provisions for taxes and levies

As at December 31, 2018 the Company's separate financial statements include revaluation reserves. Based on the latest provisions of current legislation, such reserves may become taxable if their destination changed, by using them to cover accounting losses or by the Company's winding up.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)****Deferred tax**

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

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

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

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

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

Current and deferred tax for the period

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

The Company conducted a valuation of land and buildings based on a valuation report issued by a professional valuator, in order to determine the fair value thereof as at the balance sheet date. The revaluations are made with sufficient regularity so that the book value should not differ substantially from that determined using the fair value at the end of the reporting period. The increases in the book values of tangible assets further to valuation were credited to Revaluation reserves under Equity. The last revaluation of tangible assets in the form of land and buildings was registered as at December 31, 2016.

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

The buildings' depreciation is charged to the income statement.

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

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

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

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

Subsequent expenses

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

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

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

The following useful lives are used in the depreciation calculation:

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately

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

Derecognition of intangible assets

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

Impairment of tangible and intangible assets

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

Impairment of tangible and intangible assets

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (continued)*****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 each year. 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.

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

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

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

Assets held for sale

Assets held for sale are represented by real estate held by the Company, which forms the object of a selling plan as at the date of the separate financial statements. Such assets are not depreciated and are carried at the lower of carrying amount and fair value, less costs to sell and are presented separately in the separate financial statements. Resulting gains and losses are included in profit or loss as they arise.

Inventories

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

Provisions

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

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

Warranties

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities

The Company applies IFRS 9 - Financial Instruments that came into effect starting January 1, 2018 and uses for the classification of financial assets, the business model of the entity and the cash flow characteristics of the financial asset under the contract.

Classification of financial assets

According to IFRS 9 Financial Instruments, the financial assets are classified into:

1. *financial asset measured at depreciation cost if both conditions below are met:*
 - the financial asset is held in a business model whose objective is to hold the financial assets to collect the contractual cash flows, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed.
2. *financial asset measured at fair value through other comprehensive income if both conditions below are met:*
 - the financial asset is held in a business model whose objective is met both through the collection of contractual cash flows and sale of financial assets, and
 - the contractual terms of the financial asset generate at certain dates cash flows that are exclusively payments of principal and interest related to the principal owed
3. *a financial asset measured at fair value through profit or loss, unless measured at depreciation cost in accordance with point or at fair value through other comprehensive income in accordance with item*

Except for trade receivables that fall under IFRS 15, a financial asset or a financial liability is initially measured at fair value and, in the case of a financial asset or financial liability that is not stated at fair value through profit or loss, plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

After initial recognition, the subsequent valuation of financial assets is performed at:

- depreciation cost
- fair value through other comprehensive income or
- fair value through profit or loss

Financial assets comprise shares held in subsidiaries, associates and jointly controlled entities, loans to these entities, other investments held as property, plant and equipment and other loans.

The Company presents investments in associates at cost. Given the transition to IFRS 9, while, prior to the initial application of IFRS 9, the Company accounted for such investments as per IAS 27.10a or IAS 27.10c (cost or equity method), the same accounting treatment is applied after the transition to IFRS 9. Thus, they continue to be accounted for at cost.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

2. MAIN ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

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

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

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

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

Financial assets available for sale (AFS)

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

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

Impairment of financial assets

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****2. MAIN ACCOUNTING POLICIES (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.

Derecognition of assets and liabilities

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

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

Earnings per share

IAS 33 - Earnings per share provides that, if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is based on consolidated disclosures only. If it chooses to disclose earnings per share based on its separate financial position, it must disclose such information on earnings per share only in the statement of comprehensive income.

The Company has chosen to disclose earnings per share in these separate financial statements.

Use of estimates

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

Comparatives

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

3. INCOME

An analysis of the Company's income for 2018 is presented below:

	Year ended December 31, 2018	Year ended December 31, 2017
Net sales		
Income from sale of finished products	148,975,617	140,429,783
Income from sale of commodities	44,718,309	50,471,968
Income from services delivered	226,336	293,439
Other income	4,540,460	3,645,505
	198,460,719	195,140,695
	Year ended December 31, 2018	Year ended December 31, 2017
Investment income		
Income from renting investment property	2,255,686	2,825,883
Income from interest on bank deposits	91,477	3,653
Dividends received from participations (Note 26)	1,117,270	1,157,997
	3,464,433	3,987,533

Segment reporting:

Income by geographical areas:	Year ended December 31, 2018	Year ended December 31, 2017
Sales on domestic market (Romania)	145,566,788	145,116,525
Sales on foreign market (Europe)	50,139,425	49,419,314
Other (Israel, Taiwan, UAE)	2,754,506	604,856

	Segment income		Segment profit	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Segment income and profit				
Polyethylene + polystyrene + polypropylene plastics	109,555,816	101,155,949	13,371,901	15,616,720
Compound recycled products	34,511,720	32,045,842	6,502,561	3,817,003
Other productive sectors	5,529,657	6,927,091	710,457	1,205,822
Income from sale of commodities and other activities	48,863,526	55,011,813	3,949,686	4,391,897
Total from operations	198,460,719	195,140,695	24,534,605	25,031,442
Investment income	-	-	3,464,433	3,987,533
Administrative and salary expenses	-	-	(21,587,946)	(21,552,024)
Finance expenses	-	-	(1,945,033)	(1,728,613)
Profit before tax	-	-	4,466,059	5,738,338

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

3. INCOME (continued)

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

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

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

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

	Asset segment		Liability segment	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Asset and liability segment				
Polyethylene + polystyrene + polypropylene plastics	67,697,203	71,457,179	55,183,358	58,349,418
Compound recycled products	90,826,596	89,958,200	30,163,062	35,558,054
Other productive sectors	3,844,099	4,534,763	2,410,916	3,414,557
Other activities	90,972,889	103,741,948	28,393,158	39,248,443
Total assets/liabilities	253,340,788	269,692,090	116,150,493	136,570,471

	Depreciation segment		Segment of non-current assets additions*	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Polyethylene + polystyrene + polypropylene plastics	3,738,653	3,909,827	1,116,724	1,092,494
Compound recycled products	5,230,409	4,945,352	8,038,732	1,962,586
Other productive sectors	162,763	195,179	15,392	7,212
Other activities	1,665,294	1,656,568	691,271	2,352,467
Total	10,797,119	10,706,926	9,862,122	5,414,759

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

The client portfolio related to the company's production is diverse; it does not depend on certain clients. Nevertheless, as regards the sale of commodities, S.C Romcarbon SA has two clients (Kasakrom Chemicals SRL and LivingJumbo Industry SA). From the relation with such clients, the Company registered in 2018 a Turnover of 8% and 18% of Total turnover. Sales to LivingJumbo Industry SA in 2018 also contained sales of finished goods, rental of production spaces and income from other activities, which account for 6% of the turnover.

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

4. RAW MATERIALS AND CONSUMABLES USED

	Year ended December 31, 2018	Year ended December 31, 2017
Raw materials	75,230,048	75,084,329
Commodities sold	44,035,878	49,954,753
Energy and water	12,374,842	9,707,443
Expenses with consumables	5,015,909	4,691,468
Total	136,656,677	139,437,993

5. OTHER GAINS AND LOSSES

	Year ended December 31, 2018	Year ended December 31, 2017
Income from penalties charged	86,671	668,728
Gain / (Loss) on sale of non-current assets	11,254	(424,790)
Losses on calamities (net of insurance indemnities)	-	-
Gain / (Loss) on adjustment of investment property at fair value	307,659	1,490,374
Gain / (Loss) on disposal of investment property	2,709,699	2,385,785
FOREX gain / (loss)	114,221	(1,442,682)
Gain / (Loss) on disposal of finance investments	-	(1,020)
Gain / (Loss) on changes in inventory	36,085	(16,976)
Other gains	123,175	137,361
Total	3,388,764	2,796,780

6. DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
Total amortization expenses , of which:	11,553,840	10,706,926
Depreciation of fixed assets	10,696,166	10,586,688
Amortization of intangible assets	100,952	120,238
Impairment allowance for assets held for sale	756,722	-
Financial assets impairment	-	-
	11,553,840	10,706,926

**NOTES TO THE FINANCIAL STATEMENTS
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7. EXPENSES WITH SALARIES AND SOCIAL LEVIES

	Year ended December 31, 2018	Year ended December 31, 2017
Salaries	34,700,286	26,902,032
Social contributions	1,139,629	6,608,431
Meal tickets	1,240,356	1,272,167
Total	37,080,271	34,782,630

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

Indemnities granted to top management

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

	Year ended December 31, 2018	Year ended December 31, 2017
Management salaries	2,345,237	1,771,568
Benefits for Board of Directors	321,643	303,629
Total	2,666,880	2,075,197

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

8. NET FINANCE COST

	Year ended December 31, 2018	Year ended December 31, 2017
Bank interest and leases expenses	1,664,212	1,552,838
Bank commissions and assimilated charges	280,821	175,775
Total	1,945,033	1,728,613

**NOTES TO THE FINANCIAL STATEMENTS
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(all amounts are expressed in lei, unless specified otherwise)**

9. OTHER EXPENSES

	Year ended December 31, 2018	Year ended December 31, 2017
Expenses with transport and logistics	5,319,016	4,858,418
Other expenses with third party services*	6,205,293	5,660,634
Protocol and marketing	466,099	551,832
Expenses with repairs	1,157,805	869,997
Taxes and levies	1,790,122	1,021,177
Losses on receivables	206,804	165,833
Expenses with insurances	420,863	308,298
Expenses with postal charges and telecommunications	134,388	141,392
Expenses with travels	108,416	137,276
Expenses with rentals	241,756	203,990
Expenses with commissions and fees	5,893	10,205
Expenses with fines and penalties	312	2,788
Other expenses	190,874	167,471
Total	16,247,641	14,099,311

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

10. INCOME TAX

	Year ended December 31, 2018	Year ended December 31, 2017
Income tax expenses		
Current income tax expense	246,375	650,117
Deferred income tax expense / (income)	(580,672)	290,155
	(334,297)	940,272

The tax rate applied for the reconciliation above related to 2018 and 2017 is 16% and is due by all Romanian legal persons.

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

	Year ended December 31, 2018	Year ended December 31, 2017
Reconciliation of actual income tax rate		
Gross income before taxation	4,466,059	5,738,338
Tax calculated according to the 16% rate	714,569	918,134
Effect of non-taxable income	(237,052)	(456,537)
Effect of non-deductible expenses	767,349	259,202
Effect (tax loss) / tax profit	(580,672)	70,683
Effect of temporarily non-deductible expenses / deferred tax	-	290,155
Deductions related to reinvested profit	(998,491)	(70,683)
	(334,297)	940,272

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018**
(all amounts are expressed in lei, unless specified otherwise)

10. INCOME TAX (continued)

Components of deferred tax liabilities

	December 31, 2018	December 31, 2017
Trade and other receivables	(134,697)	(138,739)
Inventories	(228,841)	(228,841)
Investment property	1,293,258	1,877,971
Property, plant and equipment	7,972,355	9,248,004

Recognised income tax liabilities

8,902,075

10,758,395

**of which deferred tax on revaluation reserves from
comprehensive income**

8,616,301

9,891,949

	December 31, 2018	December 31, 2017
Opening balance as at January 1	10,758,395	10,468,240
Movement from revaluation reserves	(1,275,648)	-
Recognised in income statement	(580,672)	290,155
Closing balance as at December 31	8,902,075	10,758,395

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
COST						
Balance as at January 1, 2018	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456
Additions, of which	-	3,263,265	6,487,874	110,983	3,092,856	12,954,978
Transfers	-	3,263,265	6,487,874	110,983	-	9,862,122
Revaluation increases	-	-	-	-	-	-
Disposals, of which	-	-	(1,185,199)	(8,194)	(9,862,122)	(11,055,515)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2018	45,876,831	24,343,213	116,870,655	1,465,542	208,678	188,764,919
COST						
Balance as at January 1, 2017	48,123,284	19,401,581	108,762,199	1,316,557	8,118,629	185,722,251
Additions, of which	-	2,344,294	2,959,704	110,762	7,493,841	12,908,600
Transfers	-	2,344,294	2,959,704	110,762	-	5,414,759
Revaluation increases	-	-	-	-	-	-
Disposals, of which	(2,246,453)	(665,926)	(153,923)	(64,567)	(8,634,527)	(11,765,395)
Disposals from revaluation	-	-	-	-	-	-
Balance as at December 31, 2017	45,876,831	21,079,948	111,567,980	1,362,753	6,977,944	186,865,456

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress and advances</u>	<u>Total</u>
CUMULATED DEPRECIATION						
Balance as at January 1, 2018	<u>-</u>	<u>1,745,879</u>	<u>46,652,965</u>	<u>708,677</u>	<u>-</u>	<u>49,107,521</u>
Expenses with depreciation	-	1,847,725	8,741,473	106,969	-	10,696,167
Decrease from sale of assets	-	-	(1,080,299)	(8,194)	-	(1,088,493)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2018	<u>-</u>	<u>3,593,604</u>	<u>54,314,139</u>	<u>807,452</u>	<u>-</u>	<u>58,715,195</u>
Balance as at January 1, 2017	<u>-</u>	<u>-</u>	<u>38,050,372</u>	<u>665,967</u>	<u>-</u>	<u>38,716,339</u>
Expenses with depreciation	-	1,755,135	8,724,277	107,276	-	10,586,688
Decrease from sale of assets	-	(9,256)	(121,683)	(64,567)	-	(195,506)
Revaluation decreases	-	-	-	-	-	-
Balance as at December 31, 2017	<u>-</u>	<u>1,745,879</u>	<u>46,652,965</u>	<u>708,677</u>	<u>-</u>	<u>49,107,521</u>
NET BOOK VALUE						
As at December 31, 2018	<u>45,876,831</u>	<u>20,749,609</u>	<u>62,556,516</u>	<u>658,090</u>	<u>208,678</u>	<u>130,049,723</u>
As at December 31, 2017	<u>45,876,831</u>	<u>19,334,069</u>	<u>64,915,015</u>	<u>654,076</u>	<u>6,977,944</u>	<u>137,757,935</u>

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

The net book value of tangible assets under finance lease is lei 973,140 as at December 31, 2017. In 2018, the Company paid and closed the pending lease agreements.

Pledged and restricted tangible assets

Tangible assets with a net book value of lei 117,976,120 as at December 31, 2018 (lei 133,821,112 as at December 31, 2017) represent security for loans and credit lines contracted from: BRD GSG SA, UniCredit Bank SA and Eximbank SA. Some of the commercial banks issued letters of guarantee in favor of the Company's commercial partners. To issue such letters of guarantee, the Company pledged fixed assets with a net book value as at December 31, 2018 of lei 0.

In 2015, the Company purchased production equipment totalling lei 29,988,347 based on a grant under Sectoral Operational Program "Increase of Economic Competitiveness" (SOP IEC) 2007 – 2013 - co-funded from the European Regional Development Fund, Priority Axis 1, generically called – "Development of S.C. ROMCARBON S.A. through the purchase of new equipment". The net book value of the equipment purchased under this project is lei 24,603,345 as at December 31, 2018 and lei 27,246,634 as at December 31, 2017.

12. INVESTMENT PROPERTY

	December 31, 2018	December 31, 2017
Balance as at January 1	49,859,449	45,680,013
Total additions, out of which:	339,043	5,410,177
Revaluation increases	339,043	1,531,788
Total disposals, of which:	(32,164,977)	(1,230,741)
Revaluation decreases	(31,384)	(41,414)
Balance as at December 31	18,033,515	49,859,449

As at December 31, 2018, the Company owns in its locations in Iasi, Stefanesti and Buzau non-current assets that are not used for its core activity. They are held to acquire future appreciation and to be partly rented to third parties. Based on such criteria, in accordance with IAS 40 "Investment Property", the Company decided to classify such non-current assets as investment property.

On April 23, 2018 the Company signed two undertakings for the sale of assets with Office&Logistic SRL as follows:

- Sale undertaking for the promise to sell a plot of land in surface area of 39,269.50 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land; the sale under such undertaking, for which a total price of EUR 3,900,000 EUR, without VAT, was received, was done in two stages, on 10.05.2018 and on 30.07.2018;
- Sale undertaking for the promise to sell a plot of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land for which a total price of EUR 3,430,689, without VAT will be received, which will be done in three stages, for which ownership will be transferred on 30.07.2019, 29.11.2019 and 30.03.2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
12. INVESTMENT PROPERTY (continued)

From the sale performed on 10.05.2018 and 30.07.2018, the Company obtained a profit of lei 2,709,753 registered in the statement of comprehensive income under "Other gains or losses".

In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5.

As at December 31, 2018, the Company performed the valuation of the investment property and the result, in amount of lei 307,659 was charged to profit and loss.

If the Company had valued the investment property and the assets held for sale at cost, then the value as of December 31, 2018 would have been lei 25,951,043.

13. OTHER INTANGIBLE ASSETS

	<u>Licenses</u>	<u>Other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
COST				
Balance as at January 1, 2018	711,057	592,467	-	1,303,523
Additions	19,139	-	-	19,139
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance as at December 31, 2018	730,196	592,467	-	1,322,662
Balance as at January 1, 2017	748,032	594,676	-	1,342,708
Additions	33,918	-	-	33,918
Transfers	-	-	-	-
Disposals	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	711,057	592,467	-	1,303,523
ACCUMULATED AMORTIZATION				
Balance as at January 1, 2018	600,298	543,143	-	1,143,442
Expenses with amortization	74,053	26,899	-	100,952
Write-offs on disposal of assets	-	-	-	-
Balance as at December 31, 2018	674,351	570,042	-	1,244,393
Balance as at January 1, 2017	577,853	518,453	-	1,096,307
Expenses with amortization	93,339	26,899	-	120,238
Write-offs on disposal of assets	(70,893)	(2,209)	-	(73,103)
Balance as at December 31, 2017	600,298	543,143	-	1,143,442
NET BOOK VALUE				
As at December 31, 2018	55,845	22,424	-	78,269
As at December 31, 2017	110,758	49,323	-	160,081

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS

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

Name of investment	Core activity	Place of establishment and operations	%	31-Dec-18	31-Dec-17
				RON	RON
RECYPLAT LTD CYPRUS	Business and other management consultancy activities	Nicosia	100.00%	20,261,120	20,261,120
ROMCARBON DEUTSCHLAND GmbH	Trade of plastics finished goods, recovery of plastics materials and purchase of plastics waste	Germany	100.00%	110,138	110,138
RC ENERGO INSTALL SRL	Plumbing, heat and air conditioning installation (NACE code 4322)	Buzau	100.00%	15,112	15,112
INFO TECH SOLUTIONS SRL	Other information technology and computer service activities (NACE code 6209)	Buzau	99.00%	1,980	1,980
LIVING JUMBO INDUSTRY SA	Manufacture of plastic packing goods (NACE code 2222).	Buzau	99.00%	1,639,232	1,639,232
GRINFILD LTD	Retail trade	Odessa	62.62%	2,687,755	2,687,755
ECO PACK MANAGEMENT SA	Other business support service activities n.e.c. (NACE code 8299)	Bucharest	25.36%	586,625	586,625
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	The scope of the association is to represent, promote and support the employer and professional interests of its members	Buzau	33.33%	400	400
YENKI SRL	Activities of sports facilities (NACE code 9311)	Buzau	33.34%	100,000	100,000
KANG YANG BIOTECHNOLOGY CO. LTD	Manufacture of products beneficial for the human health	Taiwan	4.81%	203,963	203,963
Registrul Miorita SA	Other financial service activities, except insurance and pension funding n.e.c. (NACE code 6499)	Cluj	3.79%	5000	5,000
		TOTAL		25,611,325	25,611,325
Financial assets impairment					
GRINFILD LTD				(2,687,755)	(2,687,755)
ROMCARBON DEUTSCHLAND GmbH				(110,138)	(110,138)
ECO PACK MANAGEMENT SA				(554,263)	(554,263)
YENKI SRL				(11,988)	(11,988)
				(3,364,144)	(3,364,144)
Net book value				22,247,181	22,247,181

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****14. OTHER FINANCIAL ASSETS (continued)**

Details on changes in subsidiaries and associates investments in 2018 and 2017 are as follows:

In 2013, S.C. ROMCARBON S.A participated in the share capital of ROMCARBON DEUTSCHLAND GmbH with an amount of lei 110,138, the equivalent of EUR 25,000, holding 100% of its share capital. The field of activity of ROMCARBON DEUTSCHLAND GmbH is "Trade with plastic finished products, recycling of plastic materials and purchase of plastic waste".

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

In March 2013, S.C. ROMCARBON S.A. purchased 139,000 shares in KANG YANG BIOTECHNOLOGY CO.LTD TAIWAN for which it paid lei 203,963, the equivalent of EUR 46,500. The field of activity of the company is the manufacture of products beneficial for human health. Between May 22, 2013 and May 21, 2016 SC POLYMASTER CHEMICALS SA is suspended pursuant to Art. 237 of Law 31/1990.

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
14. OTHER FINANCIAL ASSETS (continued)

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

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

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

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

15. INVENTORIES

	December 31, 2018	December 31, 2017
Raw materials	10,140,307	13,001,772
Consumables	3,045,873	2,702,172
Items of inventory	112,158	108,798
Packaging	226,298	196,894
Finished products	4,618,155	5,288,852
Unfinished products	1,711,621	1,916,330
Semi-finished products	2,055,979	1,832,946
Residual products	2,734	2,665
Commodities	187,924	123,004
Advances for purchases of inventory	25,125	81,739
Allowance for obsolete inventories	(1,430,256)	(1,430,256)
Total	20,695,918	23,824,916

16. TRADE AND OTHER RECEIVABLES

	December 31, 2018	December 31, 2017
Trade receivables	36,394,466	33,258,735
Allowances for doubtful clients	(1,202,652)	(1,238,738)
Taxes to recover/(paid)	118,587	45,168
Other receivables	412,015	428,101
Subsidies receivable	-	-
Total	35,722,416	32,493,266

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

16. TRADE AND OTHER RECEIVABLES (continued)

	Analysis of receivables due for more than 60 days		Analysis of allowances by age	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	lei	lei	lei	lei
60 - 90 days	2,654,288	702,563	-	-
90 - 120 days	80,927	76,066	-	-
More than 120 days	1,149,913	1,238,738	1,202,652	1,238,738
Total	3,885,129	2,017,367	1,202,652	1,238,738

17. OTHER CURRENT ASSETS

	December 31, 2018	December 31, 2017
Prepaid expenses	839,094	152,874
Advances to services suppliers	168,819	667,371
Total	1,007,913	820,245

18. ISSUED CAPITAL

	Share capital	
	December 31, 2018	December 31, 2017
264,122,096 fully paid ordinary shares (2013: 264,122,096). The value of one share is RON 0.1	26,412,210	26,412,210
Inflation effect according to IAS 29	-	-
Total	26,412,210	26,412,210

	December 31, 2018		December 31, 2017	
	Number of shares	% ownership	Number of shares	% ownership
Living Plastic Industry SA	86,774,508	32.85%	86,774,508	32.85%
Unitai International Corporation	615,500	0.23%	615,500	0.23%
Joyful River Limited Loc. Nicosia CYP	54,195,089	20.52%	54,195,089	20.52%
ROMANIAN INVESTMENT FUND (Eastern Eagle Fund LTD)	-	0%	10,337,983	3.91%
STICHTING BEWAARDER OVERLEVINGSFONDS	-	0%	7,500,000	2.84%
BRAICONF SA	-	0%	23,000,000	8.71%
Other legal persons	18,044,842	6.83%	30,559,698	11.57%
Other natural persons	104,492,157	39.56%	61,477,301	23.28%
Total	264,122,096	100%	264,122,096	100%

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
19. RESERVES

	December 31, 2018	December 31, 2017
Legal reserves	4.115.011	3,874,993
Other reserves	14.569.353	10,009,015
Revaluation reserves	39.808.428	39,338,852
Total	58.492.792	53,222,860

The legal reserve is used to transfer profits from retained earnings. According to Romanian legislation, it is necessary a transfer of the net profit of the Company. The transfer can be of up to 5% of the profit before tax, until the reserve reaches 20% of the share capital. The value as per the IFRS of reserves includes statutory legal reserves in amount of lei 4,115,011.

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

20. RETAINED EARNINGS

	December 31, 2018	December 31, 2017
Balance at the beginning of the year	51.304.266	47,230,089
Net profit	4.800.356	4,798,066
Transfer to legal reserves	(240.018)	(239,903)
Write-off of IAS 29 application on items of equity	-	-
Transfer to other reserves*	(4.560.338)	(1,487,753)
Reclassification of revaluation reserve to retained earnings	-	-
Transfers from revaluation reserves	806.072	3,011,094
Other changes	-	-
Dividend allocation	(2.007.328)	(2,007,327)
Balance at the end of the year	50.103.010	51,304,266

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

21. BORROWINGS

Borrowings – short-term	December 31, 2018	December 31, 2017
Credit line in Euro – BRD	11,643,846	10,978,977
Investment loan in Euro - BRD	-	408,071
Investment loan in Euro II - BRD	582,774	582,250
Investment loan in Euro III - BRD	735,816	2,098,969
UniCredit Tiriac (object loan)	20,447,388	-
UniCredit Tiriac – VAT facility - CCE 2015	2,028,797	21,828,211
Eximbank SA	509,253	2,026,970
Eximbank SA	514,500	509,250
Investment loan I - Eximbank SA	530,753	-
Investment loan I - UniCredit Bank	499,579	499,579
Investment loan II - UniCredit Bank	306,263	306,263
Investment loan III - UniCredit Bank	527,061	526,587
Investment loan IV - UniCredit Bank	1,077,878	1,077,878
Investment loan V - UniCredit Bank	531,947	369,156
Total	39,935,675	41.726.661

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

Borrowings – long-term	December 31, 2018	December 31, 2017
Investment loan in Euro - BRD	-	-
Investment loan in Euro II - BRD	1,651,193	2,231,955
Investment loan in Euro III – BRD	1,532,951	6,471,819
UniCredit Tiriac	8,686,140	10,705,287
Investment loan I - UniCredit Bank	1,790,158	2,289,738
Investment loan II - UniCredit Bank	535,961	842,223
Investment loan III - UniCredit Bank	922,357	1,448,113
Investment loan IV - UniCredit Bank	2,155,758	3,233,636
Investment loan V - UniCredit Bank	1,241,211	1,199,761
Investment loan S1 - Eximbank SA	1,273,123	1,782,375
Investment loan S2 - Eximbank SA	1,286,250	1,800,750
Investment loan II - Eximbank SA	1,591,719	905,935
Total	22,666,821	32,911,592

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

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

As at December 31, 2018 the Company did not meet covenant “total net financial liabilities/EBITDA” either separately, or jointly with LivingJumbo Industry SA, and met the “Coverage of debt service” at individual level, but not jointly with LivingJumbo Industry SA. In this respect, the Company obtained as at the approval date of the separate financial statements a letter from the bank stipulating that the contractual provisions were not breached and it would not demand the early repayment of the loans made available.

The Company has contracted the following short-term loans as at December 31, 2018:

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012)

- Outstanding amount as at December 31, 2018: lei 20,447,388 (equivalent of EUR 4,384,182)
- Due on: April 10, 2019
- Securities:
 1. Mortgage on the following immovable assets (land + constructions), identified as follows:
 - cadastral no. 67264 (having a total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54304 (having a total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 67301, having a surface area of 3,348 sq m, resulting from joining cadastral no. 64699, having a surface area of 3,308 sq m with cadastral no. 67265 having a total surface area of 40 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 64371, having a total surface area of 22,830 sq m, resulting from the division of the area holding cadastral no. 54553, formerly 18335 (having a total surface area of 23.451 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52784, formerly 344/1/5 (having a total surface area of 7,659 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 52768, formerly 344/1/7 (having a total surface area of 10,191 sq m) located at Str. Transilvaniei, 132, Buzău;
 - cadastral no. 54575, formerly 344/1/1 (having a total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzău;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

a) credit line contracted from UniCredit Bank SA in amount of EUR 5,450,000 (contract BUZA/014/2012) (continued)

2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
3. Mortgage over the credit balance in lei or foreign currency opened by Livingjumbo Industry SA with UniCredit Bank Suc. Buzau;
4. Mortgage over the monetary receivables and accessories thereto from current and prospective contracts and/or the firm orders and/or invoices executed/issued by ROMCARBON SA with its clients, in their capacity of assigned debtors, with possibility of sending accepted or non-accepted notices to assigned debtors in accordance with the negotiations held with the Bank;

Currently, the following debtors are notified: LivingJumbo Industry SA, P.H. Bratpol Poland, Yugosac D.O.O.Serbia, KASAKROM Chemicals SRL Bucharest, Arpa SA Logistics Greece, Metro Cash & Carry Romania SRL, Comandor Impex SRL Focșani, Auchan Romania SA, Snick Ambalaje si Consumabile Magura BZ, Carrefour Romania SA, Horeca Distribution SRL Bucharest, V&T Trade Ltd Sofia Bulgaria.

The list will be supplemented/revised by inclusion / exclusion of new data.

5. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
6. Real estate mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018.
7. Blank promissory note, with the mention "No Protest";
8. LivingJumbo Industry SA as co-borrower.

b) credit line contracted from BRD GSG in amount of EUR 2,550,000 (contract 134/11.05.2007)

- Outstanding amount as at December 31, 2018: lei 11,643,846 (equivalent of EUR 2,496,590)
 - Due on: September 30, 2019
 - Securities:
1. Security interest in real estate over immovable assets (land + constructions) having a net book value of lei 12,051,920 as at December 31, 2017, identified as follows:
 - 61094 (344/1/6) having a total surface area of 8,922 sq m, 52789 (344/1/8) having a total surface area of 17,922 sq m, 65873 (344/1/9) having a total surface area of 5,950sq m, 52777 (344/1/10) having a total surface area of 3,720 sq m, 52808 (344/1/11/1) having a total surface area of 4,561 sq m located at Strada Transilvaniei, nr. 132, Buzău.
 2. Mortgage without dispossession over 31 machinery with a net book value of lei 148,353 as at December 31, 2018;
 3. Mortgage over the credit balance of the accounts opened by Romcarbon SA with BRD GSG - Buzău Branch;
 4. Mortgage over receivables with a minimum balance of 30% of the credit balance, resulting from the commercial contracts concluded with its partners: DUCTIL SA, DEDEMAN SRL, NENEA SRL, AGRANA ROMANIA SRL, ROMANIA HYPERMARCHÉ SA, HITEXIM SRL, MAGIC SERV SRL, SAPTE SPICE SA, ROCA OBIECTE SANITARE, GD AGRO COM SRL, M&V SRL, AUTONET IMPORT SRL, SUBANSAMBLE AUTO SA, FABRYO CORPORATION SRL.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

As at December 31, 2018, the Company contracted the following long-term loans:

a) Investment loan II in amount of EUR 1,000,000 (withdrawn in part) contracted from BRD GSG (contract 148007/9022/03.11.2014):

- Outstanding amount as at December 31, 2018: lei 2,233,967 (equivalent of EUR 478,991)
 - Due on: 03.09.2022
 - Securities:
1. Mortgage over the credit balance of present and prospective accounts/sub-accounts in lei and foreign currency opened by Romcarbon SA 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 LivingJumbo Industry SA, as co-debtor, with BRD GSG – Buzău Branch;
 3. Mortgage without dispossession over 4 machinery having a net book value of lei 3,433,560 as at December 31, 2018;

b) Investment loan III in amount of EUR 3,153,160 contracted from BRD GSG (contract 150819/9022/19.12.2014)

- Outstanding amount as at December 31, 2018: lei 2,268,757 (equivalent of EUR 486,453)
 - Due on: 03.02.2022
 - Securities:
1. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. Romcarbon S.A. with BRD GSG – Buzău Branch;
 2. Mortgage over the credit balance of present and future accounts/sub-accounts in lei and foreign currency opened by S.C. LivingJumbo Industry S.A, as co-debtor, with BRD GSG – Buzău Branch;
 3. First rank mortgage over real estate having a total surface area of **35,159 sq m**, identified by the following cadastral numbers: 65984 with a surface area of 17,373 sq m, 54582 with a surface area of 4,108 sq m and 64815 with a surface area of 13,678 sq m;
 4. Mortgage over receivables with a minimum balance of EUR 500,000 resulting from the commercial contracts concluded with Romcarbon SA with its partners, which total an annual EUR 3,300,000.

c) 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 (contract 1-ABZ/21.07.2015)

- Outstanding amount as at December 31, 2018: lei 3,583,125
 - Due on: 20.06.2022
 - Securities:
1. Mortgage over real estate having a total surface area of **23,001 sq m**, 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, and 56197 with a surface area of 11,525 sq m;
 2. Mortgage without dispossession over 2 machinery having a market value of EUR 810,000 as per the valuation of May 2018 and August 2018 and a net book value of lei 4,002,771 as at December 31, 2018;
 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".

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

d) Investment loan to co-fund project "Development of Romcarbon SA" worth EUR 2,967,420 contracted from UniCredit Bank SA (contract BUZA/010/2015)

- Outstanding amount as at December 31, 2018: lei 10,714,936 (equivalent of EUR 2,297,420)
 - Due on: 04.12.2023
 - Securities:
1. Mortgage over the goods purchased in project "Development of Romcarbon SA", having a market value as per the valuation of June 2018 of EUR 4,873,800 and a net book value of lei 24,459,872 as at December 31, 2018;
 2. Mortgage over all the future accounts/sub-accounts opened by S.C. Romcarbon S.A. with UniCredit Bank SA.

e) 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 (contract BUZA/022/2016)

- Outstanding amount as at December 31, 2018: lei 2,289,737
 - 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;
 2. 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;
 3. Immovable property mortgage over real estate identified by cadastral number 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 4. Immovable property mortgage over real estate identified by cadastral number 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 5. Movable property mortgage over the movable assets in the form of inventory having a maximum value of EUR 2,000,000;
 6. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018.
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

f) *Investment loan II in amount of lei 2,500,000 contracted from UniCredit Bank SA for the co-financing of the 2016 investment plan (contract BUZA/023/2016) (partly drawn)*

- Outstanding amount as at December 31, 2018: lei 842,224
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral number 67264 ((in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Immovable property mortgage over real estate identified by cadastral number 54304 ((in total surface area of 16.787 mp) located at Str. Transilvaniei, 132, Buzau;
 3. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 5. Movable property mortgage over the movable assets purchased under the project;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

g) *Investment loan III in amount of lei 442,500 from UniCredit Bank SA to co-fund the 2016 investment plan (contract BUZA/024/2016)*

- Outstanding amount as at December 31, 2018: lei 1,449,418 (equivalent of EUR 310,774)
- Due on: 19.09.2021
- Securities:
 1. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 2. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 3. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 8,103 sq m) at a net book value of lei 3,059,838 as at December 31, 2017;
 4. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 5. Movable property mortgage over the movable assets purchased within the project;
 6. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

h) Investment loan IV in amount of lei 5,400,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/038/2016)

- Outstanding amount as at December 31, 2018: lei 3,233,636
- Due on: 01.12.2021
- Securities:
 1. Immovable property mortgage over real estate located in Stefanestii de jos, Str. Sinaia nr. 15, Ilfov, identified by cadastral/topographic no. 50009, in total surface area of 12,774 sq m;
 2. Movable property mortgage over 35 machinery with a market value as per the valuation of October 2018 of EUR 836,800 and a net book value of lei 2,503,691 as at December 31, 2018;
 3. Immovable property mortgage over real estate identified by cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 4. Immovable property mortgage over real estate identified by cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau;
 5. Movable property mortgage over the movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 6. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 7. Movable property mortgage over all the present and future accounts and sub-accounts opened by Romcarbon SA with UniCredit Bank SA.

i) Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017) (partly drawn)

- Outstanding amount as at December 31, 2018: lei 1,773,159
- Due on: 06.04.2022
- Securities:
 1. Movable property mortgage over the following immovable assets (land and buildings), identified as follows:
 - cadastral no. 67301 in surface area of 3,348 sq m resulting from joining cadastral no. 64699 in surface area of 3,308 sq m to cadastral no. 67265 in surface area of 40 sq m, located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 64371 in total surface area of 22,830 sq m resulting from the division of cadastral no. 54553 formerly 18335 (in total surface area of 23,451 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54575 formerly 344/1/1 (in total surface area of 9,814 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 67264 (in total surface area of 10,037 sq m) located at Str. Transilvaniei, 132, Buzau;
 - cadastral no. 54304 (in total surface area of 16,787 sq m) located at Str. Transilvaniei, 132, Buzau.
 2. Mortgage over the credit balance of the accounts in RON or foreign currency opened by S.C. Romcarbon S.A. with UniCredit Bank – Buzău Branch;
 3. Mortgage over future goods to be purchased out of such loan;

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

- i) *Investment loan V in amount of lei 2,250,000 from UniCredit Bank SA to refinance self-funded investments in 2016 (contract BUZA/004/2017) (partly drawn) (continued)***
4. Mortgage over movable assets in the form of inventory having a minimum value of EUR 2,000,000;
 5. Movable property mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018;
 6. Blank promissory note, with the mention "No Protest";
 7. LivingJumbo Industry SA as guarantor.
- j) *Investment loan II in amount of lei 2,432,500 to finance and re-finance objectives included in the 2017 investment plan contracted from Banca de Export-Import a Romaniei Eximbank SA (contract 7-ABZ/18.12.2017) (partly drawn)***
- Outstanding amount as at December 31, 2018: lei 2,122,292
 - Due on: 16.12.2022
 - Securities:
 1. Mortgage of subsequent rank over equipment (PE plastic film washing, sorting and grinding line) with a market value of EUR 630,000 as per the valuation report of May 2018 and a net book value of lei 3,076,629 as at December 31, 2018;
 2. Mortgage without dispossession over an equipment (filtering line, grinding and production of compounds in the form of grains) with a market value of EUR 911,276 as per the valuation report of October 2018 and a net book value of lei 4,419,115 as at December 31, 2018;
 3. Mortgage without dispossession over 3 forklifts with a market value of EUR 52,175 as per the valuation of October 2018 and a net book value of lei 274,362 as at December 31, 2018;
 4. Immovable mortgage without dispossession over 8 machinery purchased under this project with a market value of EUR 124,376 as per the valuations of May 2018 and October 2018 and a net book value of lei 604,957 as at December 31, 2018;
 5. Movable mortgage without dispossession over a future asset "MFI leak analyser";
 6. First rank mortgage over present and future receivables arising from the commercial relationship with Toro Manufacturing and Sales SRL;
 7. Mortgage over current accounts in lei and foreign currency opened with EximBank SA by Romcarbon SA;
 8. Blank promissory note, with the mention "No Protest".

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)

21. BORROWINGS (continued)

Guarantees granted to Group companies

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

- Investment loan in amount of EUR 607,200 (due in February 2024), contract BUZA/016/2015 secured by an immovable property mortgage of subsequent rank identified by cadastral no. 67264 (in total surface area of 10,037 sq m) and cadastral no. 54304 (in total surface area of 16.787 sq m) and movable mortgage over movable assets in the form of form of inventory having a minimum value of EUR 2,000,000 and movable mortgage of subsequent rank over 4 machinery with a market value as per the valuation of January 2018 of EUR 390,500 and a net book value of lei 1,663,971 as at December 31, 2018);
- Non-binding loan – cash line – in amount of EUR 450,000 (due in February 2024), contract BUZA/044/2016 secured by mortgage on inventories, having a maximum value of EUR 2,000,000.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
21. BORROWINGS (continued)

As at December 31, 2018, Romcarbon SA has contracts for the followings loans:

Such loans bear Euribor (1M) or Euribor (3M) and Robor (1M) + bank margin ranging from 1.50 to 2.50%.

Bank	Type of facility	Initial value	Balance as at 31.12.2018		Due on	less than 1 year	more than 1 year
			in euro	in lei			
UniCredit Bank	Credit line	€ 5,450,000	€ 4,384,182	lei 20,447,388	10/04/19	lei 20,447,388	-
BRD GSG	Credit line	€ 2,550,000	€ 2,496,590	lei 11,643,846	30/10/19	lei 11,643,846	-
UniCredit Bank	Investment loan (III)	€ 442,500	€ 310,774	lei 1,449,418	19/09/21	lei 527,061	lei 922,357
BRD GSG	Investment loan (II)	€ 1,000,000	€ 478,991	lei 2,233,967	03/09/22	lei 582,774	lei 1,651,193
BRD GSG	Investment loan (III)	€ 3,153,160	€ 486,453	lei 2,268,767	03/02/22	lei 735,816	lei 1,532,951
UniCredit Bank	Investment loan - CCE 2015	€ 3,042,240	€ 2,297,420	lei 10,714,936	04/12/23	lei 2,028,797	lei 8,686,140
TOTAL loans in euro		€ 15.637.900	€ 10,454,410	lei 48,758,323		35,965,682	12,792,640
Eximbank SA	Investment loan (I) (Lei)	lei 6,142,500		lei 3,583,125	20/06/22	lei 1,023,750	lei 2,559,375
Eximbank SA	Investment loan (II) (Lei)	lei 2,432,500		lei 2,122,292	16/12/22	lei 530,573	lei 1,591,719
UniCredit Bank	Investment loan (I) (Lei)	lei 3,200,000		lei 2,289,737	11/07/23	lei 499,579	lei 1,790,158
UniCredit Bank	Investment loan (II) (Lei)	lei 2,500,000		lei 842,224	19/09/21	lei 306,263	lei 535,961
UniCredit Bank	Investment loan (IV) (Lei)	lei 5,400,000		lei 3,233,636	01/12/21	lei 1,077,878	lei 2,155,758
UniCredit Bank	Investment loan (V) (Lei)	lei 2,250,000		lei 1,773,159	06/04/22	lei 531,947	lei 1,241,211
Total loans in lei		lei 21,925,000		lei 13,844,172		lei 3,969,991	lei 9,874,181
Total				lei 62,602,494		lei 39,935,673	lei 22,666,821

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

22. OTHER BORROWINGS

	December 31, 2018	December 31, 2017
Liabilities to employees	1,004,630	930,442
Liabilities related to social contributions	865,863	818,625
Other tax liabilities	559,483	784,792
	2,430,076	2,533,859

23. TRADE LIABILITIES

	December 31, 2018	December 31, 2017
Trade liabilities	23,166,515	27,252,655
Other liabilities	793,136	203,569
Suppliers invoices not received	359,085	863,344
Advances from clients	218,329	251,875
Total	24,537,065	28,571,443

24. FINANCE LEASE OBLIGATIONS
Lease contracts

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

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

	December 31, 2018	December 31, 2017
Amounts due within one year	-	86,797
Due in more than one year, but less than 5 years	-	-
Less future finance expenses	-	-
Total	-	86,797

	December 31, 2018	December 31, 2017
Present value of future finance lease payments		
Amounts due within one year	-	86,797
Due in more than one year, but less than 5 years	-	-
Total	-	86,797

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**25. FINANCIAL INSTRUMENTS****(a) Capital risk management**

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

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

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

(b) Main accounting policies

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

(c) Objectives of financial risk management

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

(d) Market risk

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

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

(e) Currency risk management

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

(f) Interest rate risk management

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)**25. FINANCIAL INSTRUMENTS (continued)****(g) Other risks regarding prices**

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

(h) Credit risk management

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

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

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

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
25. FINANCIAL INSTRUMENTS (continued)

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

	EUR 1EUR = lei 4.6639	USD 1USD = lei 4.0736	lei 1 lei	December 31, 2018 Total
2018	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
Assets				
Cash and cash equivalents	22,083	131,034	3,177,893	3,331,011
Receivables and other current assets	4,265,368	227,779	31,229,269	35,722,416
Other assets	6,174,452	-	-	6,174,452
	-	-	1,007,913	1,007,913
Liabilities				
Trade and other liabilities				
Short and long-term borrowings	4,767,409	6,013	19,763,644	24,537,065
Short and long-term finance lease liabilities	48,758,323	-	13,844,172	62,602,494
Other liabilities	-	-	-	-
	-	-	2,430,076	2,430,076
2017	EUR 1EUR = lei 4.6597	USD 1USD = lei 3.8915	lei 1 lei	December 31, 2017 Total
	<i>lei</i>	<i>lei</i>	<i>lei</i>	<i>lei</i>
Assets				
Cash and cash equivalents	32,262	26,895	2,469,861	2,529,017
Receivables and other current assets	3,805,992	28,540	28,658,734	32,494,266
Other assets	-	-	-	-
			820,245	820,245
Liabilities				
Trade and other liabilities	5,941,268	91,411	22,538,764	28,571,443
Short and long-term borrowings	59,307,208	-	15,331,045	74,638,253
Short and long-term finance lease liabilities	86,797	-	-	86,797
Other liabilities	-	-	2,533,859	2,533,859

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
25. FINANCIAL INSTRUMENTS (continued)

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

	<u>31-Dec-2018</u>	<u>31-Dec-2017</u>
Loss	(6,260,250)	(6,998,782)

Tables regarding liquidity and interest rate risks

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

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

2018	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	24,537,065	-	-	24,537,065
Other current liabilities	2,430,076	-	-	2,430,076
Interest bearing instruments				
Short and long-term leases	-	-	-	-
Borrowings from financial institutions	39,935,673	15,480,548	7,186,273	62,602,494
Non-interest bearing				
Cash and cash equivalents	3,331,011	-	-	3,331,011
Receivables and other current assets	35,722,416	-	-	35,722,416
Interest bearing				
Loans to Group companies	6,174,452	-	-	6,174,452

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

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

2017	<u>Less than 1 year</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Total</u>
Non-interest bearing				
Trade liabilities	28,571,443	-	-	28,571,443
Other current liabilities	2,533,580	-	-	2,533,580
Interest bearing instruments				
Borrowings from financial institutions	86,797	-	-	86,797
Short and long-term leases	41,726,661	8,737,886	24,173,706	74,638,253
Non-interest bearing				
Cash and cash equivalents	2,529,017	-	-	2,529,017
Receivables and other current assets	32,493,266	-	-	32,493,266

26. RELATED PARTY TRANSACTIONS

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

Dividends received

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
YENKI SRL BUZAU	-	-
LIVING JUMBO INDUSTRY SA	-	-
RECYPLAT LIMITED	-	-
INFO TECH SOLUTION SRL BUZAU	117,270	157,997
RC ENERGO INSTALL SRL	1,000,000	1,000,000
TOTAL	<u>1,117,270</u>	<u>1,157,997</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
 (all amounts are expressed in lei, unless specified otherwise)

26. RELATED PARTY TRANSACTIONS (continued)

	Sales of goods and services		Purchases of goods and services	
	2018	2017	2018	2017
Info Tech Solution SRL	23,281	23,333	409,721	395,705
LivingJumbo Industry SA	35,662,974	35,047,140	1,050,808	1,141,534
RC Energo Install SRL	86,463	89,672	1,980,447	1,790,895
Yenki SRL Buzau	1,765	12,678	-	-
Total	35,774,482	35,172,823	3,440,976	3,328,134

	Receivables from related parties		Payables to related entities	
	2018	2017	2018	2017
Info Tech Solution SRL	-	-	30,532	64,464
LivingJumbo Industry SA	23,000,525	12,355,709	242,854	202,113
RC Energo Install SRL	1,422,490	-	197,659	397,856
Yenki SRL Buzau	-	-	-	-
Total	24,423,015	12,355,709	471,045	664,433

As at 31 December, the Company has outstanding receivables in amount of RON 23,000,525 from LivingJumbo Industry SA representing trade receivables in amount of RON 18,336,625 and loan granted in amount of RON 4,663,900 due in August 2019.

As at 31 December, the Company has outstanding receivables in amount of RON 1,422,490 from RC Energo Install SRL represented by a loan granted, due in September 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
26. RELATED PARTY TRANSACTIONS (continued)

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

	Sales of goods and services		Purchases of goods and services	
	2018	2017	2018	2017
Greenfiber International SA	5,107,220	3,452,596	111,556	107,675
Greenlamp Reciclare SA	533	2,481	-	-
Greentech SA	71,570	120,263	415,100	948,283
Greenweee International SA	193,080	187,432	174,101	446,969
Greentech d.o.o Serbia	-	-	6,805	-
Total Waste Management SRL	247,560	289,393	3,836	62,917
Next Eco Reciclyng SA	-	1,763	416,837	555,931
Green Resources Management SA	6,109	3,695	-	-
	5,626,071	4,057,624	1,128,236	2,121,775
	Receivables from related parties		Payables to related entities	
	2018	2017	2018	2017
Greenfiber International SA	836,113	752,766	4,564	37,991
Greenlamp Reciclare SA	-	1,302	-	-
Greentech SA	5,833	45,870	15,444	108,238
Greenweee International SA	56,690	16,655	47,418	44,498
Greentech d.o.o Serbia	-	-	-	-
Total Waste Management SRL	27,358	25,208	123	29,340
Next Eco Reciclyng SA	-	-	-	-
Green Resources Management SA	-	-	-	-
	925,994	841,801	67,549	220,067

This is a free translation from the original Romanian version.

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)
27. CASH ON HAND AND AT BANKS

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

	December 31, 2018	December 31, 2017
Cash at banks	3,197,884	2,403,783
Cash on hand	24,317	15,873
Cash equivalents	108,810	109,361
Total	3,331,011	2,529,017

28. DEFERRED INCOME

	December 31, 2018	December 31, 2017
Grants Unido funds and car scrap program	6,125	9,376
Grants – project co-funded by European funds for 2011	6,589,359	7,660,583
Grants – project co-funded by European funds for 2015	11,068,373	12,256,600
Inventory surpluses in the form of non-current assets	12,617	13,084
Total	17,676,474	19,939,643

As at December 31, 2018, the Company registered investment subsidies and other amounts in the form of investment subsidies, not transferred to income, totalling lei 17,676,474. They are recognized as income on a monthly basis, in line with the depreciation of property, plant and equipment purchased throughout the useful life.

29. COMMITMENTS AND CONTINGENCIES
Potential tax liabilities

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

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

**NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 31, 2018
(all amounts are expressed in lei, unless specified otherwise)****29. COMMITMENTS AND CONTINGENCIES (continued)****Transfer pricing**

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

Environmental matters

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

30. SUBSEQUENT EVENTS

At the proposal of Romcarbon's Board of Directors, the approval of the share capital increase of Livingjumbo Industry SA was included on the agenda of the Extraordinary General Meeting of Shareholders held on 24 / 25.04.2019, to which Romcarbon SA will participate by lei 4,838,400 resulting from the conversion into shares of the shareholder loan granted by Romcarbon to its subsidiary in August 2018 in amount of EUR 1,000,000 and a part of the interest accrued at 01.06.2019.

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

The separate financial statements were approved by the Board of Directors and were authorised for issuance on March 26, 2019.

**ADMINISTRATOR,
HUANG LIANG NENG**

**FINANCIAL MANAGER,
VIORICA ZAINESCU**

**GENERAL MANAGER,
RADU ANDREI**

For signatures, please refer to the original Romanian version.



BOARD OF DIRECTORS' REPORT FOR THE PERIOD ENDED DECEMBER 31, 2018

ROMCARBON S.A., a legal entity with headquarters in Buzau, str. Transilvaniei nr. 132, registered at the Buzau Trade Registry under no. J10/83/1991, recorded in accounting balance sheet for the year ended December 31, 2018, the amount of 26,412,209.60 lei as subscribed and paid in share capital representing a number of 264,122,096 shares of 0.10 lei each share.

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

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

- the internal audit reports drawn up in 2018 in various audit missions made according to the Internal Audit Plan;
- the separate financial statements drawn for the year ended December 31, 2018 in accordance with applicable accounting regulations for the companies whose securities are admitted to trading on a regular market, i.e. International Financial Reporting Standards (IFRS) which comprise:
 - a) Statement of financial position
 - b) Statement of profit or loss
 - c) Statement of comprehensive income
 - d) Statement of changes in shareholders' equity
 - e) Statement of cash flows
 - f) Policies and explanatory notes to the annual financial statements.

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

In preparing the separate financial statements as at 2018, the Company complied with Accounting Law no. 82/1991, republished, Ministry of Public Finance Order no. 2844/2016 approving the Accounting regulations compliant with International Financial Reporting Standards, MoPFO no. 881/2012 on the application by the companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards - standards adopted under the procedure provided in art. 6 para. (2) of Regulation (EC) no. 1606 /2002 of the European Parliament and of the Council of 19 July 2002 on the application of international standards of accounting. The Company will issue for 2018 consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU.

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

In the process of drawing the 2018 financial statements of Romcarbon SA Buzau it had been fully applied the principles and accounting policies, the evaluation methods, and the provisions of accounting regulations.

ASSESSMENT OF THE COMPANY'S ACTIVITY

1) The assessment of the technical level of the company

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

The company has the following working points:

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

In 2018, the production activity was carried out in 7 profit centers as follows:

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

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

Group of products	2016	2017	2018
Total revenues from sales of finished products, of which:	68.37%	71.81%	74.77%
CP1~ Auto and industrial filters,	2.31%	1.96%	1.32%
CP2~ Respiratory protective equipment and Active Carbon	1.63%	1.29%	1.00%
CP3~ Polyethylene products	14.02%	14.00%	16.40%
CP4~ PVC products	0.24%	0.30%	0.40%
CP5~ Polystyrene products	19.17%	18.66%	19.06%
CP6~ Polypropylene products	20.78%	19.17%	19.23%
CP7~Compounds	10.21%	16.42%	17.35%

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

2) New products developed in 2018

In 2018 the range of industrial filters was enlarged with 25 new items. Also 29 new air filters and railway engine filters were developed.

In the Compound sector, 14 new recipes of compounds manufactured from recycled plastic were developed, and the new products that were fit were sent to beneficiaries for testing.

In the polyethylene sector, new products were developed: PS panel packaging film for automated installations, batch film for automated installations; HDPE household sacks; household sacks made of recycled raw materials.

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

- Line of crushing waste and filter materials generated during the extrusion process. It has the role of reducing to a small and uniform size a wide range of materials (different types of post-industrial and post-consumption waste, filtering and purging materials generated during the extrusion process). The products obtained after grinding can be sold as such, as semi-finished products or can be re-introduced into the process, obtaining new products.
- Homogenizer of 1 cubic meter – the first purchased in a series of homogenizers. In order to optimize the extrusion process, it is necessary to provide a homogenous raw material that provides continuity to the technological process and to ensure the same physicochemical characteristics of the products obtained. It serves extruders that are not provided with multiple gravimetric dispensers and for which polymers and additives are used in different proportions.

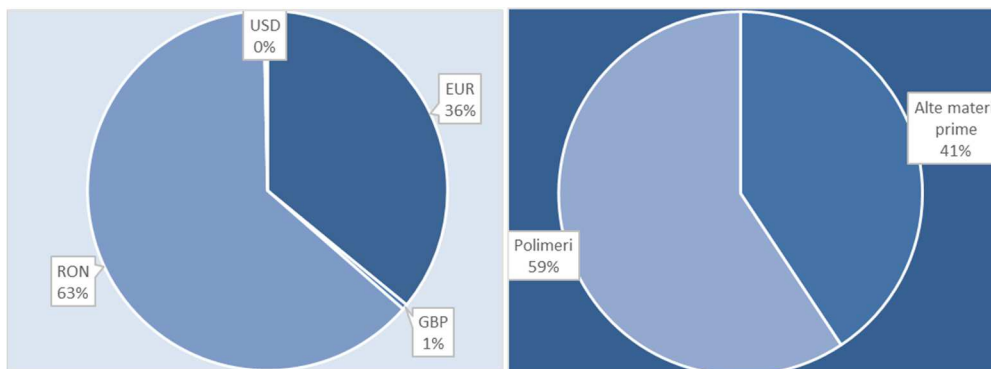
3) Assessment of procurement activity (domestic and import)

The supply of raw materials, consumables and services is carried out according to the specific internal procedures. Further to the assessment of at least 3 commercial offers, the best alternative is selected, which then turns into an acquisition. The collaboration with these suppliers is based on the contracts signed with them or on confirmed spot orders. The portfolio of suppliers of raw materials for most of the production sectors includes 63% Romanian companies, and 37% companies in the foreign market. For the Compounds sector, the raw material supplied comes 87% from Romania, while the difference is ensured by the quantities offered by foreign collaborators.

The most important share (59%) in the total value of acquisitions of raw materials is represented by polymer granules (polypropylene, polyethylene, polystyrene), which represents the basic raw materials. They are provided by various companies with which Romcarbon SA has developed strong partnerships over the years.

In order to ensure the best price-to value products to its clients, Romcarbon is permanently involved in developing new projects and is open to new collaborations.

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



4) Assessment of sales

The evolution of sales of finished products between 2016 and 2018 is presented in the following table:

Group of products	2016		2017		2018		2018 vs. 2017		
	Value	% in total	Value	% in total	Value	% out of total			
CP1~ Auto and industrial filters	4,130,687	3.38%	3,830,438	2.73%	2,623,159	1.77%	▼	(1,207,279)	-32%
CP2~ Respiratory protective equipment and active carbon	2,915,747	2.39%	2,514,286	1.79%	1,994,419	1.34%	▼	(519,866)	-21%
CP3~ Polyethylene products	25,059,617	20.51%	27,326,932	19.50%	32,556,680	21.94%	▲	5,229,748	19%
CP4~ PVC products	434,054	0.36%	582,367	0.42%	784,529	0.53%	▲	202,162	35%
CP5~ Polystyrene products	34,260,687	28.04%	36,420,305	25.99%	37,832,816	25.50%	▲	1,412,511	4%
CP6~ Polypropylene products	37,144,517	30.40%	37,408,712	26.70%	38,163,803	25.72%	▲	755,091	2%
CP7~ Composites	18,245,980	14.93%	32,045,842	22.87%	34,431,228	23.20%	▲	2,385,386	7%
TOTAL	122,191,290	100.00%	140,128,883	100.00%	148,386,635	100.00%	▲	8,257,752	6%

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

Sales of finished products	2016		2017		2018	
	Value	%	Value	%	Value	%
Domestic	83,100,987	68.01%	90,478,709	64.57%	96,001,772	64.70%
Foreign	39,090,303	31.99%	49,650,174	35.43%	52,384,863	35.30%
Total	122,191,290	100.00%	140,128,883	100.00%	148,386,635	100.00%

The turnover resulting from the sale of finished products in 2018 according to the foreign markets is presented in the following table.

Country	2017	% in 2017	2018	% in 2018
Bulgaria	14,719,698	29.65%	12,321,732	23.52%
Germany	8,488,229	17.10%	12,042,150	22.99%
Poland	4,595,353	9.26%	5,031,717	9.61%
Serbia	4,457,607	8.98%	4,517,145	8.62%
Hungary	1,695,768	3.42%	2,795,920	5.34%
Spain	2,282,144	4.60%	2,482,621	4.74%
Italy	1,322,556	2.66%	2,039,302	3.89%
China	363,780	0.73%	2,025,882	3.87%
France	1,449,905	2.92%	1,596,481	3.05%
Greece	2,807,035	5.65%	1,437,220	2.74%
Slovakia	1,288,786	2.60%	1,347,909	2.57%
Moldova	1,446,715	2.91%	920,346	1.76%
The Netherlands	777,563	1.57%	699,199	1.33%
Ukraine	431,060	0.87%	571,134	1.09%
Switzerland	893,153	1.80%	543,909	1.04%
Czech Republic	347,750	0.70%	321,988	0.61%
Croatia	601,685	1.21%	312,269	0.60%
Bosnia and Herzegovina	185,733	0.37%	284,111	0.54%
Non-EU	354,732	0.71%	242,430	0.46%
Macedonia	119,009	0.24%	147,627	0.28%
Belgium	182,043	0.37%	130,046	0.25%
Morocco	0	0.00%	105,244	0.20%
Other	839,870	1.69%	468,481	0.89%
Total	49,650,174	100.00%	52,384,863	100.00%

5) Assessment of aspects related to the personnel of the company

The number of Romcarbon SA employees as at 31.12.2018 was 969, grouped according to the level of education as follows:

Total number of employees, of which:	969	%
· higher education*	106	11%
· post-high school education	13	1%
· technological foremen school	9	1%
· high school education	393	41%
· vocational education	216	22%
· 9 – 11 grades/apprenticeship	107	11%
· on-the-job qualification	43	4%
· secondary education	82	8%

*Out of the total higher education staff, 66 fill positions that require higher education.

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

6) Assessment of the research and development activity

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

- Product certification according to the national and European regulations:

In 2018, the certifications of the Filter and Protection Equipment Workshop were extended for oil filters, fuel filters, car filters, multi-gas filters and filtering box equipped with 2 CO retention connections:

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

The cost of research and development activity in 2018 was 967,348 lei, while for 2019 it was budgeted a cost of 997,846 lei.

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

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

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

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

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

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

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

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

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

The objectives are set in accordance with the Quality, Environment and Occupational Health and Security Policy, with the commitments to prevent pollution and the compliance and improvement obligations.

Change and the development of new activities or products may invalidate aspects previously identified or require the introduction of new aspects in the list, in which cases the Company reassesses and revises the environmental aspects. Examples of such changes include:

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

At the beginning of 2019, the Company reassessed the environmental aspects and established that it might face significant environmental aspects only in abnormal conditions or in emergency situations.

8) Assessment of the management system

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

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

The Quality, Environment, Health and Occupational Safety Integrated Management System is certified by a Renar accredited body, namely SRAC ROMANIA. The Quality Management System of ROMCARBON SA has been certified since 1994.

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

The top-level management aims to develop the Integrated Management System in line with the requirements of the reference standards: ISO 9001: 2015, ISO 14001-2015 and OH & S 18001-2007 and continuously improve its effectiveness.

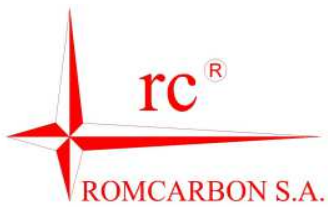
9) Assessment of the company's activity related to risk management

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

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

Market risk

In 2018, the company recorded an increase of total turnover by 1%, reaching a total of lei 200,716,405. Sales of finished products increased by 6%. The largest increase was accounted by CP7 - Compounds (+2,385,386 lei/+7%), CP3 – polyethylene by 5,229,748 lei (19%) and CP5 – Polystyrene products (+1,412,511 lei/+4%).



Romcarbon's main selling market is the domestic one, with a share in turnover resulting from the core activity (Income from sale of finished products) of 74% in 2018 (75% in 2017).

The clients portfolio for the company's production activity is diversified, there is no clear dependence on certain clients. However, for the activity of sales of goods SC Romcarbon SA has two clients (Kasakrom Chemiclas SRL and Livingjumbo Industry SA) that in 2018 had a turnover represented 13% and 8% of total turnover. The sales to Livingjumbo Industry SA in 2018 included the sales of finished products, rents and income from other activities, which accounted for 4% of turnover.

Exchange rate risk

Currency exposure of SC Romcarbon SA is generated mainly by the loans denominated in euro. As at 31.12.2018 the balance of this loan was EUR 10,454,410 (December 31, 2017: EUR 12,727,688).

In 2018, the financial result generated by the fluctuation of foreign currencies rate was + lei 88,767 (2017: lei 1,502,397).

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

Item	EURO	USD	GBP
Proceeds from foreign clients	10,707,117	479,816	-
Proceeds from credits	-	-	-
Other proceeds	25,294	-6,004	-
Payment to the foreign suppliers (raw materials and equipment)	-9,194,453	-178,892	-
Payments of credits, interest, bank fees	-2,525,135	-1,354	-70
Other currency payments	-23,443	-	-
Net cash flow	-1,010,619	293,566	-70

Liquidity risk

Current liquidity of SC Romcarbon SA (calculated as the ratio between current assets and current debts) registered an increase from 0.79 in 2017 to 1.2 in 2018.

Cash flow risk

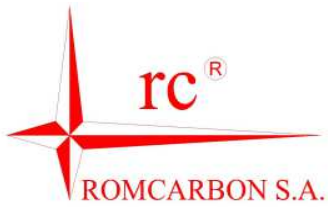
SC Romcarbon SA is not exposed to a high risk in terms of cash flow as the company cash management is very rigorous; by forecasting cash inflows and outflows over a period of three months and daily tracking performance of this projection, surplus cash is placed in term deposits, aiming at getting the best interest rates on the market. Regarding loans to finance production activity, they are contracted for a period of 12 months with the possibility of extending the due date for a similar period, and in this sense are not anticipated higher cash outflow during the year 2019.

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

The internal accounting and financial control focuses on providing:

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

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

REVIEWING THE ECONOMIC AND FINANCIAL SITUATION OF THE COMPANY

1) Statement of financial position

The statement of financial position for the years 2017 and 2018 is shown in the following table.

Items	2017	2018	2018 vs. 2017		
Property, plant and equipment	137,757,935	130,049,723	-7,708,212	▼	-5.60%
Investment property	49,859,449	18,033,515	-31,825,934	▼	-63.83%
Intangible assets	160,081	78,269	-81,813	▼	-51.11%
Financial assets	22,247,181	22,247,181	0	—	0.00%
Total non-current assets	210,024,646	170,408,687	39,615,959	▼	-18.86%
Non-current assets held for sale	0	16,000,390	16,000,390	▲	
Inventories	23,824,916	20,695,919	-3,128,997	▼	-13.13%
Trade and other receivables	32,493,266	35,722,416	3,229,150	▲	9.94%
Financial amounts receivable from affiliates	-	6,174,452	6,174,452	▲	-
Tax recoverable	-	-	-	—	-
Other assets	820,245	1,007,913	187,668	▲	22.88%
Cash and bank balances	2,529,017	3,331,011	801,993	▲	31.71%
Total current assets	59,667,445	82,932,101	23,264,656	▲	38.99%
Total assets	269,692,090	253,340,788	16,351,302	▼	-6.06%

Items	2017	2018	2018 vs. 2017		
Issued capital	26,412,210	26,412,210	0	—	0.00%
Share premium	2,182,283	2,182,283	0	—	0.00%
Reserves	53,222,860	58,492,792	5,269,931	▲	9.90%
Retained earnings	51,304,266	50,103,010	-1,201,255	▼	-2.34%
Total equity	133,121,619	137,190,295	4,068,676	▲	3.06%
Long-term borrowings	32,911,592	22,666,822	-10,244,770	▼	-31.13%
Long-term finance leases and other interest bearing obligations	-	-	-	—	
Deferred tax liabilities	10,758,395	8,902,075	-1,856,320	▼	-17.25%
Other long-term liabilities	-	-	0	—	
Long-term deferred income	17,676,474	15,413,305	-2,263,169	▼	-12.80%
Total non-current liabilities	61,346,461	46,982,202	14,364,259	▼	-23.41%
Trade and other payables	28,571,443	24,537,065	-4,034,378	▼	-14.12%
Financial amounts payable to affiliates	-	-	-	—	
Short-term borrowings	41,726,661	39,935,674	-1,790,987	▼	-4.29%
Short-term finance leases and other interest bearing obligations	86,797	-	-86,797	▼	-100.00%
Short-term deferred income	2,305,250	2,265,476	-39,773	▼	-1.73%
Other liabilities	2,533,859	2,430,076	-103,782	▼	-4.10%
Total current liabilities	75,224,010	69,168,292	-6,055,718	▼	-8.05%
Total liabilities	136,570,470	116,150,493	20,419,977	▼	-14.95%
Total equity and liabilities	269,692,090	253,340,788	16,351,302	▼	-6.06%

In 2018, non-current assets hold 67.26% of the company's assets, decreasing by lei 39,615,959, namely 18.86% compared to December 31, 2017.

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

Non-current assets (NCA)	2018	% in total NCA	% in total asset	2018 vs. 2017
Property, plant and equipment	130,049,723	76.32%	51.33%	-5.60%
Investment property	18,033,515	10.58%	7.12%	-63.83%
Intangible assets	78,269	0.05%	0.03%	-51.11%
Financial assets	22,247,181	13.06%	8.78%	0.00%
Total non-current assets	170,408,687	100.00%	67.26%	-18.86%

The inputs of "Property, plant and equipment" during 2018 are presented in the table below:

Type	Value
Plants	3,263,265
Equipment and Machineries	6,205,237
Controlling device	122,382
Vehicles	160,255
Furniture	110,983
TOTAL	9,862,122

Outflows of property, plant and equipment and investment property in the company's patrimony in 2018 are presented in the following table:

Asset	Scraps	Sales	Total
Investment property (land and buildings)	-	15,376,481	15,376,481
Property, plant and equipment at gross value	968,169	225,224	1,193,393
Total	968,169	15,601,705	16,569,874

In the category of the investment property are comprised the assets (land and plants) held in order to obtain revenues by renting them to the interested parties. The structure of the Investment Property is presented in the below table:

Investment property	Total
Iasi	7,040,036
Buzau	6,003,274
Stefanesti	4,990,205
Total	18,033,515

On April 23, 2018 the Company signed two undertakings for the sale of assets with Office&Logistic SRL as follows:

- Sale undertaking for the promise to sell a plot of land in surface area of 39,269.50 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land; **the sale under such undertaking**, for which a total price of EUR 3,900,000 EUR, without VAT, was received, was done **in two stages, on 10.05.2018 and on 30.07.2018**;
- Sale undertaking for the promise to sell a plot of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land for which a total price of EUR 3,430,689, without VAT will be received, which **will be done in three stages**, for which ownership will be transferred on 30.07.2019, 29.11.2019 and 30.03.2020.

From the sale performed on 10.05.2018 and 30.07.2018, the Company obtained a profit of lei 2,709,753 registered in the statement of comprehensive income under "Other gains or losses".

In December 2018, in accordance with IFRS 5, the asset consisting of land in surface area of 35,192.48 sq m located in Iasi, Calea Chisinaului, nr. 29 and the buildings erected on such land, was reclassified, which will form the object of the second sale undertaking, from "Investment property" to "Assets held for sale". The asset (land and buildings) which formed the object of such reclassification is worth lei 16,757,112. Further to reclassification, the Company registered a loss of lei 756,722 on the recognition of such asset in accordance with IFRS 5.

As at December 31, 2018, the Company performed the valuation of the investment property and the result, in amount of lei 307,659 was charged to profit and loss.

Financial assets account for 8.78% out of total assets, and 13.06% out of total non-current assets.



As at December 31, 2018, Romcarbon SA held direct ownership in other companies worth lei 25,611,325, as follows:

Company	Total shares	No. of shares held	Acquisition/investment value	Holding (%)
RECYPLAT LTD CIPRU	26,000	26,000	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH			110,138	100.0000%
RC ENERGO INSTALL SRL	200	200	15,112	100.0000%
INFO TECH SOLUTIONS SRL	200	198	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	200	198	1,639,232	99.0000%
GRINFILD LLC UCRAINA			2,687,755	62.6200%
YENKI SRL	32,800	10,934	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)		1,200	400	33.3333%
ECO PACK MANAGEMENT SA	144,600	36,670	586,625	25.3596%
KANG YANG BIOTECHNOLOGY CO.LTD	2,889,993	139,000	203,963	1.9542%
REGISTRUL MIORITA SA	10,500	398	5,000	3.7905%
TOTAL			25,611,325	

As at 31.12.2018, the Company registered impairment of financial assets as follows:

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

Current assets account for 32.74% of total assets recording an increase of 23,264,656 lei, i.e. 38.99% as compared with the beginning of the year.

Current assets	31.12.2018	% out of total current assets	% out of total assets	31.12.2018 vs. 31.12.17
Non-current assets held for sale	16,000,390	19.29%	6.32%	0.00%
Inventories	20,695,919	24.96%	8.17%	-13.13%
Trade and other receivables	35,722,416	43.07%	14.10%	9.94%
Financial amounts receivable from affiliates	6,174,452	7.45%	2.44%	0.00%
Tax recoverable	0	0.00%	0.00%	0.00%
Other assets	1,007,913	1.22%	0.40%	22.88%
Cash and cash equivalents	3,331,011	4.02%	1.31%	31.71%
Total current assets	82,932,101	100.00%	32.74%	38.99%

The loans granted to affiliates as at December 31, 2018 is presented in the table below:

Group companies loans	Contract value	Outstanding loan as at December 31, 2018		Interest	Total
LivingJumbo Industry SA	€ 1,000,000	€ 1,000,000	4,663,900 lei	75,134 lei	4,739,034 lei
RC Energo Install SRL	€ 500,000	€ 305,000	1,422,490 lei	12,929 lei	1,435,418 lei
Total	€ 1,500,000	€ 1,305,000	6,086,390 lei	88,062 lei	6,174,452 lei

In January 2019, RC Energo Install SRL repaid the entire outstanding loan as at December 31, 2018 and the related interest.

Total liabilities hold 45.85% of the company's total Equity and liabilities recording a decrease of 20,419,977 lei, i.e. 14.95% as compared with the beginning of the year.

Current liabilities of the Company, representing 27.30% of Total Equity & Liabilities have decreased by 6,055,718 lei as compared with 31.12.2017, i.e. 8.05%.

Non-current Liabilities represent 18.55% out of the Total equity and liabilities and have registered a decrease of 14,364,259 lei (23.41%) as compared with the beginning of the year.

Total Equity holds 54.15% out of total equity and liabilities and registered an increase of 4,068,676 lei, compared with the beginning of the year.

Equity	31.12.2018	% of Total Equity and liabilities
Subscribed and paid in share capital (representing the counter value of 264,122,096 shares at a nominal value of lei 0.1/share)	26,412,210	10.43%
Share premium	2,182,283	0.86%
Reserves	58,492,792	23.09%
Retained earnings	50,103,010	19.78%
Total equity	137,190,295	54.15%

The subscribed and paid in capital of the company amounting to lei 26,412,209.60 in 2018 is divided into 264,122,096 registered shares, dematerialized, with a nominal value of 0.10 lei per share.

As at 31.12.2018 the structure of the company shareholding according to Depozitarul Central SA is the following:

Shareholder	No. of shares	% quota
Living Plastic Industry S.R.L.	86,774,508	32.85%
Joyful River Limited	54,195,089	20.52%
NEW CARPATHIAN FUND	2,350,000	0.89%
Other legal entities	16,310,342	6.18%
Other individuals	104,492,157	39.56%
Total	264,122,096	100.00%

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

Income statement	2017	2018	2018 vs. 2017	
Revenue	195,140,695	198,460,719	▲	3,320,024 2%
Investment income	3,987,533	3,464,433	▼	(523,100) -13%
Other gains and losses	2,796,780	3,388,764	▲	591,984 21%
Changes in inventories of finished goods and work in progress	2,304,367	372,436	▼	(1,931,931) -84%
Raw materials and consumables used	(139,437,993)	(136,656,677)	▼	2,781,315 -2%
Depreciation and amortisation expenses	(10,706,926)	(11,553,840)	▲	(846,914) 8%
Impairment of financial assets	-	-	—	- n/a
Employee benefits expenses and social charges	(28,174,199)	(35,940,642)	▲	(7,766,443) 28%
Tax contributions related to employee benefits	(6,608,431)	(1,139,629)	▼	5,468,802 -83%
Finance costs	(1,728,613)	(1,945,033)	▲	(216,420) 13%
Other income	2,264,436	2,263,169	▼	(1,267) 0%
Other expenses	(14,099,311)	(16,247,641)	▲	(2,148,330) 15%
Profit (loss) before tax	5,738,338	4,466,059	▼	(1,272,278) -22%
Income tax expense	(940,272)	334,297	▼	1,274,569 n/a
Profit (loss) of the year	4,798,066	4,800,356	▲	2,291 0%
Loss from tangible assets evaluation	-	-	—	-
Deferred tax adjustment related to the re-evaluation reserves fiscal unallowable	-	1,275,648	▲	1,275,648
Total comprehensive income	4,798,066	6,076,004	▲	1,277,939 27%

The item "Investment income" has the following structure:

Indicator	2017	2018
Rental income	2,825,883	2,255,686
Interest income	3,653	91,387
Investment income (dividends) - Recyplat	-	-
Investment income (dividends) - LivingJumbo Industry	-	-
Investment income (dividends) - Infotech Solutions	157,997	117,360
Investment income (dividends) - RC Energo Install	1,000,000	1,000,000
Total	3,987,533	3,464,433

“Net sales” had the following trend in the reporting period:

Caption			2018 vs. 2017		
	2017	2018			
Total sales of finished goods, of which	140,128,883	148,386,635	▲	8,257,752	6%
- Sales of intermediary goods	48,146	10,205	▼	(37,941)	-79%
- Services rendered	293,439	226,336	▼	(67,103)	-23%
- Sale of goods purchased for resale	51,024,724	45,297,333	▼	(5,727,391)	-11%
- Revenues from sundry services	3,645,505	4,540,210	▲	894,705	25%
Total, of which:	195,140,696	198,460,719	▲	3,320,023	2%

Caption	31.12.2017	31.12.2018	31.12.2018 vs.31.12.2017		
Net sales	195,140,696	198,460,719	▲	3,320,023	2%
Rental income	2,825,883	2,255,686	▼	(570,197)	-20%
Total turnover, of which:	197,966,579	200,716,405	▲	2,749,826	1%
- Domestic market	147,942,412	147,822,224	▼	(120,188)	0%
- Foreign market	50,024,168	52,894,181	▲	2,870,013	6%

Note: Turnover includes “Net sales” in the Statement of comprehensive income, plus “Rental income” generated by investment property.

3) **Statement of cash flows**

Cash and cash equivalents at the end of 2018 have increased from lei 2,529,017 (31.12.2017) to lei 3,331,011.

4) **Financial ratios**

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

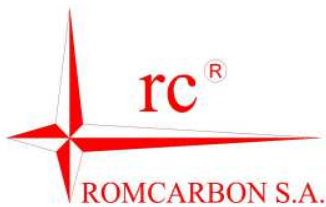
Ratio	Formula	2016	2017
EBIT	Gross profit + interest expenses	7,325,990	6,168,893
EBITDA	EBIT + amortization - income from subsidies	15,768,480	14,702,843
Turnover		197,966,578	200,716,405
EBITDA in total sales	EBITDA/Turnover	7.97%	7.33%
EBITDA in equity	EBITDA/Equity	11.85%	10.72%
Gross profit	Gross profit /turnover	2.90%	2.23%
Current liquidity ratio	Current assets/current liabilities	0.79	1.20
Immediate liquidity ratio (acid test)	(Current assets -Inventories)/Current liabilities	0.48	0.90
Gearing ratio (1)	Long-term liabilities/Equity	0.46	0.34
Gearing ratio (2)	Total liabilities/Total assets	0.51	0.46
Gearing ratio (3)	Long-term capital borrowed/Total equity	25%	17%
Gearing ratio (4)	Long-term capital borrowed/Capital engaged	20%	14%
Interest coverage ratio	EBIT/Interest expenses	4.61	3.62
Turnover of trade receivables	Average balance of trade receivables /Turnover	54	61
Turnover of trade liabilities	Average balance of trade liabilities /Turnover	50	48
Turnover of non-current assets	Turnover/non-current assets	0.94	1.18
Return on assets (ROA)	Net result /Total assets	1.78%	1.89%
Return on equity (ROE)	Net result/Equity	3.60%	3.50%
Return on sales (ROS)	Net result/Turnover	2.42%	2.39%

SECURITIES MARKET ISSUED BY THE COMPANY

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

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

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



As at 31.12.2018, SC ROMCARBON SA holds shares in the following legal entities:

Company	Acquisition/investment value	Participation quota (%)
RECYPLAT LTD CIPRU	20,261,120	100.0000%
ROMCARBON DEUTSCHLAND GmbH	110,138	100.0000%
RC ENERGO INSTALL SRL	15,112	100.0000%
INFO TECH SOLUTIONS SRL	1,980	99.0000%
LIVINGJUMBO INDUSTRY SA	1,639,232	99.0000%
GRINFILD LLC UCRAINA	2,687,755	62.6200%
YENKI SRL	100,000	33.3354%
ASOCIATIA ECOLOGICA GREENLIFE (Non-Profit Organization)	400	33.3333%
ECO PACK MANAGEMENT SA	586,625	25.3596%
KANG YANG BIOTECHNOLOGY CO.LTD	203,963	1.9542%
REGISTRUL MIORITA SA	5,000	3.7905%
TOTAL	25,611,325	

ASPECTS REGARDING CORPORATE GOVERNANCE

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

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

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

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

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

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

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

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



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

Prior to the trading on the Bucharest Stock Exchange, the company was listed on Second category of the RASDAQ market.

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

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

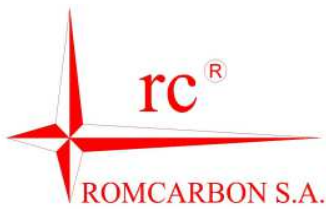
Although new on the Bucharest Stock Exchange regulated market, ROMCARBON S.A. has planned to implement both a policy oriented towards profit for shareholders and one of corporate responsibility and ethics, with significant impact on the environment and consequently the community.

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

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

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

The regulations which we comply with in the preparation of this chapter of Corporate Governance: Law no. 31/1990 on companies, republished in 2004, as amended and supplemented, **Law no. 297/2004 on the capital market** and Law no. 24/2017 on issuers of financial instruments and market operations, as amended and supplemented, the regulations issued by FSA to regulate the capital market (Regulation no. 5 of 21/06/2018 on issuers of financial instruments and market operations, Regulation no. 10/2016 on the organization and operation of the Financial Supervisory Authority, etc.), accounting regulations, regulations on Audit, Law no. 82/1991 for Accounting, republished with subsequent modifications, Corporate Governance Code of the Bucharest Stock Exchange adopted by the Council of the Bucharest Stock Exchange in December 2007, the Articles of incorporation of ROMCARBON SA, the Collective Labour Agreement and the Internal Regulation, concluded at the level of the company and the Code of Ethics hereinafter generically referred to as "Legal provisions".



II. STRUCTURE AND CORPORATE GOVERNANCE ASPECTS

1. The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) includes all shareholders and meets in ordinary meetings (OGMS) and extraordinary meetings (EGM), each with competencies established by law. The call, organization and conduct of works for GMS are in strict accordance with the law, ensuring materials presentation, recording the works and decisions taken.

2. Board of Directors

Currently, the Company's management system is **one-tier**. ROMCARBON S.A. is administered by the Board of Directors consisting of 3 members, elected or appointed by the General Meeting of Shareholders in accordance with the law, by secret vote, for a term of four years, with the possibility of re-election.

Members of the Board of Directors ensure an effective capacity to monitor, analyze and evaluate the work of directors and fair treatment of shareholders. The election of members of the Board of Directors is done between the persons appointed by the shareholders. In appointing members of the Board of Directors, the General Meeting has sought a balanced structure according to the structure and activity of ROMCARBON S.A. as well as the personal experience and qualifications of board members.

The Board of Directors meets at the company's headquarters or elsewhere, monthly and whenever necessary, convoked by the Chairman at the grounded request of at least 2 of its members or the CEO. The Chairman must honor such request. The Board of Directors is chaired by the Chairman and in his absence, by the Deputy Chairman.

For the validity of the decisions it is required the presence of at least half of the members of the Board and decisions are taken by a simple majority of the members present. In the case of parity of votes, the Chairman of the Board of Directors (who is not at the same time officer of the company) will have the decisive vote. If the Chairman in office of the Board of Directors cannot or is not allowed to vote, the other members of the Board of Directors may elect a chairman of the meeting, having the same rights as the chairman in office. In case of parity of votes and if the president does not have a decisive vote, the voted proposal is considered rejected.

Decision-making process remains a collective responsibility of board members they are held jointly responsible for all decisions adopted in exercise of the powers.

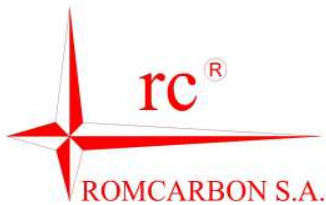
The Board of Directors' duties are stipulated in the Article of incorporation of ROMCARBON S.A., being in strict accordance with the law, ensuring the presentation of materials, recording of the works and the decisions taken.

Chairman of the Board, Board members, general manager, directors, respond individually or jointly, as appropriate, to the company for damages resulting from criminal offenses or violations of legal provisions for deviations from the article of association, as well as mistakes in administrating and management of the company. In such situations, they may be revoked by the decision of the General Meeting of Shareholders respectively the decision of the Board of Directors.

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

At the date of the annual report, the Board of Directors of ROMCARBON SA is formed of the following directors who have a mandate of 4 years, which expires on 04.02.2020: HUANG, LIANG - NENG - Chairman, Mr. Simionescu Dan – Deputy Chairman and Mr. Wang Yi Hao – Member.

In the company there is also an Audit Committee composed of the following directors: SIMIONESCU DAN and WANG, YI -HAO.



Regarding the existence of a Remuneration Committee, we specify that the company does not intend to establish such advisory committee, the competence for establishing and application of the remuneration policy in the company belongs exclusively to the General Meeting of Shareholders (pay/fee for the board members) or the Board of Directors (remuneration of executive management staff respectively), within legal limitations conferred by the Act of incorporation and companies legislation referring to these bodies.

Currently, directors' remuneration is performed in accordance with the Articles of Association and the Decision of the Ordinary General Meeting of Shareholders of 27.04.2012.

In 2018, the Board of Directors met in 15 meetings, decisions being taken either with the vote of the majority of those present, or by unanimity and in accordance with the legal provisions regarding the convocation and quorum for conducting the meetings and legally adopt decisions.

3. Executive management

The executive management of ROMCARBON S.A. is provided by the following persons, whom have been delegated the powers for the management of the company:

- Andrei Radu- Chief Executive Officer starting on 01.09.2013
- Manaila Carmen – Chief of Operations starting 01.10.2017
- Cretu Victor - Chief of Operations Polypropylene Section starting 01.10.2017
- Pindaru Marina Alina - Chief of Operations Polyethylene Section starting 01.10.2017
- Voicheci Neli - Chief of Operations Compounds Section starting 01.10.2017
- Ungureanu Ion - Chief of Operations PSE Section starting 01.10.2017
- Titi Mihai - Technical Deputy General Manager starting on 30.06.2018
- Genes Alina - Development Manager until 01.04.2010
- Zainescu Viorica Ioana - Chief Financial Officer starting on 15.01.2010
- Nicoleta Damian - Human Resources Manager until 31.08.2018
- Duracu Gheorghe - Quality Manager starting on 05.01.2004

The Board of Directors delegates the company's management to the General Manager and the Chief of Operations, who act independently of one another and are liable to take all the adequate measures for the Company's management, within the limits of the Company's scope and in compliance with the exclusive duties provided by law or the Constitutive Act, to the Board of Directors or the General Meeting of Shareholders.

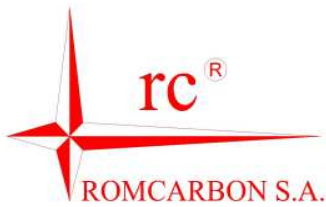
In this regard, in its relations with third parties, the company is represented by the General Manager and the Chief of Operations under the provisions of art. 143 para. 4 in conjunction with Art. 143² para. 4 of Law 31/1990, who act independently within the limit of the mandate entrusted to them.

The company's officers are appointed or revoked by the Board of Directors, which sets their duties, responsibilities and powers, the company's officers being able to delegate the powers to represent the Company to a third party only with the written consent of the Board of Directors.

Remuneration of directors of the company is in accordance with the articles of association.

The remuneration policy of the Company, based solely on professional and ethically irreproachable profile of the administrators or directors, consisted of the following gross compensation - total 2018:

- a) Directors – allowance according to OGMS Decision of 27.04.2012 – lei 321,643;
- b) Executive Management – lei 2,345,237.



4. Internal auditor

The company organizes its internal audit in accordance with the legal provisions, which are also included in the company's constitutive act. Internal audit is provided to the company by "Stefanoiu Vasile - Financial Auditor Office".

The internal auditor attends meetings of the Board and General Meetings of Shareholders and notifies management irregularities, and if applicable, breaches of the legal provisions and of the provisions of the constitutive act.

The mission, powers and responsibilities of the internal audit are defined in an Internal Audit Charter approved by the Board of Directors of the Company; the Internal Audit Charter sets out the internal audit position in the company, determines how to access the company documents for the proper performance of audits, defines the scope of internal audit.

5. Risk management

Risk factors include general matters (emerging markets present a higher risk than countries with developed economies and mature political and legal systems), a potential political instability, risks arising from a temporary instability of the legislative, fluctuation of interest rate and inflation rate, and risks related to capital market and its liquidity.

SC ROMCARBON S.A. approaches risk prudently, in accordance with its long-term strategy. Prudent risk management becomes more important in the context of an extension of the economic and financial uncertainties and obvious market volatility. Strategic vision on risk management is determined by the Board of Directors and is applied through actions taken by the executive management of the company.

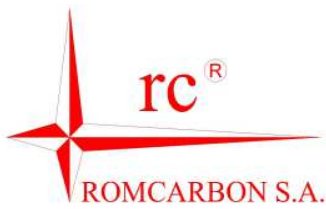
SC ROMCARBON SA implemented the risk management in accordance with the requirements of Standard SR EN ISO 31010 – Risk Management. Risk Assessment Techniques, identifying and assessing risks involving every operating department in the organization. The Company drafted a Risk Register for every operating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

Control and risk management are ensured through a number of specific structures governed by the provisions of the capital market, the company's constitutive act, the collective labour contract and organizational structure of the company, as follows:

- financial auditor;
- internal auditor;
- configuration of the organisational and functional structure.

The financial statements of the company are, by law, audited by an external auditor (legal entity), member of the Chamber of Financial Auditors of Romania, appointed by the Ordinary General Meeting of Shareholders, which operates under a services supply contract approved by the Board of Directors of the company.

Currently, the external financial auditor of SC ROMCARBON S.A. is SC DELOITTE AUDIT SRL and was appointed for a period of 1 year based on the OGMS Decision of 26.04.2018.



CORPORATE RIGHTS OF SHAREHOLDERS

The company' shareholders are natural or legal persons who have acquired or will acquire ownership of one or more shares in the company and who have registered the acquired right in the shareholder register kept by the company named in the contract, according to the law S.C. DEPOZITARUL CENTRAL S.A. The acquisition, in any form, of the company's shares, involves from shareholders an unreserved adherence to all provisions of the articles of association in force at the date of acquisition.

SC ROMCARBON S.A. respects the rights of securities holders and ensures an equal treatment for all holders of securities of the same type and class, providing all relevant information so that they may exercise all rights. Securities holders must exercise the rights conferred by them in good faith, respecting the rights and legitimate interests of other shareholders and the priority interest of the company, otherwise being liable for damages. Each share subscribed and paid by shareholders gives them the right to one vote at the general meeting of shareholders, the right to vote and to be elected to the governing bodies of the company, the right to participate in profit sharing, according to the articles of association of the Company and social asset to dissolve the company and other rights provided by law. All holders of shares issued by ROMCARBON S.A. are treated fairly. All issued shares confer equal rights to holders.

SC ROMCARBON S.A. facilitates and encourages: participation of shareholders at the General Meetings of Shareholders (AGA), the full realization of their rights, the dialogue between shareholders and members of the Board and / or management. At the General Meeting of Shareholders are entitled to attend and vote shareholders registered in the Register of Shareholders (issued by the Central Depository) at the reference date established/ approved by the Board of Directors.

To make available to shareholders relevant information in real-time, ROMCARBON S.A. created on www.romcarbon.com a special section called Shareholders, Investor Relations, accessible and constantly updated. This section is structured to contain all information necessary to securities holders: Board of directors' meeting information, the general meetings of shareholders, financial calendar, periodic and current reports, dividends, corporate governance etc.

Also, ROMCARBON S.A. has internal structures specialized for investor relations and relationship with their shareholders. Persons appointed to stay in contact with investors and shareholders will attend periodically training courses.

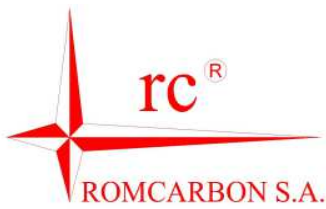
Regarding the ***relationship with shareholders and investors***, ROMCARBON S.A. is subject to corporate discipline by making suitable ongoing periodic reporting on all major events, including the financial situation, performance, ownership and management.

For purposes of capital adequacy to corporate governance rules and discipline, the Company set up the Investor Relations Department, which ensures compliance with corporate rules according to the Corporate Governance Code of the Bucharest Stock Exchange.

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

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

In terms of managing conflict of interest in case of transactions with parties, corporate behavior of board members is: avoid any conflict of interest directly or indirectly with the company or any subsidiary controlled by it, by informing the Board of Directors on conflicts of interest occurred, in which case it will refrain from discussions and voting on such matters.



SOCIAL RESPONSIBILITY

The company's strategy in terms of social responsibility is based on a set of principles that define its relationship with partners - employees, creditors, suppliers, customers, investors (stakeholders).

The management team of ROMCARBON S.A. believes that development is not possible without the contribution of each employee and the company as a whole.

The company aims, through an active policy of **CSR**:

* **to support and respect the human rights of its employees in particular.** In this respect, the employees benefit from various specialized programs / professional training and a constant awareness of the evolution of the company (presentation by the representatives of the employees, i.e. periodic review of the financial statements of the Company). In the framework of their responsibilities, the company took the steps necessary to protect the safety and health of employees, including occupational risk prevention activities and training information, as well as the implementation of labor protection and means of organizing it. (e.g. periodic training, provision of personal protective equipment, working equipment, sanitary materials, periodic medical examination, etc.). ROMCARBON SA does not use child labor, does not engage in trafficking and does not in any way encourage these ideas. The company has zero tolerance under any circumstances for corporal punishment or mental pressure, physical or verbal or any form of inhuman treatment.

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

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

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

* **To support educational activities.**

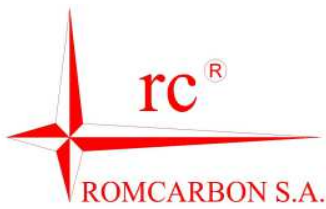
* **to support different social groups** (young deserving, sick or disabled people) through humanitarian actions that include sponsorships /charity work, assistance in extreme cases, and aid to vulnerable persons or in distress. Under this active CSR policy, in 2018, ROMCARBON SA gave financial aid in amount of lei 58,076 to its employees affected by various events with strong social and human impact (child birth, death of family members, fire, floods, etc.).

The company is a founding member of **GREENLIFE ENVIRONMENTAL ASSOCIATION**. The purpose of the ASSOCIATION is to represent, promote and support employers and professional interests of its members in relations with public authorities and other legal entities and individuals, to strengthen their authority and social prestige and act to modernize and develop the field of the protection environment in the international norms and standards. The ASSOCIATION aims to promote the spirit of human solidarity by organizing and supporting humanitarian actions.

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

* **to support sport activities in the city of Buzau, by financial aids**

In the local community in which it operates, the company takes an active role by supporting community initiatives through financial and human resources.



* **Proactively address environmental issues and promote responsibility towards the environment.**

In this regard, ROMCARBON S.A. aims to improve the quality of environmental factors and biodiversity conservation by promoting awareness of environmental issues and health issues.

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

ROMCARBON S.A. has implemented and certified an integrated quality management system - environment-occupational health and safety standards ISO 9001: 2008; ISO 14001: 2005; OHSAS 18001: 2007 applicable for the design and production of individual protective breathing equipment - SRAC certified.

ROMCARBON S.A. identifies all actual and potential environmental issues, including positive and negative aspects arising from indirect and companies that operate at the company and may affect environmental performance. Identification of environmental issues is based on systematic analysis of each process / sub-process (including their inputs and outputs) according to the procedure of system "PS 03 Environmental aspects" in situations of normal operation, abnormal (including starting and stopping) and emergency, accident.

In normal operating conditions, the company's activity does not cause significant environmental impacts. Following the identification and evaluation of environmental aspects were developed management programs to improve the environmental performance of the company.

For a better quality of life, ROMCARBON S.A. has developed in recent years a number of social responsibility actions and punctual sponsorship were directed to different areas: education, health, social issues, environmental protection, such as participating in various events / campaigns / contests on the **Environmental International Day** celebrated on the 5th of June under the title "for a cleaner world!" / "We have only one Earth. Let's give it priority!".

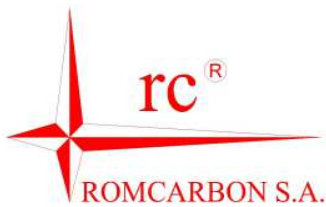
Partners of these events are constantly the Environmental Protection Agency in Buzau, Buzau Prefect's Office and Municipality of Buzau.

In fact, environmental protection is an absolute priority, because ROMCARBON S.A. supports, in a decisive way, the development in Buzau of "an industry" which proves more and more that the economy and the environment can survive together without compromise - "Green Industry".

Since 2012 in the Center for profit no. 7 - Compound is pursuing Waste plastics recycling by separating recyclable fractions and milling, extrusion, filtration, these separated fractions to obtain composite materials.

Starting from September 4th 2014, Romcarbon SA became a member of the Romanian Association of Sanitation, which became in the meantime the Romanian Association for Waste Management - A.R.M.D.; as final waste recycling body, Romcarbon supports the actions of this entity:

- Sustained promotion of its members' interests;
- Permanent involvement in the process of preparing the legislation in the waste management field in Romania;
- Dynamic involvement of the Association in the waste management in Romania, by studies and market researches;
- Initiation of contracts with the organizations in order to attract funds and grants, both for members and for sustainable development of the association's activities;



S.C. ROMCARBON S.A aims not only at increasing the satisfaction of employees, commercial partners and own shareholders but also at increasing the efficiency of its activity and the level of professional competence of the human resources, including those available in the community.

Romcarbon will continue to develop the Integrated Management System and increase its efficiency, will undertake actions to eliminate or mitigate risks of non-compliance with applicable legal provisions in the field of occupational security and health, environmental protection and will secure the resources needed to achieve the objectives laid down in its internal policies.

For 2019, the Company aims at consolidating its position on the markets where it operates, streamlining the investments implemented in previous years meant to ensure a range of products as diverse as possible and at the highest standards.

The main objectives in 2019 are the manufacturing of products and implementing new technologies that will ensure the growth of the company both on domestic and foreign markets in the next years.

For 2019, the company budgeted the following financial indicators:

- a total turnover of lei 239.228.570 (up by 19% as compared with 2018) of which the turnover related to the sales of finished products is budgeted at the level of lei 165,627,467 (11% higher as compared with 2018);
- an operating profit in amount of lei 3,990,090, down by 20% as compared with 2018).

We appreciate that the management report presents the key aspects regarding the business development of the company and its financial position for the year ended December 31, 2018.

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

THE NON-FINANCIAL DECLARATION –

The Consolidated Directors' Report includes the Consolidated Non-financial Statement for the financial year 2018 that contains information necessary to understand the Group's development, performance and position, and the impact of its activity.

HUANG LIANG NENG,
Chairman of the Board

VIORICA ZAINESCU,
Chief Financial Officer

RADU ANDREI,
Chief Executive Officer

For signatures, please refer to the original Romanian version.