CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS
DECEMBER 31st, 2018

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

CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS

CONTENTS **Page**

CARBOCHIM S.A.

INCOME STATEMENT

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31st, 2017	December 31st, 2018
Income	17	31,423,479	34,560,265
Other income	17	1,467,863	2,629,978
Changes in inventories of finished goods and production in progress		82,948	2,162,625
		32,974,290	39,352,868
Raw materials, goods and consumables used		(11,272,424)	(13,262,733)
Employees benefit expenses	18	(13,740,492)	(15,342,397)
Depreciation and amortization expenses		(2,222,562)	(2,193,325)
Other operating expenses	19	(4,431,681)	(4,993,169)
		(31,667,159)	(35,791,624)
Operating income		1,307,131	3,561,244
Financial income	20	6	4
Financing costs	20	(120,982)	(231,560)
Financial net result		(120,976)	(231,556)
Profit before tax		1,186,155	3,329,688
Income tax expense	21	(207,185)	(662,100)
Net profit for the year		978,970	2,667,588
Basic earnings and diluted earnings per share (RON per share)	23	0.20	0.54

CARBOCHIM S.A.

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31st, 2017	December 31st, 2018
Other comprehensive income			
Profit for the year		978,970	2,667,588
Other comprehensive income:			
Gains / (losses) on revaluation of assets		0	13,597,867
Change of deferred tax recognized in the revaluation reserve		(79,168)	(1,952,699)
Other comprehensive income for the year, excluding taxes		(79,168)	11,645,168
Total comprehensive income of the year		899,802	14,312,756

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STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31st, 2017	December 31st, 2018
ASSETS			
Non-current assets			
Investment property	8	6,605,581	7,124,302
Other intangible assets	7	11,121	6,557
Tangible assets	6	53,184,726	66,977,552
Investments in owners' equity		38,000	38,000
Total non-current assets		59,839,428	74,146,411
Current assets			
Inventories	10	12,222,234	14,958,347
Trade receivables	11	8,205,506	7,645,281
Other current assets	11	170,541	267,501
Current income tax to be recovered	11.21	0	0
Cash and cash equivalents	12	635,776	879,301
Total current assets		21,234,057	23,750,430
TOTAL ASSETS		81,073,485	97,896,841
OWNERS' EQUITY AND LIABILITIES			
Owners' equity			
Share capital	13	12,325,438	12,325,438
Adjustments in owners' equity	13	0	0
Other components of owners' equity		45,873,142	57,440,201
Retained earnings		7,837,601	9,350,754
Total owners' equity		66,036,181	79,116,393
Long-term liabilities			
Long-term loans	14	-	794,445
Finance lease liabilities	15	202,015	123,655
Long-term provisions	5	196,045	247,526
Deferred tax liability	21	4,801,484	7,033,841
Total long-term liabilities		5,199,544	8,199,467

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31st, 2017	December 31st, 2018
Current liabilities			
Current share of long-term loans	14	3,040,747	6,674,119
Current share of finance lease liabilities	15	305,834	198,045
Trade payables and of other nature	16	6,440,457	3,680,346
Current income tax	16.21	50,722	28,471
Total current liabilities		9,837,760	10,580,981
TOTAL LIABILITIES		15,037,304	18,780,448
TOTAL OWNERS' EQUITY AND LIABILITIES		81,073,485	97,896,841

The financial statements were authorized for issue by the Board of Directors on March 16th, 2019 and were signed on its behalf.

Popoviciu Viorel-Dorin	Barabula Mihaela-Maria
Director	Chief Financial Officer

STATEMENT OF CASH FLOWS

(All amounts are expressed in RON unless otherwise stated)

	Note	December 31st, 2017	December 31st, 2018
Cash flows from operating activities			
Receipts from customers and other debtors		37,421,469	42,994,854
Payments to suppliers, employees and other creditors		(24,459,120)	(29,091,183)
Interest paid		(61,500)	(209,341)
Income taxes, social contributions, other levies and taxes paid		(10,984,824)	(12,274,577)
Net cash from operating activities		1,916,025	1,419,753
		-	-
Cash flows from operating investing activity			
Payments for acquisition of shares		-	-
Payments to acquire property plant and equipment		(1,561,304)	(4,291,096)
Proceeds from sale of property plant and equipment		-	53,482
Interest received		6	4
Dividends received		-	-
Net cash from investing activities		(1,561,298)	(4,237,610)
Cash flows from financing activities			
Proceeds from issue of shares		0	0
Proceeds from loans		37,488,602	55,984,304
Payment of debts related to financial leasing		(554,057)	(429,861)
Dividends paid		(182,664)	(936,573)
Repayments of amounts borrowed		(37,046,996)	(51,556,488)
Net cash from financing activities		(295,115)	3,061,382
Cash flows - total		59,612	243,525
Cash at the beginning of period		576,164	635,776
Cash at the end of period	12	635,776	879,301

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments in share capital	Other reserves	Retained earnings and undistributed	Total owner' equity
As at January 1st, 2017		12,325,438	-	45,979,015	6,831,926	65,136,379
Profit for 2017		-	-	-	978,970	978,970
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	59,308	(59,308)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution of profit the previous year in other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(86,013)	86,013	-
Deferred income tax related to revaluation and legal reserve		-	-	(199,100)	-	(199,100)
Deferred income tax resulted from reevaluation carried forward		-	-	119,932	-	119,932
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	-	-
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	45,873,142	7,837,601	66,036,181
Balance as at December 31st, 2017		12,325,438	-	45,873,142	7,837,601	66,036,181

CARBOCHIM S.A.

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments in share capital	Other reserves	Retained earnings	Total owners' equity
Balance as at January 1st, 2018		12,325,438	-	45,873,142	7,837,601	66,036,181
Profit for 2018		-	-	-	2,667,588	2,667,588
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	166,484	(166,484)	-
Movements in revaluation reserve		-	-	13,597,867	-	13,597,867
Distribution of profit the previous year in other reserves		-	-	32,230	(32,230)	-
Achievements of revaluation reserve		-	-	(276,823)	276,823	-
Deferred income tax related to revaluation and legal reserve		-	-	(2,067,280)	-	(2,067,280)
Deferred income tax resulted from reevaluation carried forward		-	-	114,581	-	114,581
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(1,232,544)	(1,232,544)
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	57,440,201	9,350,754	79,116,393
Balance as at December 31st, 2018		12,325,438	-	57,440,201	9,350,754	79,116,393

The Company complies with the national rules in force on the distribution of reserves to shareholders.

(All amounts are expressed in RON unless otherwise stated)

1. GENERAL INFORMATION

CARBOCHIM S.A. was set up as a joint-stock Company in 1991, by transforming the former I.I.S. CARBOCHIM and has its registered office in Romania, CLUJ-NAPOCA City, Piata 1 Mai nr.3.

The Company was founded initially in 1949, for the production of coal, and the activity profile had changed by subsequent investment, leading to the production and sale of abrasive products: vitrified bonded grinding wheels, bakelite bonded grinding wheels, elastic bonded grinding wheels, mineral bonded abrasives, abrasive cutting and deburring grinding wheels, abrasive paper, cloth - paper combined, and volcano fiber. Moreover, the activity includes internal and external trade activities, services on maintenance and repair of machinery, as well as manufacturing and office space rental.

CARBOCHIM SA is an open Company, the Company's shares are listed on the Bucharest Stock Exchange in 2nd category, **CBC** symbol.

As at December 31st, 2018, the structure of financial instruments holders holding at least 10% of the share capital of Carbochim S.A. is as follows:

	No. of Shares	Percentage of Ownership (%)
SC CARBO EUROPE SRL	1,324,101	26.8571
IONESCU MIRCEA-PIETRO	1,238,396	25.1187
POPOVICIU VIOREL-DORIN	643,170	13.0456
POPA GHEORGHE TITUS DAN	617,796	12.5309
Legal persons	669,464	13.5789
Individuals	437,248	8.8688
TOTAL	4,930,175	100

CARBOCHIM SA holds a participating interest in CARBOREF SA from Cluj-Napoca, of 25% of the share capital, an investment of RON 37,500.

In 2005, CARBOCHIM SA participates as a founding member to the establishment of Equipment Manufacturers and Importers Association for Wood Industry in Romania (A.P.I.E.L. - Romania), its contribution to the initial assets of the association being of RON 500, which represents a share of 7.14 %.

CARBOCHIM SA has no subsidiaries or shareholdings in other companies than those mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in preparing of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Carbochim S.A. on 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The provisions of the Order of the Minister of Finance 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

In this respect, the statement of financial position, a component of the annual financial statements ended December 31st, 2017, includes information corresponding to the end of the reporting year and the end of the financial year prior to the reporting year. Moreover, the statement of comprehensive income includes information corresponding to the current financial year and the financial year prior to the reporting year.

The preparation of financial statements IFRS-compliant requires the use of certain critical accounting estimates. It also requires the application of complex judgments by management in the process of applying the Company's accounting policies. The areas involving a higher degree of complexity and application of these reasons, or where assumptions and estimates have a significant impact on the financial statements, are presented in Note 4.

2.1.1 Changes in accounting policies and in disclosure of information

(a) *New and amended standards adopted by the Company*

The accounting policies adopted are consistent with those used in the previous year.
The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in force for the current period and have been adopted in the separate financial statements. The impact of these new and revised standards was reflected in the financial statements and estimated as non-material, except for the disclosures made.

-IFRS 15 Revenue from Contracts with Customers: IFRS 15 establishes a new five-step model that will apply for the recognition of revenue arising from a contract concluded with a client (with limited exceptions), irrespective of the type of transaction or industry. Moreover, the requirements of the Standard will apply to the recognition and measurement of gains and losses on the sale of certain non-operating assets other than those that are not the result of the entity's ordinary activities (e.g., sale of tangible and intangible assets).An extensive disclosure will be provided, including disaggregation of total income, information on execution obligations, changes in the contractual balances of asset and liability accounts between periods and key judgments and estimates.

- IFRS 15 Revenue from contracts with customers: (clarifications)
The purpose of the clarifications is to specify the intentions of the IASB when it prepared the requirements of IFRS 15, in particular the accounting of performance obligations, modifying the formulation of the principle of 'identifiable' assets, the considerations regarding the assignor and the assignee, including assessing whether an entity acts as a trustee or agent, as well as the application of the control and licensing principle, providing additional guidance on intellectual property accounting and royalties. Clarifications provide for additional practical solutions applicable to entities that either apply IFRS 15 retrospectively or choose to apply the modified retrospective approach.

IFRS 15 has replaced previous IFRS requirements for income recognition and applies to all revenues from contracts with customers. In accordance with the new standard, revenue is recognized to reflect the transfer of the goods and services to the customer, at the amount that reflects the price at which the Company expects to be entitled in exchange for these goods and services. Revenue is recognized when or as the customer acquires control over the goods or services.

The Standard replaces the existing revenue recognition criteria, replacing IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'.

The Company adopted the new standard starting January 1st, 2018 using the modified retrospective method, with the cumulative adjustments in the original application recognized in the original balance of the retained earnings in the year of the initial application. Consequently, the Company did not apply the requirements of IFRS 15 for prior periods disclosed.

According to IFRS 15 Revenue from contracts with customers and IFRS 15. Revenue from Contracts with Customers (Clarifications), we did not identify transactions in which the Company acts as an agent. An agent recognizes revenue for its commission for the due fee in exchange for facilitating the transfer of goods or services.

Initial application of IFRS 15 has no impact on the retained earnings of the Company as at January 1st, 2018.

The application of IFRS 15 had no impact on the income statement and the statement of comprehensive income for the year 2018, nor on the financial position and cash flows.

- IFRS 9 Financial Instruments: refers to the classification, measurement and recognition of financial assets and liabilities.
The final version of IFRS 9 reflects all phases of the financial instruments draft and replaces IAS 39. Financial Instruments: Recognition and Measurement and Earlier Versions of IFRS 9.
The transition provisions to IFRS 9 allow an entity not to modify comparative information.
The standard introduces new requirements for:
1) classification and measurement of financial assets and liabilities:
2) impairment of financial assets; and
3) hedge accounting.

The date of initial application (representing the date on which the Company measured its financial assets and financial liabilities in respect on IFRS 9 requirements) is January 1st, 2018. Therefore, the Company applied the requirements of IFRS 9 for instruments that continue to be recognized as at January 1st, 2018 and did not apply the requirements for instruments that were already derecognized as at January 1st, 2018.

All recognized financial assets that fall within the scope of IFRS 9 should be measured at amortized cost or at fair value based on the entity's business model for the management of financial assets and the contractual terms of financial assets that give rise to cash flows.

The Company revised and measured its existing financial assets as at January 1st, 2018 on the basis of the data and circumstances existing at that date and concluded that the initial application of IFRS 9 had the following impact on the Company's financial assets in terms of classification and measurement: financial assets classified as held-to-maturity assets and IAS 39 loans and advances that were measured at amortized cost continue to be measured at amortized cost in accordance with IFRS 9, as they are held within a business model to collect contractual cash flows and these cash flows consist exclusively of principal payments and interest on the principal remaining.

With regard to the impairment of financial assets, IFRS 9 imposes an expected credit loss model, as opposed to a model of effective credit losses in accordance with IAS 39. The expected credit loss model requires the Company to record the expected credit losses and changes in expected credit losses at each reporting date, to reflect credit risk changes from the initial recognition of financial assets. Therefore, it is no longer necessary for a credit event to have taken place before credit losses are recognized.

Specifically, IFRS 9 requires the Company to recognize an adjustment for expected credit losses for:
1) investments measured subsequently at amortized cost or at fair value through other comprehensive income;
2) receivables from leases;
3) trade receivables and contractual assets; and
4) financial collateral agreements to which the IFRS 9 impairment requirements apply.

In particular, IFRS 9 requires the Company to measure the loss for a financial instrument at an amount equal to the lifetime expected credit loss (ECL), if the credit risk of that financial instrument has increased significantly from the initial recognition, or if the financial instrument is a financial asset acquired or derived from a financial asset impaired in terms of credit. However, if the credit risk of a financial instrument has not increased significantly since the initial recognition (except for any financial asset acquired or derived from a credit-related financial asset), the Company shall measure the loss for that financial instrument at an amount equal to the expected credit loss for 12 months. IFRS 9 also provides for a simplified approach to measuring the loss at a value equal to the lifetime expected credit loss of trade receivables, contractual assets and lease receivables under certain circumstances.

For the Company, the effect of the adoption of IFRS 9 as at January 1st, 2018 on the carrying amount of financial assets relates only to the new impairment requirements. As allowed by the Standard, the Company adopted IFRS 9 as at January 1st, 2018 using the modified retrospective method. The application of the Standard had no impact on the income statement and the statement of comprehensive income for the year 2018, nor on the financial position and cash flows.

- IFRS 2: Classification and measurement of share-based payment transactions (amendments)
The amendments provide for requirements to account for the effects of the conditions required to vest and the effects of the vesting rights on the valuation of cash-settled share-based payment transactions, share-based payment transactions with the net settlement feature of the source taxation as well as for changes to the terms and conditions applicable to a share-based payment that changes the transaction classification from a cash settlement transaction in a settlement transaction through equity.

- IFRS 4: Application of IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts (amendment)
The amendments relate to the concerns raised by the implementation of the new IFRS 9 before the implementation of the new standard on insurance contracts that the Council develops to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from the application of IFRS 9 and an overlapping approach that would allow entities that issue IFRS 4 contracts to reclassify from the income statement in other items of comprehensive income some of the income and expenses generated by financial assets designated. This change has no impact on the Company.

- IAS 40: Transfers to Investment Property (amendment)
Changes clarify when an entity needs to transfer real estate, including real estate under construction or development, into or out of real estate investment. The change foresees that a change in use takes place when the real estate meets or no longer meets the definition of real estate investments and there is evidence of change in use. A simple change of management's intention to use a building does not provide evidence of a change in use.

- IASB issued Annual Improvements to IFRS - The 2014-2016 Cycle which is a collection of amendments to IFRSs.

- **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement removes short-term exemptions from the disclosures of financial instruments, employee benefits and investment entities applicable to companies that first adopt International Standards Financial Reporting.

- **IAS 28 Investments in Associates and Joint Ventures:** The amendment clarifies that the option to measure at fair value through profit or loss an investment in an associate or in a joint venture that is held by an entity which represents a joint venture or another qualifying entity, is available for each investment in an associate or in a joint venture for each individual investment at initial recognition.

IFRIC Interpretation 22: Foreign currency transactions and prepayments.
Interpretation clarifies the accounting for transactions which involve receiving or paying advance payments in foreign currency. The interpretation covers foreign currency transactions for which the entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of an advance amount before the entity recognizes the asset, expense or revenue. The interpretation provides that, in order to determine the exchange rate, the transaction date is the date of initial recognition of the non-monetary asset paid in advance or of the deferred revenue liability. If there are several payments or advance payments, the entity must determine a transaction date for each payment or cashing of the advance amount.

(b) *New standards, amendments and interpretations issued but not applicable for the financial year starting January 1st, 2018, therefore not adopted:*

-**IFRS 16 Leases:** The Standard will enter into force for annual periods beginning on or after January 1st, 2019.The Standard establishes the principles for the recognition, measurement, disclosure and description / provision of information about the leases of the two parties to a contract, namely the client (lessee) and the supplier (lessor). The new Standard requires lessees to recognize the majority of leases in their financial statements. Lessees will have a single accounting model for all leases, with some exceptions. Lessor's accounting remains significantly unchanged.

- IAS 19: Modification, Reduction or Reversal of Employee Benefits Plan (Amendments)
The amendments enter into force for annual periods beginning on or after January 1st, 2019 and early application is permitted. Changes require entities to use updated actuarial assumptions to determine the cost of current services and net interest for the remainder of the reporting period after changes, reductions or disbursements of the plan have occurred. Changes also clarify how accounting for the change, reduction or settlement of a plan affects the application of the asset ceiling requirements. Changes have not yet been adopted by the EU.

- Amendment 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. Changes refer to an inconsistency identified between the requirements of IFRS 10 and IAS 28, in relation to the sale and asset sharing between an investor and its associate or joint venture. The main consequence of the changes is that a total gain or loss is recognized when the transaction involves an enterprise (whether or not it is a subsidiary). A partial gain or loss is recognized when a transaction involves assets that are not an enterprise, even if they are in the form of subsidiaries. In December 2015, IASB postponed indefinitely the date of entry into force of this amendment. Changes have not yet been adopted by the EU.

- IFRS 9: Prepayment Features with Negative Compensation (Amendment)
The change shall become effective for annual periods beginning on or after January 1st, 2019 and early application is permitted. The change allows for financial assets with prepayment characteristics that allow or require a party to a contract to either pay or receive reasonable compensation for early termination of the contract (so that from the perspective of the asset holder it is possible to exist 'negative compensation') are measured at amortized cost or fair value through other comprehensive income.

- IAS 28: Long-Term Interests in Associates and Joint Ventures (Amendments)
The changes enter into force for annual periods beginning on or after January 1st, 2019 and early application is permitted. Changes refer to whether the valuation, and in particular the short-term interest depreciation in associates and joint ventures that are, in substance, part of the net investment in that associate or joint venture, should be governed by IFRS 9, IAS 28 or a combination of these two Standards. The changes clarify that an entity applies IFRS 9 Financial Instruments before applying IAS 28 to those long-term interests to which the equity method does not apply. In applying IFRS 9, the entity does not take into account the adjustments in the carrying amount of long-term interests that are generated by the application of IAS 28. Changes have not yet been adopted by the EU.

-INTERPRETATION OF IFRIC 23: Uncertainty about the treatment applied to corporate income tax
The interpretation becomes effective for annual periods beginning on or after January 1st, 2018 and early application is permitted. Interpretation covers accountability of corporate income tax when tax treatments imply a degree of uncertainty that affects the application of IAS 12. The Interpretation provides guidance on analyzing certain tax treatments at individual level or joint level, at tax audits, on the appropriate method that reflects the uncertainty and the accounting for changes in events and circumstances.

- IASB issued Annual Improvements to IFRS - The 2015-2017 Cycle
which is a collection of amendments to IFRSs. The amendments enter into force for

annual periods beginning on or after January 1st, 2019 and early application is permitted. These annual improvements have not yet been adopted by the EU.

- **IFRS 3 Business Combinations and IFRS 11 Joint Arrangements:** Changes to IFRS 3 clarify that when an entity acquires control over an entity that is a going concern, it re-measures the interests previously held in that enterprise**.** Amendments to IFRS 11 clarify that when an entity acquires joint control over an entity that is a going concern, it does not re-measure the interests previously held in that enterprise**.**
- **IAS 12 Income Taxes**: The changes clarify that the effects on the income tax on financial instruments payments classified as owners' equity must be recognized in the manner in which transactions or past events that generated distributable profit were recognized.
- **IAS 23 Borrowing Costs:** The changes clarify paragraph 14 of the Standard that when a qualifying asset is available for its intended use or sale and some of the specific borrowings of the qualifying asset remain outstanding at that time, that borrowing should be included in the funds the entity leverages, in general.

-The conceptual framework of the International Financial Reporting Standards

The International Accounting Standards Board ('IASB') issued the revised conceptual framework for Financial Reporting on March 29th, 2018. The conceptual framework sets out a comprehensive set of concepts on financial reporting, setting standards, guiding those who prepare financial reporting, developing accounting policies, and assisting others in their efforts to understand and interpret standards. The IASB also issued a document accompanying the Conceptual Framework, Amendments to the Conceptual Framework references in the IFRS, which sets out amendments to the amended standards in order to update the references to the revised Conceptual Framework. Its objective is to support the transition to the revised Concept Framework for companies that develop accounting policies using the Conceptual Framework when no IFRS standard applies for a particular transaction. For those who develop accounting policies using the Conceptual Framework, this is valid for annual periods beginning on or after January 2020.

- IFRS 3 Business Combinations (Amendments)
IASB issued changes to the definition of a business (Amendments to IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. Changes apply to business combinations for which the acquisition date is in the first annual reporting period beginning on

or after January 2020 and to asset purchases occurring on or after that period, the early application being allowed. Changes have not yet been adopted by the EU.

-IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of what is considered material (Amendments)
Changes enter into force for annual periods beginning on or after January 2020 and early application is allowed. Changes clarify the definition of what is material and how it should be applied. The new definition specifies the information is material if the omission, inaccurate statement, or concealment could influence the decisions taken by the primary users of the financial statements on the basis of these financial statements, which provide final disclosures about a reporting entity. In addition, the explanations accompanying the definition have been improved. Changes also ensure that the material definition is consistent across all IFRS standards. These changes have not yet been adopted by the EU.

2.2 Segment reporting

A business segment is a distinctive component of the Company:

a) business activities that may earn revenues or incur expenses,

b) the results of which from activities are examined periodically by the Company's chief operating decision maker in order to take decisions about resource allocation and assessment of segment performance, and

c) for which discrete financial information is available.
IFRS 8. Operating segments should apply to the separate financial statements of the Company the owners' equity instruments which are traded in a public market (BSE).

The disclosure of information on products and services and geographic areas in which the Company carries out is activity is mandatory, even for those entities that identify a single reportable business segment, considering the quantitative thresholds and aggregation criteria stipulated by the Standard.

Considering the quantitative thresholds and aggregation criteria set by the Standard in terms of business segments, the Company does not identify distinctive components in terms of the related risks and benefits.

Presentation of geographical areas in which the Company operates:

Outlet market	**Share (%) 2017**	**Amount of revenue December 31st, 2017**	**Share (%) 2018**	**Amount of revenue December 31st, 2018**
Externally (Poland, Hungary, Germany, Belgium, Ireland, England, Austria, Switzerland, The Netherlands, Egypt, Canada, Turkey)	5	1,489,610	5	2,072,826
Internally (Romania)	95	31,484,680	95	37,280,042
Total operating income	100	32,974,290	100	39,352,868

Disclosure of information on the Company's products and services:

Product or service	**Share (%) 2017**	**Amount of revenue December 31st, 2017**	**Share (%) 2018**	**Amount of revenue December 31st, 2018**
Grinding wheels	56.20	18,531,802	54.00	21,252,683
Coated abrasives	36.50	12,037,216	32.17	12,660,061
Other products	0.42	138,430	0.18	70,990
Rental income	4.49	1,478,799	3.74	1,472,131
Revenue from sale of goods	1.59	523,659	1.00	391,615
Other income, including changes in stocks of finished goods and work in progress	0.80	264,384	8.91	3,505,388
Total operating income	100.00	32,974,290	100.00	39,352,868

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Romanian lei ('RON'), which is the functional and presentation currency of the Company.

(All amounts are expressed in RON unless otherwise stated)

Exchange rates as at December 31st, 2018 and December 31st, 2017 are as follows:

	2018	2017
EUR	4.6639	4.6597
USD	4.0736	3.8915

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate on the date of the transactions or valuation for items that are revalued. Gains and losses on exchange differences arising from these transactions and from the translation at the rate of year-end monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless they are recorded in other items of the comprehensive income as financial instruments that are designated as hedging instruments for cash flow hedge, as well as financial instruments that are designated as hedging instruments of net investment.

Gains and losses on exchange rate, which refer to loans and leases, are presented in the income statement under 'income or financial costs'.

All other gains and losses on exchange are presented in the income statement under 'other (losses) / gains – net'.

2.4 Accounting of the hyperinflation effect

Romanian economy has recorded high levels of inflation in the past and was considered to be hyperinflationary as defined in IAS 29 'Financial Reporting in Hyperinflationary Economies'.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of purchasing power as at December 31st, 2003. Therefore, the values reported in terms of purchasing power as at December 31st, 2003 are treated as the basis for the accounting amounts of these financial statements.

The restatement was calculated at the first application of IFRS using the developments in the consumer price index ('CPI') published by the National Statistics Institute ('NIS').

(All amounts are expressed in RON unless otherwise stated)

2.5 Property, Plant and Equipment

Land and buildings include factories, offices and commercial spaces.
The remaining tangible assets are mainly technological equipment used in the production process.

Land and buildings are presented as at December 31st, 2018 at fair value, determined by independent valuers. For buildings, the revalued amount as at December 31^{st}, 2018 is used, and for equipment the revalued amount as at December 31st, 2015 is used minus the losses of the impairment for the years 2016, 2017 and 2018.The revaluated amount as at December 31^{st}, 2015 is used for land.

Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated amortization at the date of revaluation is restated on a pro rata basis with the change in the gross carrying amount of the asset, so that the carrying amount of the assets, subsequent to revaluation, equals its revalued amount.

Subsequent costs are included in the asset carrying amount only when it is probable that future economic benefits related to that item will belong to the Company, and its cost can be measured reliably. The carrying amount of the replaced item is derecognized. All other repairs and maintenance expenses are recorded in the income statement in the financial period in which they are incurred.

The impairment method used is the straight-line method.
Useful life of fixed assets is determined in accordance with the 'Catalogue on classification and useful life of fixed assets', approved by Government Decision 2139 / 30 November 2004 updated. Given that this catalogue provides a choice of the normal functioning from a range with a minimum and a maximum value, the technical committee reviewed the conditions and environment in which the fixed assets operate and decided to use a lifetime equal to the middle range.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to the residual value, over the estimated useful lives, as follows:

Building	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Furniture, facilities and equipment	3-8 years

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

The carrying amount of the asset is reduced immediately to its recoverable amount if the asset carrying amount is higher than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognized in 'Other (losses) / gains – net' in the income statement.

On the sale of revalued assets, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Trademarks and Licenses

Trademarks and licenses acquired separately are recorded at historical cost. Trademarks and licenses have a limited useful life and are carried at cost minus the accumulated amortization.

The amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful life of 1-3 years.

2.7 Real estate investment

Investment properties are real estate (land, buildings or parts of buildings) held by the Company in order to increase the value or rental or both, rather than to:
- be used in the production or supply of goods or services or for administrative purposes; and
- be sold in the ordinary course of business.

An investment property is measured initially at cost, including transaction costs. The cost of a purchased investment property consists of its purchase price plus any directly attributable expenditure (professional fees for legal services, the property transfer taxes and other transaction costs).

Company's accounting policy on further valuation of real estate investments is based on the fair value model. This policy is applied uniformly to all investment property held. Measuring the fair value of investment properties is performed by evaluators members of the National Association of Assessors of Romania (ANEVAR).
Thus, the amortization charge is no longer recognized, and the investment property is subject to revaluation with sufficient regularity in recognizing at fair value. Gains or losses resulting from the change in fair value of investment property are recognized in profit or loss in the period in which they occur.

As at December 31st, 2018, real estate revaluations were carried out by a licensed assessor.

28. Investments in equity elements

Investments in equity elements include participating interests in CARBOREF SA from Cluj-Napoca in a proportion of 25% of the share capital and a contribution to the initial assets of the association A.P.I.E.L. Romania, which represents a share of 7.14%. The percentages held do not give us control or any significant influence on the Company's activity or association. Carboref SA is a Company listed on BSE, so the investment is valued at cost. The Company did not recognize adjustments for their impairment.

2.9 Impairment of non-financial assets

Assets that are subject to amortization are assessed for impairment whenever events or changes occur indicating that the carrying amount may not be recoverable. An impairment loss is recognized as the difference between the carrying amount and the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value minus the costs to sell and the value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1. Classification

In accordance with IFRS 9, an entity should classify financial assets as subsequently measured either at amortized cost or fair value through other comprehensive income, or at fair value through profit or loss based on the two below:
a) the entity 's business model for the management of the financial assets, and
b) the characteristics of the contractual cash flow of the financial asset.
Financial assets that meet both of the conditions listed below are subsequently measured at amortized cost:

- The financial asset is held within a business model the objective of which is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that represent only principal payments and interest on the principal remaining at specific dates.

Instruments that meet both of the following conditions are then measured at fair value through other comprehensive income (**FVOCI**):

- the financial assets are held within a business model the objective of which is achieved both by collecting the contractual cash flows and by selling the financial assets; and
- the contractual terms of the financial asset give rise to cash flows that represent only principal payments on the principal remaining at specific dates.

All other financial assets will be subsequently measured at fair value through profit or loss **(FVPL)**

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities payable than twelve months after the end of the reporting period. They are classified as current assets.

(b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in the first category presented. They are included in current assets unless the investment matures or the management intends to dispose of within twelve months after the end of the reporting period.

(c) Greenhouse gas emission certificates

Starting January 1st, 2013, the Company's plant is no longer subject to the greenhouse gas emission trading scheme under Directive 2009/29/EC so that it has not received EUAs since 2013.

In 2014, the Company alienated all of the 2,196 certificates in the account at the beginning of the year, otherwise risking to lose them.

2.10.2. Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets available for sale are subsequently carried at fair value. Loans and receivables are carried at amortized cost based on the effective interest method.

Investments in equity that do not have a quoted market price in an active market and whose fair value cannot be measured reliably must not be designated at fair value through profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of finished products is determined by the standard cost method.
The cost of production of finished goods and work in progress comprises the design costs, raw materials, direct productive labor force, other direct costs and appropriate indirect production costs (based on normal production capacity). Borrowing costs are not included.

Net realizable value represents the estimated selling price in the ordinary course of business, minus applicable variable selling expenses.

Where necessary, provisions for obsolete inventories and slow turning are recorded. Obsolete inventories identified individually are provisioned at integrated value or derecognized. For slow moving stocks, estimation of the age is performed by each major category, based on stock rotation.

2.12 Trade receivables

Trade receivables are amounts due from customers for stocks sold or services provided in the normal course of business. If they are expected to be collected within one year or less than one year (or later in the normal course of business), they will be classified as current assets. Otherwise, they will be disclosed as non-current assets.

Trade receivables are recognized initially at fair value and subsequently for claims with a credit period of more than 6 months, the measurement is performed at amortized cost using the effective interest method less adjustments for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and original maturity periods of up to three months and bank overdrafts.

2.14 Share capital

Ordinary shares are classified as owner's equity.
Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Accounts suppliers are classified as current liabilities if payment is to be made within a year or less than one year (or later in the normal course of business). Otherwise, they will be disclosed as long-term liabilities. Trade payables are recognized initially at fair value and subsequently liabilities with a maturity of less than 6 months are measured at amortized cost based on the effective interest method.

2.16 Loans

Loans are recognized initially at fair value, net of transaction costs recorded. Subsequently, loans are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the period of loans, based on the effective interest method.

2.17 Current and deferred income taxes

Tax expense for the period includes current tax and deferred tax. Tax is recognized in the income statement unless it relates to the items recognized in other comprehensive income or directly in owner's equity. In this case, the corresponding tax is recognized in other comprehensive income or directly in owner's equity.
Current income tax expense is calculated based on tax regulations in force at the end of the reporting period. Management periodically evaluates positions in tax returns regarding situations in which applicable tax regulations are subject to interpretation. This establishes provisions, where applicable, based on estimated amounts due to tax authorities.

Deferred income tax is recognized, based on the balance sheet obligation method, on temporary differences occurring between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of transaction does not affect the accounting profit and the taxable profit is not recognized. Deferred income tax is determined using tax rates (and laws) in force until the end of the reporting period and to be applied in the period in which the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent in which it is probable to obtain in the future taxable profit from which temporary differences will be deducted.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax liabilities current tax liabilities and when the deferred tax assets and liabilities relate to the income taxes imposed by the same tax authority or the same taxable entity, or different taxable entities where there is an intention to offset balances on a net basis.

2.18 Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian State pension scheme, which is a fixed contribution plan. These costs are recognized in the income statement together with the salary expenses.

(a) Obligations relating to pensions

According to the collective bargaining agreement, the Company must pay to the employees upon the retirement a compensatory amount equal to the gross salary. The Company recorded a provision for such payments (see Note 5).

(b) Other benefits

The Company incurs personnel costs related to the provisions of benefits such as healthcare services. These amounts primarily include implicit costs of annual medical checks.

(c) Termination of employment benefits

According to the collective bargaining agreement, in the case of collective redundancies, the Company will provide compensation as follows, depending on the seniority of such employees:

- For a seniority up to 10 years, 3 basic salaries of the redundant;
- For a seniority between 10 years and 15 years, 5 basic salaries of the redundant;
- For a seniority between 15 and 20 years, 7 basic salaries of the redundant;
- For a seniority between 20 years and 25 years, 9 basic salaries of the redundant;
- For a working experience of 25 years, 12 basic salaries of the redundant;

(d) Profit-sharing plans and bonuses

The Company awards to employees, in addition to wages, additional bonuses resulted from the salary, bonuses of payroll, vouchers and holiday bonuses.

Employees can benefit from employee participation in profits fund, up to 10% share of the net profit as decided by the General Meeting of Shareholders.

2.19 Provisions

Provisions for liabilities are recognized when the Company has a present, legal or constructive obligation, as a result of past events; it is probable that an outflow of resources will be required in settlement of the liability; the amount has been reliably estimated.

If there are several similar obligations, the likelihood that an outflow will be required to settle the obligation is determined taking into account the whole class of obligations. A provision is recognized even if the likelihood of an outflow for an individual element is reduced.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in interest expense.

2.20 Revenue recognition

IFRS 15 has replaced previous IFRS requirements for income recognition and applies to all revenues from contracts with customers. In accordance with the new standard, revenue is recognized to reflect the transfer of the goods and services to the customer, at the amount that reflects the price at which the Company expects to be entitled in exchange for these goods and services. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when or as the customer acquires control over the goods or services. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each commitment.

The Company adopted the new standard starting January 1st, 2018 using the modified retrospective method, with the cumulative adjustments in the original application recognized in the original balance of the retained earnings in the year of the initial application. Consequently, the Company did not apply the requirements of IFRS 15 for prior periods disclosed.

According to IFRS 15 Revenue from contracts with customers and IFRS 15. Revenue from Contracts with Customers (Clarifications), we did not identify transactions in which the

Company acts as an agent. An agent recognizes revenue for its commission for the due fee in exchange for facilitating the transfer of goods or services.

Initial application of IFRS 15 has no impact on the retained earnings of the Company as at January 1st, 2018.

The application of IFRS 15 had no impact on the income statement and the statement of comprehensive income for the year 2018, nor on the financial position and cash flows.

(a) *Sale of finished products*

The Company produces the full range of grinding wheels products, except super grinding wheels.

The main outlet market is the internal one, only max. 2% of deliveries being made in the foreign market.

The Company sells finished products through distributors, direct sales to business customers and through retail through its store.

Sales of finished goods are recognized when the customer acquires control of the goods or services.
The Company manages a store for the sale of grinding wheel products. Sales of products is recognized when the Company sells a product to a customer. Retail sales are usually paid in cash or by bank card.

The finished products are often sold with volume discount. Sales are recorded based on the price specified in the sales and purchase agreement, net of estimated volume discounts and estimated returns at the time of sale. The experience gained is used for the estimation and provisioning for discount and returns. Volume discount is measured based on expected annual purchases. It is considered that there are no funding elements, as sales are made with a credit period of maximum 60-90 days in accordance with the normal market practice.

(b) *Income from royalties*

Income from royalties are recognized on an accrual basis, according to the relevant contractual provisions.
The Company has leased real estate investments in order to obtain income.

2.21 Interest income

Interest income is recognized using the effective interest method.

2.22 Dividend income

Dividend income is recognized when establishing the entitlement to receive those amounts.

2.23 Leases

Leases for tangible assets where the Company undertakes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance charges. Obligations related to rent, net of finance charges, are included in other long-term liabilities. The interest element of the financing cost is recorded in the income statement over the lease term, so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases in which a significant portion of the risks and benefits of ownership is held by the lessor are classified as operating leases. Payments made under operating leases are recognized as an expense in the income statement on a straight-line basis over the period of the lease.

2.24 Distribution of dividends

The distribution of dividends to shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

By the nature of the activities performed, the Company is exposed to various risks including: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(All amounts are expressed in RON unless otherwise stated)

(a) *Market risk*

(i) Currency risk

The Company is exposed to currency risk through exposure to different currencies, especially USD and EUR. Currency risk is associated to assets and liabilities recognized, in particular loans.

In April 2018, the Company concluded a framework contract for derivative financial transactions for FORWARD foreign exchange operations to partially cover foreign exchange risk for USD, therefore the Company started to apply the hedge accounting. As at December 31st, 2018, the Company did not have any derivative financial transactions in progress.

The following table shows the Company's exposure to possible changes in exchange rates applied at the end of the reporting period:

	As at December 31st, 2017			**As at December 31st, 2018**		
	Monetary Financial Assets	Monetary Financial Liabilities	Net amount on Statement of Financial Position	Monetary Financial Assets	Monetary Financial Assets	Net amount on Statement of Financial Assets
RON	8,725,304	5,092,294	3,633,010	8,419,644	9,847,277	(1,427,633)
EUR	283,002	4,947,481	(4,664,479)	372.143	1,651,804	(1,279,661)
USD	3,516	0	3,516	296	0	296
Total	9,011,822	10,039,775	(1.027,953)	8,792,083	11,499,081	(2,706,998)

The above analysis includes only monetary assets and liabilities items.

The following table shows the manner in which the items in the income and equity ranges based on a 10% change in exchange rates applied by the National Bank of Romania at the balance sheet in relation to the functional currency of the Company, with all other variables constant, as follows:

	2018	**2017**
EUR	5.1302	5.1256
USD	4.4809	4.2806

Impact on profit or loss account:

	2018
EUR rising by 10%	(127,966)

(All amounts are expressed in RON unless otherwise stated)

	2017
EUR rising by 10%	(466,448)

(ii) Interest rate risk

The Company is exposed to interest rate risk through its long and short-term loans, most of which have variable rates, related to ROBOR index for RON loans, EURIBOR for loans in EUR respectively.

The Company has entered into interest-bearing loan agreements with Unicredit Bank, Banca Comerciala Romana and Raiffeisen Bank.

The status of committed appropriations was the following:

- As at December 31st, 2017

Financial institution	Currency	Interest rate	Threshold	Appropriation balance as at December 31st, 2017 (RON)
Unicredit Bank	RON	Negotiated	800,000	658,788
Banca Comerciala Romana	RON/ EUR	Negotiated	2,000,000	920,665
Raiffeisen Bank	RON/ EUR	Negotiated	3,740,000	512,466 948,828
Total				**3,040,747**

- As at December 31st, 2018

Financial institution	Currency	Interest rate	Threshold	Appropriation balance as at December 31st, 2018 (RON)
Unicredit Bank	RON	Negotiated	800,000	431,965
Banca Comerciala Romana	RON/ EUR	Negotiated	2,000,000	1,378,949
Raiffeisen Bank	RON/ EUR	Negotiated	4,350,000	3,164,154 965,718
Raiffeisen Bank - long term	RON	Negotiated	2,200,000	1,527,778
Total				**7,468,564**

(All amounts are expressed in RON unless otherwise stated)

At as December 31st, 2017, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 2,128.

(b) Credit risk

Credit risk is mainly related to cash and cash equivalents and trade receivables. The Company has developed a number of policies the application of which ensures that the sales of products and services takes place to adequate customers. The carrying amount of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk.
The credit risk of trade receivables that are not impaired, but not outstanding, can be assessed through internal analysis since there is no information about external risk indicators for customers.

	December 31st, 2017	December 31st, 2018
Customers for which the recovery of claims is under 30 days	3,157,985	2,933,049
Customers for which the recovery of claims is between 30 and 90 days	2,989,170	2,961,212
Customers for which the recovery of claims is between 90 and 180 days	40,438	94,256
Total	6,187,593	5,988,517

Although the collection of receivables could be influenced by economic factors, management believes that there is not a significant risk of loss exceeding the provisions already established.

Cash is placed with financial institutions which, at the time of lodging the deposit, were considered to present a minimal risk of default.

Bank's financial indicator	Bank	December 31st, 2017	December 31st, 2018
Baa1	Raiffeisen Bank	3,894	1,940
Baa2	BRD	13,978	11,989
n/a	Treasury	6,069	7,785
Baa3	BCR	96,958	145,884
n/a	Unicredit Tiriac Bank	17,545	0
n/a	CEC Bank	416,458	575,060
Total		554,902	742,658

(All amounts are expressed in RON unless otherwise stated)

Where:

Financial institutions quoted with indicator D show a modest financial power, with a possible need for external support, and the financial institutions listed with indicator E show a very modest financial strength with a high probability of external support needed periodically.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Forecasts of cash flows are prepared by the Company's finance department, which monitors forecasts of the Company's liquidity needs to ensure that there is sufficient cash to meet the operational requirements, while always maintaining a sufficient margin in undrawn committed lending facilities, so the Company does not violate the limits of loans or arrangements relating to loans for all credit facilities.

The maturity of financial liabilities is reviewed in the table below:

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at December 31st, 2017				
Loans (Note 14)	3,040,747	-	-	-
Financial lease (Note 15)	305,834	202,015	-	-
Trade payables and of other nature (Note 16)	6,440,457	-	-	-
Current income tax	50,722			
Total	**9,837,760**	**202,015**	**-**	**-**
As at December 31st, 2018				
Loans (Note 14)	6,674,119	733,334	61,111	-
Financial lease (Note 15)	198,045	94,683	28,972	-
Trade payables and of other nature (Note 16)	3,680,346	-	-	-
Current income tax	28,471			
Total	**10,580,981**	**828,017**	**90,083**	**-**

(All amounts are expressed in RON unless otherwise stated)

3.2 Capital management

Company's capital management objectives aim at protecting the ability of the Company to continue its work in the future, so as to bring profit to shareholders and benefits to other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

Like other companies operating in this sector, the Company monitors the capital on the basis of indebtedness indicator. This indicator is calculated by dividing the net debt to the total capital. Net debt is calculated by subtracting from the total loans (including 'current and long-term loans', as shown in the statement of financial position) cash and cash equivalents. Total capital is calculated by adding the net debt to the 'owners' equity' in the statement of financial position.

In 2018, the Company's strategy, as opposed to 2017, consisted in increasing the indebtedness ratio, mainly for the purpose of investing.

Indebtedness indicators as at December 31st, 2018 and 2017 were as follows:

	2017	2018
Total loans	3,548,596	7,790,264
Minus: cash and cash equivalents	635,596	879,301
Net liability	2,913,000	6,910,963
Total owner's equity	66,036,181	79,116,393
Total owners' equity and net liabilities	68,949,181	86,027,356
Indebtedness ratio	4%	8%

3.3 Fair value measurement

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined by using the measurement techniques.

It is considered that the carrying value minus the adjustment for impairment of trade receivables and payables approximates their fair values. The fair value of financial liabilities with a settlement period of more than 6 months is estimated by discounting the future contractual cash flows at the current interest rate on the market available to the Company for similar financial instruments.

Fair value measurement is performed taking into account the following hierarchy:

(All amounts are expressed in RON unless otherwise stated)

a) level 1 - prices quoted in active markets for identical assets and liabilities
b) level 2 - data other than quoted prices that are observable for the asset or liability
c) level 3 - data for assets and liabilities that are not based on observable market data

Presentation at the fair value of financial assets and financial liabilities as at December 31st, 2016:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalents	879.301	-	-
Receivables and other receivables	-	7,912,782	-
Financial liabilities:			
Loans	-	7,790,264	-
Trade and other payables	-	3,680,346	-
Current income tax	-	28,471	-

Presentation at the fair value of financial assets and financial liabilities as at December 31st, 2017:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalents	635,776	-	-
Receivables and other receivables	-	8,376,047	-
Financial liabilities:			
Loans	-	3,548,596	-
Trade payables and other payables	-	6,440,457	-
Current income taxes	-	50,722	-

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are measured on a continuous basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

4.1 Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income tax

The Company is subject to income tax in one jurisdiction (Romania). There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the assets and liabilities of current and deferred income tax in the period in which this determination is performed.

(b) Pension-related benefits

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations. The Company uses the National Bank of Romania benchmark interest rate as the discount rate for pension obligation at the end of each year.

5. FIRST-TIME APPLICATION OF IFRS

As at December 31st, 2012 the Company prepared the first financial statements under IFRS.
In preparing the statement of financial position according to IFRS as at January 1st, 2011 and December 31st, 2011, the Company adjusted amounts reported previously in financial statements prepared in accordance with the Order of the Minister of Public Finance 3055/2009.
The main restatement adjustments under IFRS of financial statements in accordance with the Order of the Minister of Public Finance 3055 were as follows:

a) Tangible assets

The Company has not calculated depreciation expenses of tangible assets under conservation in previous periods. When adopting IFRS, tangible assets under conservation continue to be amortized for the duration they have not been used.

In order to present them at the fair value, the Company land have undergone revaluation. This revaluation was conducted at the end of 2010 and at the end of 2011 and 2012.

The remaining categories of tangible assets did not record significant fluctuations in fair value until the end of 2012, their results are properly reflected in the financial statements.

b) Investment property

On adoption of IFRS, the Company applies the fair value method of presentation of buildings listed in this category. The amortization charge is no longer recognized, and investment property is subject to a revaluation at the end of each financial year for the recognition at fair value. Revaluation result is recognized in the income statement.

(All amounts are expressed in RON unless otherwise stated)

c) Provision for leave days not taken

The Company estimates for the days of leaves not taken related to the financial year ended, a provision for recording the salary expenditure in the corresponding period.

d) Provision for pensions

According to the Collective Bargaining Agreement, each employee receives compensation equal to a salary upon retirement. In recognition of this expenditure, the Company recorded a provision for the entire period in which the employee works in the Company. The value of this provision is up to date using the reference rate of interest according to the National Bank of Romania.

e) Recognition of an asset or deferred tax liabilities (IAS 12)

When adopting the IFRS, the Company calculates and records the deferred tax impact, determined based on temporary differences between accounting and tax basis of balance sheet items.

6. TANGIBLE ASSETS

Movements of tangible assets are as follows:

	Land and building	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress	Total
As at January 1st, 2017					
Cost or valuation	55,366,391	30,423,657	251,209	324,376	86,365,633
Accumulated amortization	(11,525,319)	(23,709,026)	(166,428)	-	(35,400,773)
Net book value	43,841,072	6,714,631	84,781	324,376	50,964,860

(All amounts are expressed in RON unless otherwise stated)

Year ended December 31st, 2017

	Land and building	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress	Total
Book value net initial	43,841,072	6,714,631	84,781	324,376	50,964,860
Inflow	-	444,588	-	4,724,886	5,169,474
Transfers	7,889	133,181	3,677	(144,747)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflow, net	-	(21,015)	-	(724,126)	(745,141)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(772,666)	(1,339,219)	(12,490)	-	(2,124,375)
Amortization of fixed means under conservation	(80,092)	-	-	-	(80,092)
Book value net final	42,996,203	5,932,166	75,968	4,180,389	53,184,726

As at December 31st, 2017	Land and building	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress	Total
Cost or valuation	55,374,280	30,740,301	254,886	4,180,389	90,549,856
Accumulated amortization	(12,378,077)	(24,808,135)	(178,918)	-	(37,365,130)
Net book value	42,996,203	5,932,166	75,968	4,180,389	53,184,726

(All amounts are expressed in RON unless otherwise stated)

For the year ended December 31st, 2018

	Land and building	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Fixed assets in progress and advances**	**Total**
Book value net initial	42,996,203	5,932,166	75,968	4,180,389	53,184,726
Inflow	-	290,798	3,724	2,430,305	2,724,827
Transfers	-	4,740,924	9,684	(4,750,608)	-
Gain on revaluation	14,156,616	-	-	-	14,156,616
Loss on revaluation	-	-	-	-	-
Outflow, net	(3)	(72,345)	(2,931)	(830,975)	(906,254)
Transfers to investment property	-	-	-	-	-
Expense on amortization	(718,503)	(1,374,183)	(12,520)	-	(2,105,206)
Amortization of fixed means under conservation	(77,157)	-	-	-	(77,157)
Book value net final	56,357,156	9,517,360	73,925	1,029,111	66,977,552

As at December 31st, 2018	**Land and building**	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Fixed assets in progress and advances**	**Total**
Cost or valuation	70,579,812	34,945,912	227,838	1,029,111	106,782,673
Accumulated amortization	(14,222,656)	(25,428,552)	(153,913)	-	(39,805,121)
Net book value	56,357,156	9,517,360	73,925	1,029,111	66,977,552

(All amounts are expressed in RON unless otherwise stated)

Fair value of tangible fixed assets

An independent measurement of land, buildings and other categories of property and equipment was conducted by an independent auditor to determine the fair value of tangible fixed assets as at December 31st, 2018.The net revaluation surplus was recorded in other comprehensive income and is presented in 'other reserves' in owners' equity.

Presentation of the fair value of tangible fixed assets as at December 31st, 2018:

	Level 1	Level 2	Level 3
Land	-	43,602,422	-
Buildings and special constructions	-	12,754,734	-
Total land and buildings	**-**	**56,357,156**	**-**
Equipment and vehicles	**-**	**9,517,360**	**-**
Furniture, equipment and supplies	**-**	**73,925**	**-**

Presentation of the fair value of tangible fixed assets as at December 31st, 2017:

	Level 1	Level 2	Level 3
Land	-	30,848,407	-
Buildings and special constructions	-	12,147,796	-
Total land and buildings	**-**	**42,996,203**	**-**
Equipment and vehicles	**-**	**5,932,166**	**-**
Furniture, equipment and supplies	**-**	**75,968**	**-**

Vehicles and equipment include the following amounts for which the Company is the lessee, within finance leases:

	2017	**2018**
Cost	1,284,053	1,067,733
Accumulated amortization	375,639	408,763
Net book value	908,414	658,970

(All amounts are expressed in RON unless otherwise stated)

For committed appropriations, the Company recorded the following guarantees over the property, plant and equipment:

Buildings

	2017	**2018**
Cost	10,687,105	11,838,113
Accumulated amortization	3,394,406	4,133,631
Net book value	**7,292,699**	**7,704,482**

Land related:

	2017	**2018**
Cost	5,945,288	8,579,958

- As at December 31s, 2018, the following tangible fixed assets (land and buildings), current assets and available bank accounts are mortgaged under the loan agreements the company has concluded with the financial institutions Unicredit Bank Cluj, Banca Comerciala Romana Cluj and Raiffeisen Bank Cluj:

No.	Subject matter of mortgage or pledge	Value of mortgage or pledge	Beneficiary of mortgage or pledge	Mortgage rank
1.1	Land with building located in P-ta 1 Mai nr. 3 recorded with Cluj-Napoca Land Registry	RON 2,000,000 + interest and associated fees	BANCA COMERCIALA ROMANA	I
1.2	Land with building located in P-ta 1 Mai nr. 33 included in Cluj-Napoca Land Registry 305138 and Land Registry 305138-C1-U1	RO 2,000,000 + interest and associated fees	RAIFFEISEN BANK	I
2.1	Mortgage or pledge on the inventory of finished products	RON 800,000 + interest and associated fees	UNICREDIT BANK	-
2.2	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 800,000 + interest and associated fees	UNICREDIT BANK	-

(All amounts are expressed in RON unless otherwise stated)

2.3	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 2,000,000 + interest and associated fees	BANCA COMERCIALA ROMANA	-
2.4	Pledge or mortgage on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 3,740,000 interest and associated fees	RAIFFEISEN BANK	-
2.5	Pledge or mortgage on current bank accounts, mortgage on the purchased equipment, financial collateral granted by the EIF in the amount of 60% of the value of the facility	RON 2,200,000+ interest and associated fees	RAIFFEISEN BANK	-

The carrying amount that would have been recognized had the assets would have been recorded under the cost model is shown in the table below. This cost represents the cost at the date of transition to IFRSs.

Description	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Fixed assets in progress and advances	Total
Year ended December 31st, 2017					
Cost	50,369,693	22,239,765	254,886	4,180,389	77,044,733
Accumulated amortization	11,886,983	18,065,590	178,918	0	30,131,491
Net book value	38,482,710	4,174,175	75,968	4,180,389	46.913.242
Year ended December 31st, 2018					
Cost	50,368,714	26,706,605	227,838	1,029,111	78,332,268
Accumulated amortization	12,457,072	18,592,672	153,913	0	31,203,657
Net book value	37,911,642	8,113,933	73,925	1,029,111	47,128,611

(All amounts are expressed in RON unless otherwise stated)

7. INTANGIBLE ASSETS

	Trademarks and Licenses
As at January 1st, 2017	
Cost or valuation	226,707
Accumulated amortization	(205,850)
Net book value	20,857
Year ended December 31st, 2017	
Initial net book value	20,857
Inflow	8,359
Amortization expense	(18,095)
Final net book value – intangible assets	**11,121**
As at December 31st, 2017	
As at January 1st, 2018	
Cost or valuation	235,066
Accumulated amortization	(223,945)
Net book value	11,121
For the year ended December 31st, 2018	
Initial net book value	11,121
Inflow	6,399
Amortization expense	(10,963)
Final net book value – intangible assets	**6,557**
Tangible assets in progress - initial	0
Inflows	0
Outflows	0
Accounting value – intangible assets in progress	**0**

(All amounts are expressed in RON unless otherwise stated)

8. INVESTMENT PROPERTY

As at January 1st, 2017	**Buildings**
Cost or measurement	6,605,581
Net book value	6,605,581
Inflow	-
Earnings / (loss) from measurement at fair value	-
Outflow	-
Final net book value	6,605,581
As at December 31st, 2017	
Cost or measurement	6,605,581
Net book value	6,605,581
Year ended December 31st, 2018	**Buildings + Land**
Inflow	-
Earnings / (loss) from measurement at fair value	518,721
Outflow	-
Net final book value	7,124,302
As at December 31st, 2018	
Cost or measurement	7,124,302
Net book value	7,124,302

9. FINANCIAL INSTRUMENTS

	December 31st, 2017	**December 31st, 2018**
Active		
Receivables and other receivables	8,376,047	7,912,782
Cash and cash equivalents	635,776	879,301
Total Assets	9,011,823	8,792,083
Liabilities		
Loans	3,346,581	6,872,164
Trade payables and other payables	6,440,457	3,680,346
Current income tax	50,722	28,471
Total Liabilities	9,837,760	10,580,981

(All amounts are expressed in RON unless otherwise stated)

Accounting classifications and fair values:

December 31st, 2018	Note	Amortized cost (IFRS 9)	Total carrying total	Fair value (IAS 39)
Financial assets (RON)				
Cash and cash equivalents	12	879,301	879,301	879,301
Receivables and other receivables	11	7,912,782	7,912,782	7,912,782
Total Financial Assets		**8,792,083**	**8,792,083**	**8,792,083**
Financial liabilities (RON)				
Loans	14	6,872,164	6,872,164	6,872,164
Trade payables and other payables	16	3,680,346	3,680,346	3,680,346
Current income taxes		28,471	28,471	28,471
Total Financial Liabilities		**10,580,981**	**10,580,981**	**10,580,981**

10. INVENTORY

	December 31st, 2017	December 31st, 2018
Materials	4,067,416	4,632,053
Inventory items	104,989	108,364
Finished Products	7,900,222	10,042,555
Goods	336,098	361,147
Provisions on impairment of inventories	(186,491)	(185,772)
Total inventories	12,222,234	14,958,347

	December 31st, 2017	December 31st, 2018
As at January 1st	192,118	186,491
Impairment adjustments during the year (Note 15)	0	28,810
Reversal	(5,627)	(29,529)
As at December 31st	186,491	185,772

(All amounts are expressed in RON unless otherwise stated)

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	December 31st, 2017	December 31st, 2018
Customer Receivables	8,397,558	7,860,618
Adjustments on impairment of receivables on customers	(192,052)	(215,337)
Trade receivables and other receivables	8,205,506	7,645,281
Prepayments	90,254	131,119
Other receivables	79,849	135,944
Other non-current receivables (over 3 months)	438	438
Provisions on impairment of other receivables	0	0
Current income tax to be recovered	0	0
Total	170,541	267,501
Total Receivables after provisions set aside	8,376,047	7,912,782

Trade receivables and other receivables are denominated in the following currencies:

	December 31st, 2017	December 31st, 2018
RON	8,093,996	7,592,779
EUR	282,051	320,003
Other currencies (USD, GBP)	-	-
Total Receivables	8,376,047	7,912,782

The analysis of receivables by maturity is presented in the following table:

	December 31st, 2017	December 31st, 2018
During the maturity period	6,187,593	5,988,517
Maturity period exceeded but without the risk of impairment	2,188,454	1,924,265
Total	8,376,047	7,912,782

(All amounts are expressed in RON unless otherwise stated)

The analysis on the seniority of outstanding receivables is as follows:

	December 31st, 2017	December 31st, 2018
Up to 3 months	2,008,559	1,699,255
Between 3 and 6 months	153,134	177,346
More than 6 months	218,813	263,001
Adjustments for impairment of receivables	(192,052)	(215,337)
Total	2,188,454	1,924,265

The Company recorded adjustments for impairment of receivables at the amount of expected credit losses, calculated based on the expected loss rates.

The analysis of adjustment movement for the impairment of receivables:

	December 31st, 2017	December 31st, 2018
As at January 1st	229,369	192,052
Receivable impairment adjustment during the year	36,135	36,267
Reversed impairment adjustments	(73,452)	(12,982)
As at December 31st	192,052	215,337

12. CASH AND CASH EQUIVALENTS

	December 31st, 2017	December 31st, 2018
Cash in hand and in bank	126,827	79,187
Performance bonds under 3 months	-	-
Collateral cash at the bank - letters of credit	-	-
Other cash equivalents	-	131,606
Short-term deposits	508,949	668,508
Total	635,776	879,301

(All amounts are expressed in RON unless otherwise stated)

	December 31st, 2017	**December 31st, 2018**
Cash in hand and in bank in RON	122,360	26,751
Cash in hand and in bank in USD	951	296
Cash in hand and in bank in EUR	3,516	52,140
Short-term deposits in RON	508,949	668,508
Short-term deposits in EUR	-	-
Funds to be collected RON	-	131,606
Total	635,776	879,301

Bank	**December 31st, 2017**	**December 31st, 2018**
Raiffeisen Bank	3,895	1,940
BRD	13,978	11,989
Treasury	6,069	7,785
BCR	4,468	52,436
Unicredit Ţiriac Bank	17,545	0
Piraeus Bank Romania	0	0
Cash in hand and other cash equivalents	80,873	136,644
Short-term deposits - BRD	0	0
Short-term deposits - BCR – manager securities	92,490	93,447
Short-term deposits – CEC BANK - dividends recorded	416,440	575,042
Short-term deposits – CEC BANK - securities	18	18
	635,776	879,301

In 2016, the amount of RON 416,440 representing the dividends to the shareholders: SCOP LINE SA (RON 213,645), BENJAMIN UNITED SRL (RON 342), ALFA LINE SA (RON 90,422) and MATTERA COM SA (RON 112,031) was recorded with CEC BANK SA.
In 2018, the amount of RON 158,602 representing dividends to the shareholders: SCOP LINE SA (RON 81,367), BENJAMIN UNITED SRL (RON 214), ALFA LINE SA (RON 34,437) and MATTERA COM SA (RON 42,584) was recorded with CEC BANK SA.
The amounts were recorded on the basis of an Ordinance issued on September 25th, 2015 by the Directorate for the Investigation of Organized Crime and Terrorism in File No. 394/D/P/2007.

(All amounts are expressed in RON unless otherwise stated)

	December 31st, 2017	December 31st, 2018
Cash and cash equivalents	635,776	879,301
Total current share of loans	3,040,747	6,674,119
	3,676,523	7,553,420

13. OWNERS' EQUITY

	December 31st, 2017	December 31st, 2018
Share capital	12,325,438	12,325,438
Adjustments in Share Capital	-	-

	Value	No. of Shares	Value share (RON)	Percentage of Ownership (%)
S.C. CARBO EUROPE S.R.L.	3,310,253	1,324,101	2.5	26.8571
Ionescu Mircea-Pietro	3,095,990	1,238,396	2.5	25.1187
Popoviciu Viorel-Dorin	1,607,925	643,170	2.5	13.0456
Popa Gheorghe Titus Dan	1,544,490	617,796	2.5	12.5309
Legal persons	1,673,660	669,464	2.5	13.5789
Individuals	1,093,120	437,248	2.5	8.8688
Total	12,325,438	4,930,175		100

At the time of transition to IFRS, the Company calculated and recognized the hyperinflationary economy effect by applying IAS 29.

The restatement was calculated using the evolution of the consumer price index ('CPI') published by the National Institute of Statistics ('NIS'). The indices used, determined on the corresponding prices for December 1990 (1990 = 100) for 13 years and conversion factors were the following:

Month, Year	Movements in consumer price indices	Index	Conversion Factor
February 1991	7.0%	123	1,363
March 1996	1.7%	8,291	20.19
February 2001	2.3%	101,419	1.65
August 2003	0.28%	157,446	1.06

(All amounts are expressed in RON unless otherwise stated)

DIVIDENDS

During 2018 the Company distributed dividends to the owners on the basis of the Decision of the Ordinary General Meeting of the Shareholders no. 2 dated April 26th, 2018, in the total amount of RON 1,232,543.75 (gross dividend RON 0.25 / share), the amount of RON 345,112.25 of the net profit of 2015 remained undistributed, and the amount of RON 887,431.50 of the net profit of 2017

14. LOANS

	December 31st, 2017	December 31st, 2018
Loans from banks	3,040,747	7,468,564
Loans from shareholders	-	-
Total loans	3,040,747	7,468,564
Current share of loans	3,040,747	6,674,119
Long-term share – loans from banks	-	794,445
	3,040,747	7,468,564

In November 2017, the Company signed with RAIFFEISEN BANK S.A. a term 'SME Investment Initiative' loan agreement amounting to RON 2,500,000 for a period of 3 years, to finance 80% of the investment representing the acquisition of new equipment. Withdrawal from the loan, amounting to RON 2,200,000, took place in January 2018 in order to pay off the debt to the real estate provider, a debt that as at December 31st amounted to RON 2,534,877.

The collaterals for this facility are: the mortgage on current accounts opened at the bank, the mortgage on the equipment subject to the investment, and a 60% financial collateral granted by EIF.

The credit facility provided under this Contract is supported by the European Union support through the SME Initiative Program, funded by the European Union through the ERDF and Horizon 2020 and by the European Investment Fund and the European Investment Bank.

	December 31st, 2017	December 31st, 2018
RON	2,091,919	6,502,846
EUR	948,828	965,718
	3,040,747	7,468,564

The effective average annual interest rate on bank loans for the year 2018 was of 4.04% (for the year 2017 being 2.20%).

(All amounts are expressed in RON unless otherwise stated)

15. FINANCE LEASE

	December 31st, 2017	December 31st, 2018
Up to one year	305,834	198,045
Between 1 year and 5 years	202,015	123,655
Current value of finance lease	507,849	321,700

	December 31st, 2017	December 31st, 2018
Up to one year	315,472	200,669
Between 1 year and 5 years	204,818	123,837
Future financing costs	(12,441)	(2,806)
Current value of finance lease	507,849	321,700

The effective average annual interest rate of the finance lease for the year 2018 was of 1.44% (for the year 2017 was of 2.08%).

16. SUPPLIERS AND OTHER CREDITORS

	December 31st, 2017	December 31st, 2018
Suppliers	4,406,772	1,345,078
Payables to personnel	572,315	543,165
Interest payable	3,533	6,975
Dividends payable	656,224	890,255
VAT payable	298,173	311,793
Other payables to the State	361,333	466,741
Accruals	0	0
Creditor customers and sundry creditors	118,133	84.101
Excess inventory such as non-current assets and investment grants	23,974	32,238
Total	6,440,457	3,680,346

	December 31st, 2017	December 31st, 2018
EUR	3,490,804	364,385
USD	-	-
RON	2,949,653	3,315,961
	6,440,457	3,680,346

(All amounts are expressed in RON unless otherwise stated)

17. ANALYSIS OF REVENUE BY CATEGORY

	December 31st, 2017	December 31st, 2018
Revenue from sale of finished goods	30,707,448	33,983,735
Revenue from sale of goods	523,659	391,615
Revenue from services rendered	192,372	184,915
Total	31,423,479	34,560,265

Other operating income

	December 31st, 2017	December 31st, 2018
Gain / (loss) from sale of fixed assets	(21,015)	(39,384)
Other income	10,079	119,762
Gain on revaluation of tangible assets	0	558,749
Gain on revaluation of property investment at fair value	0	518,720
Rental income	1,478,799	1,472,131
Total	1,467,863	2,629,978

18. WAGES AND OTHER RELATED COSTS

	December 31st, 2017	December 31st, 2018
Salary expenses	10,801,453	14,278,054
Salary contribution expenses	2,496,290	521,073
Meal vouchers expenses	442,749	543,270
Total	13,740,492	15,342,397

	December 31st, 2017	December 31st, 2018
Average number of employees	217	219
Number of employees	230	222
Salary of administrative staff (managers, including related social contributions)	1,391,050	1,489,775
Board of Directors (including related social security contributions)	827,223	839,759

(All amounts are expressed in RON unless otherwise stated)

19. OTHER OPERATING EXPENSES

	December 31st, 2017	December 31st, 2018
Other third-party service expenses	877,940	748,121
Royalties and rental expenses	50,355	40,735
Utilities expenses	1,721,996	1,930,241
Maintenance and repair expenses	310,085	276,109
Insurance expenses	118,850	120,630
Damages and penalties expenses	33,913	807
Other provisions expense / (reversal)	23,555	51,481
Net provision for receivables expense / (reversal)	(37,317)	23,285
Postage and other fees	45,801	46,455
Expenses on commissions and fees	10,243	253,397
Entertainment, advertising and publicity expenses	99,649	180,566
Net (gain) / loss from exchange differences from operating activities	(1,715)	2,100
Net provision for slow moving inventories or impaired expense / (reversal)	(5,627)	(719)
Banking and related expenses	46,251	41,819
Travel expenses	184,559	132,835
Other operating expenses	793,803	891,827
Shipping costs	159,340	253,480
Total	**4,431,681**	**4,993,169**

In 2018, an audit fee of EUR 8,000 was paid to the auditor for auditing the financial statements as at December 31st, 2017

(All amounts are expressed in RON unless otherwise stated)

20. FINANCIAL RESULT

	December 31st, 2017	December 31st, 2018
Interest expense		
- Loans	62,293	212,782
- Financial lease	10,590	5,998
Net result from exchange rate differences	48,099	12,780
Financial costs	120,982	231,560
Interest income	6	4
Other financial income	0	0
Financial income	6	4
Net financial result	(120,976)	(231,556)

21. INCOME TAXES

Description	**December 31st, 2017**	**December 31st, 2018**
Net income	978,970	2,667,587
Tax rate according to national regulations	16%	16%
Items similar to income	993,699	976,555
Items similar to expenses	(28,656)	(26,860)
Deductions	(2,614,586)	(2,691,989)
Non-taxable income	(126,604)	(1,132,078)
Non-deductible expenses	2,796,131	3,194,611
Total	1,998,954	2,987,826
Tax expense	(319,833)	(478,052)
Sponsorship / patronage amounts	63,967	95,610
Total	(255,866)	(382,442)
(Expense) / revenue with deferred tax	48,681	(279,658)
(Expense) / revenue with income tax	(207,185)	(662,100)

(All amounts are expressed in RON unless otherwise stated)

21. INCOME TAXES (CONTINUED)

	January 1st, 2017	Movement in deferred tax	December 31st, 2017	Movement in deferred tax	December 31st, 2018
Deferred tax assets	12,815	10,051	22,866	(146)	22,720
Deferred tax liabilities	(4,783,12)	(40,538)	(4,824,350)	(2,232,210)	(7,056,560)
Asset / (liability) from deferred tax - net	(4,770,997)	(30,487)	(4,801,484)	(2,232,356)	(7,033,840)

Deferred tax liabilities	**Tangible assets**	**Provisions**	**Total**
As at January 1st, 2017	(4,774,045)	(9,767)	(4,783,12)
Movement in deferred tax	(43,265)	2,727	40,538
As at December 31st, 2017	(4,817,310)	(7,040)	(4,824,350)

Deferred tax assets	**Tangible assets**	**Provisions**	**Total**
As at January 1st, 2017	12,815	0	12,815
Movement in deferred tax	-	10,051	10,051
As at December 31st, 2017	12,815	10,051	22,866
Asset / (liability) from deferred tax - net	(4,804,495)	3,011	(4,801,484)

Deferred tax liabilities	**Tangible assets and legal reserve**	**Provisions**	**Total**
As at January 1st, 2018	(4,817,310)	(7,040)	(4,824,350)
Movement in deferred tax	(2,238,330)	6,120	(2,232,210)
As at December 31st, 2018	(7,055,640)	(920)	(7,056,560)

(All amounts are expressed in RON unless otherwise stated)

Deferred tax assets	Tangible assets	Provisions	Total
As at January 1st, 2018	12,815	10,051	22,866
Movement in deferred tax	(470)	324	(146)
As at December 31st, 2018	12,345	10,375	22,720
Asset / (liability) from deferred tax - net	(7,043,295)	9,455	(7,033,840)

22. RELATED PARTIES

The list of Company related parties is as follows:

Related party	Explanations
CARBOREF SRL Cluj-Napoca	CARBOCHIM SA holds 25% of the share capital of CARBOREF SRL. Mr Popoviciu Viorel was member of both the Board of Directors of CARBOCHIM SA (Board composed of 5 persons), and of CARBOREF SA (Board composed of 3 persons) until March 2015, when the company became CARBOREF SRL and a single director remained (Mr Ioan Mihut, who holds 70% of the social shares). Deliveries represent the equivalent rent and utilities under contract 2249 / December 13th, 2012.
EURO CLUB SRL Timişoara	Mr Popa Dan – Director of CARBOCHIM SA holds 50% of EUROCLUB SRL and is the Director of EUROCLUB SRL together with another person. There were no transactions with this company in 2018.
AUTO EUROPA SRL Timişoara	Mr Popa Dan – Director of CARBOCHIM SA holds 50% of AUTOEUROPA SRL and is the director of AUTOEUROPA SRL together with another person.
ELECTROARGES SA Curtea de Argeş	ELECTROARGES SA held 12.40% of the share capital of CARBOCHIM SA until March 23rd, 2018 when it sold its stake.
SERVICE AUTOMOBILE 2 SA, Cluj-Napoca	Mr Turcu Iacob Ovidiu – Director of CARBOCHIM SA holds 41.88% of SERVICE AUTOMOBILE 2 SA and is the representative of the Director of DACIA SERVICE CLUJ FELEAC
DACIA SERVICE CLUJ FELEAC SA, Cluj-Napoca	Mr Turcu Iacob Ovidiu – Director of CARBOCHIM SA, starting April 26th, 2013 and until February 26th, 2018, holds 95.66% of DACIA SERVICE FELEAC SA and is Director together with another two persons

Analysis of balances and transactions with related parties (Amounts in RON and VAT included):

(All amounts are expressed in RON unless otherwise stated)

Balances as at January 1st, 2017	**Receivables**	**Other receivables**	**Liabilities**
CARBOREF SA	837	-	-
EURO CLUB SRL	142,228	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	957
DACIA SERVICE FELEAC SA	-	-	-
Total	143,065	-	-

Transactions carried out during 2017:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	10,051	1,607	-
EURO CLUB SRL	(3,149)	-	-
AUTOEUROPA SRL	-	315	-
ELECTROARGES SA	687	-	-
SERVICE AUTOMOBILE 2 SA	14,179	-	-
DACIA SERVICE FELEAC SA	18,768	550	-
Total	40,536	2,472	-

Balances as at December 31st, 2017	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	-	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	-	-	-

Transactions carried out during 2018:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	10,275	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	720	409	-
ELECTROARGES SA	2,338	-	-
SERVICE AUTOMOBILE 2 SA	124	4,074	-
DACIA SERVICE FELEAC SA	1,018	19,182	-
Total	14,475	23,665	-

Balances as at December 31st, 2018	**Receivables**	**Other receivables**	**Liabilities**
CARBOREF SA	852	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	-	-	-

(All amounts are expressed in RON unless otherwise stated)

As at December 31st, 2017, the Board of Directors of the Company has the following structure:

- Popoviciu Viorel Dorin, member of the Board of Directors and Chairman of the Board. Holds 643,170 shares.

- Popa Gheorghe Titus Dan, member of the Board of Directors. Holds 617,796 shares

- Ionescu Mircea Pietro, Member of the Board of Directors. Holds 1,238,396 shares.

- Stoicescu Daniel-Silviu, Member of the Board of Directors. Holds 15 shares.

- Crisan Viorel Vasile, Member of the Board of Directors. Holds 7,609 shares.

The executive management of the Company is:

- Popoviciu Viorel Dorin, Chief Executive Officer
- Barabula Mihaela Maria, Chief Financial Officer
- Giurgiu Liana, Sales Director
- Carean Nastasia, Technical – Production Director

23. EARNINGS PER SHARE

Company shares are listed on the second category of the Bucharest Stock Exchange.

Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders of the average number of ordinary shares existing during the year. The diluted earnings per share coincides with the basic earnings per share.

	Year ended December 31st, 2017	Year ended December 31st, 2018
Profit attributable to equity holders of the Company	978,970	2,667,588
Weighted average of number of shares	4,930,175	4,930,175
Basic earnings and diluted earnings per share (RON per share)	0.20	0.54

24. CONTINGENCIES

Litigation

The Company is subject to a number of lawsuits, most of them representing insolvency proceedings of doubtful customers. The Company's management believes that these actions will not have a material adverse effect on the economic performance and financial position of the Company.

Taxation

The taxation system in Romania has undergone many changes in recent years and is under a phase of adaptation to the jurisprudence of the European Union. As a result, there are still different interpretations of tax law. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and interest and penalties for late payment (in 2018, the late payment fee is of 0.01% per day of delay, plus default interest at the rate of 0.02% per day of delay). In Romania, the tax year remains open for tax inspection for 5 years. The Company's management believes that tax liabilities included in these financial statements are appropriate.

Tax legislation existing at the time of preparation of financial statements for companies reporting under the International Financial Standards is in an early stage of development. As a result, it is possible that the tax authorities have different interpretations from those included in these financial statements. Since the Company maintains the revaluation method for tangible assets, and also in order to reduce the tax related risk, the Company decided to keep the balance of the account 105 'Revaluation reserves' at the date of transition to IFRS, the existing amounts in this account as at December 31st, 2010 in the financial statements prepared according to the Order of the Minister of Public Finance 3055/2009.

Financial crisis

Recent volatility in international and Romanian financial markets:

The latest global liquidity crisis that began in mid-2007 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the financial sector and, occasionally, higher interbank lending rates and volatility very high stock exchanges. Moreover, the RON exchange rate volatility and the main currencies used in international trade was very high. Currently, the full impact of the current financial crisis is still impossible to predict and prevent in its entirety.

Management is unable to reliably estimate the effects on the financial position of the Company to a potential decrease in liquidity of financial markets, an increase in the volatility of the exchange rate of the national currency and the continuation of the recession. The management believes that it has taken all the necessary measures to ensure the continuity of the Company under current conditions.

Revaluation of properties held at fair value

The real estate market in Romania has been severely affected by the recent volatility in financial markets which resulted in restricting access to credit for companies and individuals. Therefore, the accounting value of tangible assets at fair value has been updated to reflect the market conditions at the balance sheet date. Due to the volatility of the real estate market in Romania, it is possible that the fair values of the Company's assets relating to property be modified in the future.

25. SUBSEQUENT EVENTS

In the Current Report issued on March 18th, 2019 to publish the agenda of the Ordinary General Meeting of Shareholders of April 24th, 2018, convened for approval of the Financial Situations of 2018, the following shall be submitted for approval:

- appropriation of the net profit of 2018 in the amount of RON 2,667,587.86 as follows: to the legal reserves the amount of RON 166,484.39, to dividends the amount of RON 986,035 representing a gross dividend of RON 0.20 / share and retained earnings (profit not distributed) the difference of RON 1,515,068.47.