

ANNUAL REPORT OF DIRECTORS

Drawn up according to Regulation no.1/2006 of the National Securities Commission

for the 2017 financial year

CARBOCHIM S.A. CLUJ-NAPOCA

Registered Office:

Phone No.:

Fax:

Tax Registration Number:

Registration Number with the Trade Register:

Subscribed and paid-up share capital:

Email:

Website:

Cluj-Napoca

Piata 1 Mai Nr.3

00 40 264 437005

00 40 264 437026

RO 201535

J 12/123/1991

RON 12,325,437.50

Sales@carbochim.ro

www.carbochim.ro

Report Date: 19 March 2018

Regulated market where the issued securities are traded:

Carbochim S.A. shares are traded on the 2nd category of the Stock Exchange Bucharest, CBC symbol.

Main characteristics of the securities issued by the Company:

As of 31 December 2017, the situation was as follows:

-Number of shares: 4,930,175

- Nominal value: RON 2,5 / share

- Share capital: RON 12,325,437.50

-Nominal shares, issued in book-entry form, registered in the independent registry Depozitarul Central S.A., according to contract no. 42757 dated 16 September 2008

1. Analysis of the Company's activity

1.1. a) Description of Company's main activity.

Carbochim SA operates as a joint stock company under Law 31/1990 republished, as subsequently amended and supplemented, with the core activity "Production and trade of abrasive products" .According to NACE Classification - code NACE 2391.

b) Year of establishment of the Company:

CARBOCHIM S.A. is organised as a joint stock company since 1991, through the transformation of the former I.I.S. CARBOCHIM and has its headquarters 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.

c) Description of any significant merger or reorganisation of the Company, its subsidiaries or controlled companies during the financial year.

N/A. In the course of the 2017 financial under reporting, the Company did not carry out any significant merger or reorganisation.

d) Description of asset acquisitions and / or alienations.

Acquisitions of fixed assets:	RON 597,695
- RON	
- Land	
- Building (upgrading):	RON 7,889
- Technological equipment:	RON 22,980
- Means of transport	RON 549,833
- Measuring devices and installations	RON 4,957
- Devices, office supplies, protection equip.	RON 3,677
- Intangible assets	RON 8,359
 Asset scrapping	 RON 261,125

e) Description of the main results of the evaluation of the Company's business .

During 2017 there was an increase in the sales of abrasive products by approx. 5% over the previous year, which has led to a positive influence on the results of our Company's activity.

1.2. Overall assessment elements:

INDICATOR	2017 / RON
<i>Net profit</i>	978,970
<i>Turnover</i>	32,931,796
<i>Intra-community export or deliveries</i>	1,489,610
<i>Operating revenue</i>	32,974,290
<i>Operating expenses</i>	31,667,159
<i>% of the market held (in Romania)</i>	25%
<i>Liquidity (cash and cash equivalents on 31 December 2017)</i>	635,776

1.3. Company's assessment of the technical level.

Description of the main products and / or services provided, stating:

Carbochim SA produces a wide range of abrasive products such as:

- abrasive grinding wheels with binders: ceramic, organic, mineral and elastic;*
- cutting and deburring wheels;*
- coated abrasive paper; canvas in the form of: endless belts, rolls, sheets, flat wheels, lamellar wheels and others.*

The Company has also concluded different collaboration agreements with other manufacturers to complete the assortment range.

a) Main outlets for each product or service and distribution methods.

The main product outlet is the domestic one and the distribution of products is achieved both directly by the Company and through authorised representatives or dealers.

On the foreign market, the sale is achieved directly by the Company. The most important exports are in Poland, Belgium, Switzerland, Hungary, Germany and the Czech Republic.

b) The weight of each category of products or services in the revenues and in the total turnover of the Company for the last three years.

PRODUCTS CARBOCHIM	2015		2016		2017	
	%Revenue	%Turnover	%Revenue	%Turnover	%Revenue	%Turnover
Abrasive grinding wheels	58.54	55.41	57.96	54.52	59.50	56.27
Abrasive on wheel	38.68	36.61	39.78	37.42	38.64	36.55

c) the new products envisaged for which a substantial volume of assets will be assigned in the next financial year and the stage of development of these products.

In view of the strong competition on the retail market, the Company has focused on the development of abrasive products that are used in the automotive industry, bearings, metallurgy and others. For these industries, special high-tech products with state-of-the-art abrasives have been assimilated.

1.4. Assessment of the technical-material supply activity (domestic sources, import sources). Specification of information on the security of supply sources, raw material prices and the stock sizes of raw materials and materials.

The main utilities, electricity and gas are procured from the domestic market. Part of the basic raw materials are purchased from the European and Asian market (Germany, Italy, Hungary, Austria, Poland, Slovenia, France, China, Korea). In general, there are at least two suppliers for each raw material. Stocks of raw materials are generally within the normal range except for those supplied from the Asian market or those with a long manufacturing cycle where a feedstock is created to avoid closing down of production due to long delivery times.

1.5. Evaluation of selling activity.

a) Description of the sequential sales evolution on the domestic and / or external market and the prospects for medium and long-term sales.

Objectives for 2018:

- increasing sales of finished products by approx. 3% as compared to 2017;
- increasing sales on the foreign market by at least 3%.
- orientation towards the performance of its own distribution system by efficiently using the resources of the territorial places of business - Ploiesti; Braila; Bucharest.

In 2017, the Company's activity was carried out in a difficult economic macro environment, which implied the permanent adjustment of the short-term strategies to achieve the proposed objectives.

b) Description of the competitive situation in the Company's field of activity, of the market share of the Company's products or services and of the main competitors.

Carbochim SA carries out its activity in a variable competitive environment in which changes occur regarding the "pricing policy" component promoted by the business competitors. In this context, we estimate that the 2018 situation will have the same competitive profile as the previous years, and the changes that may occur will not constitute a threat to the marketing policy adopted.

c) Description of any significant dependence of the Company to a single client or group of clients, the loss of which would have a negative impact on the Company's income.

Given the Company's wide range of products and the large customer base, there is no customer that could materially affect the Company's business. There is a wide range of trading partners on the domestic market, which contributes to the sales achieved by the Company. However, none of them has the potential to have a significant negative impact on the Company's results, the client / product portfolio being in a steady state.

1.6. Assessing aspects related to the Company's human resources.

a) Specifying the number and level of training of the Company's employees, and the degree of labor union unionizing.

The average number of staff in 2017 was 217 employees.

Over 45% of employees have been working in the Company for more than 2-3 decades, which provides the Company with a vast and modest experience in the production and marketing of abrasive products.

The level of education of the employees is the following: 29% higher education, 65% secondary education (high school, foreman school, vocational school, apprenticeship) and 6% general level studies.

It is increasingly difficult to find skilled personnel for marketing and sales as well as for the production activity. Following the discussion with Cluj School Inspectorate, it was attempted to create a professional school grade for abrasive products operator but this was unsuccessful.

The degree of unionisation of the workforce within the Company is 66%.

b) Description the relationship between the management and employees as well as any conflicting elements that characterise these relationships.

Relationships between the Company management and employees took place in 2017 on professional and non-conflicting basis. A collective bargaining is concluded within the Company, which is renegotiated on an annual basis.

1.7. Assessing issues related to the impact of the issuer's core business on the environment.

The Company holds all the environmental permits and approvals required for the activity performed. There is no pending action or anticipated legal action for breach of environmental legislation. The Company is certified according to ISO 9001: 2015 and ISO 14001: 2004, having an integrated quality system - environment.

1.8. Assessment of research and development activity.

The research and development activity is oriented towards:

- *designing and approving new products, especially those required in the industry;*
- *technological improvement and development imposed by the quality and technical requirements of specific products;*
- *technological optimisation by assimilating state-of-the-art raw materials in the fields which we operate, taking into account the main objectives of the Company, namely to reduce costs, to increase the quality of the products and to satisfy the customers' requirements.*

1.9. Evaluation of commercial activity on risk management.

Like any player in a competitive market, the Company is always exposed both to price changes in raw materials, gas and electricity, as well as to local or global developments in finished product prices as well as exchange rate developments.

In 2017, the Company's activity was exposed to the following types of risks:

-Foreign currency risk. *The Company is exposed to foreign currency risk by exposures to various currencies, especially USD and EUR. Currency risk is associated with recognised assets and liabilities, especially loans.*

The Company does not undertake formal currency mitigation actions related to its operations, so the Company does not apply the hedge accounting.

The impact of this type of risk on the profit and loss account in 2017 was of - RON 46,384.

The impact on the profit and loss account under the assumption of EUR currency increase by 10%, applied at the balance sheet date, with all other variables remaining constant, would be RON -466,448.

The strong RON depreciation against the USD, which rose in 2015 and continued in 2016 and the first half of 2017, diminished towards the end of 2017, but influenced the 2017 profit and loss account, considering that an important part of the raw materials are supplied from the Asian market. Furthermore, in the second half of 2017 there was a strong depreciation trend of RON against the EUR, a trend that seems to continue in 2018 and which influenced the 2017 profit and loss account, since an important part of the raw materials are supplied from the European Union and the fact that the debts related to the financial leasing are calculated according to the EUR exchange rate and a part of the financing was committed in EUR.

-Interest rate risk. *The Company is exposed to interest rate risk through its long and short-term loans, most of which have variable rates linked to the ROBOR index for RON loans and EURIBOR for EUR loans. The Company has signed interest-bearing loan agreements with Unicredit Bank, Banca Comerciala Romana and Raiffeisen Bank. On 31 December 2017, a possible increase in the 1% interest rate would have an effect on income and expenditure of RON -623.*

-Price risk, *which represents the risk that the value of a financial instrument will fluctuate as a result of market price changes. In the second half of 2017 there were large increases in utilities prices due to rising electricity prices on the Stock Exchange and a slight increase in prices to other raw materials and materials mainly due to fluctuations in the EUR / RON / USD exchange rate.*

-Credit risk *is related in particular to cash and cash equivalents and trade receivables. The Company has developed a number of policies that ensure that sales of products and services take place to the right customers. The net book value of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk.*

The credit risk of trade receivables that are not provisioned or not due can be assessed through internal analyses, given that there is no external information on risk indicators for clients.

-Liquidity risk,

The prudent management of liquidity risk implies maintaining sufficient cash and availability of funds through an appropriate amount of committed credit facilities.

Cash flow forecasts are conducted by the Company's financial department, which monitors the Company's liquidity needs forecast to ensure that there is sufficient cash to meet the operational requirements, while maintaining a sufficient margin on the borrowing facilities undertaken and unused, so that the Company does not violate loan limits or loan agreements for all loan facilities.

1.10. Prospective elements regarding the Company's business activity.

In 2018, the main uncertainty factor that may affect the Company's liquidity a compared to 2017 could be the increased payment terms of our customers due to the lack of liquidity on the market, as well as the influence of the EUR-RON and EUR-USD exchange rates, as well as energy and gas price increase if the current growth trend continues in the coming year.

1.11. Statement of Corporate Governance Code.

Carbochim SA has shares listed on Bucharest Stock Exchange. As a result, the Company applies all the legal provisions in force: Law 31/1990 updated, Order of the Minister of Public Finance 2844/2016 for the approval of the Accounting Regulations according to the International Financial Reporting Standards, the CVNVM Regulation no.1/2006 on reporting, Law 297/2004 on the capital market, BSE regulations and others. All these documents are public.

Until the date of this report, the Company did not adhere to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2015. The Company has started the necessary steps to join this Code. The Board of Directors will review and decide on the conditions and influences in the Company's corporate governance adherence strategy.

The state of compliance with the Corporate Governance Code of the BVB was presented by the Company in its Current Report dated 22 January 2016, a report found on the website www.carbochim.ro , in the section About us / Shareholders / Year 2016 / Miscellaneous.

The Company manages the accounting in accordance with the legislation in force and owns an integrated IT system.

The financial statements are prepared in accordance with the statutory accounting policies adopted by the Company and the legislation in force, which are verified and approved by the Chief Financial Officer, the Chief Executive Office and, where appropriate, by the Board of Directors.

At Carbochim SA, an internal control system for the core activities has been implemented and working procedures have been established.

The tasks exercised by the internal control within the Company, but not limited to these, are:

- review of the legality, regularity and compliance of operations;*
- identifying errors, wastage, maladministration and proposing, on these bases, measures and solutions for the recovery of damages and sanctioning the people responsible, as the case may be;*
- supervising the functioning of systems for substantiating planning decisions, programming, organising, coordinating, monitoring and controlling the implementation of decisions;*

- assessment of the efficiency and effectiveness with which the existing management and implementation systems within the Company use the financial, human and material resources to achieve the objectives and fulfil the results.

The structure and the operation of the executive, management and supervisory bodies are in accordance with the legislation in force and the Company articles of incorporation. The General Meeting of Shareholders is the governing body of the Company, which decides on its activity and establishes the economic and commercial policy. The General Meetings are ordinary and extraordinary, and the tasks are established by the articles of incorporation. The Company is managed by a Board of Directors composed of 5 directors, who can also have the capacity of shareholders, elected by the General Meeting of the Shareholders for a period of 4 years, with the possibility to be re-elected for new terms of 4 years. At the first meeting, the Board of Directors shall elect a chairman from among its members. The Chairman of the Board of Directors is the General Manager based on the agency relationship. The Executive Directors are appointed by the General Manager and operating within the remit thereof. The composition of the management and administration bodies of the Company is presented in section 4 of this Report. Within the Board of Directors, an Audit Committee consisting of two members was established in 2017.

The internal audit activity is outsourced, with a contract signed with Delta Consult SRL, Cluj-Napoca.

The internal audit is directly subordinated to the Board of Directors of the Company.

The Company has concluded a contract with an authorised financial auditor, according to the legal requirements, which verifies the financial statements in accordance with the legal provisions in force.

The General Meeting has the duties stipulated by Law 31/1990 with the related amendments, and by the articles of incorporation of the Company in force at the date of the General Meeting convening.

The manner of holding the General Meeting of Shareholders and its key attributions are in line with the legislation in force and with the articles of association of the Company.

Shareholders' rights and how they can be exercised are provided in the applicable law.

2. Tangible assets of the Company.

2.1. Specification of the location and characteristics of the main production capacities owned by the Company.

The production capacities held by the Company are located entirely in Cluj- Napoca, P-ta 1 Mai, nr. 3.

The two production capacities of Carbochim S.A. are:

Grinding wheels department with a capacity of 75 3,000 t/year.

Grinding wheels stand department with a capacity of 4,000 thousand sq m / year.

2.2. Description and analysis the degree of wear and tear of the Company's properties.

An average degree of wear can be deemed at approx. 39%, taking into account that there are assets from 1965-1970, as well as assets from 2000-2017.

What is important to remember is that much of the property (construction) dates back from 1973-1979 and it is in a very good condition. Moreover, all machines and installations are in good working condition and allow production to be achieved at a higher quality level.

2.3. Specifying potential issues related to ownership of the Company's tangible assets.

N/A.

3. Securities market issued by the Company.

3.1. Specification of the markets in Romania and other countries where the securities issued by the Company are negotiated.

The Company is the issuer of nominative shares, traded on the second category of the Bucharest Stock Exchange, CBC symbol.

3.2. Description of the Company's business policy on dividends. Specification of the dividends due / paid / accumulated in the last 3 years and, if applicable, the reasons for the possible diminishing of dividends over the last 3 years.

Over the recent years, the Company's policy has been to distribute dividends to shareholders, to the extent that the results have allowed this distribution.

The statement of dividends distributed and paid in the last 3 years is the following:

- in 2015, dividends were distributed in the amount of RON 936,733.25 (gross dividend RON 0.19 / share), of the 2014 net profit, according to the Decision of the Ordinary General Meeting of Shareholders no.1 / 28 April 2015.

During 2015, the shareholders were appropriated dividends in the amount of RON 828,191.50 and the withholding tax on dividends in the amount of RON 130,445 was paid to the State Budget.

- in 2016, dividends were distributed in the amount of RON 1,972,070 (gross dividend RON 0.40 / share), of the 2015 net profit, according to the Decision of the Ordinary General Meeting of Shareholders no.1 / 27 April 2016.

During 2016, the shareholders were appropriated dividends in the amount of RON 1,505,643 and the withholding tax on dividends in the amount of RON 86,746 was paid to the State Budget.

- in 2017 no dividends were distributed, but net dividends were paid to shareholders worth RON 182,664 of the dividends distributed in previous years.

3.3. Description of any activities of the Company to acquire its own shares.

N/A. In 2017, the Company did not acquire its own shares.

3.4. If the Company has subsidiaries, the indication of the number and the nominal value of the shares issued by the mother company owned by the subsidiaries.

N/A. The Company has no subsidiaries, but has three places of business in Bucharest, Ploiesti and Braila.

3.5. If the company has issued bonds and / or other debt securities, the disclosure of how the Company fulfils its obligations against such securities.

N/A. The Company has not issued bonds or other debt securities.

4. Company Management.

4.1. Presentation of the list of the Company's directors and the following information for each director.

During 2017, the Company was managed by a Board of Directors consisting of 5 members, elected for the period 2016-2020 in accordance with the Decision of the Ordinary General Meeting of Shareholders no.2 / 29 November 2016.

The shareholder Electroarges SA filed an action for the annulment of the Decision of the Ordinary General Meeting of Shareholders Decision no.2 / 29 November 2016 adopted by CARBOCHIM SA. By Civil Decision no.604/2017 of 24 October 2017, Cluj Court of Appeal upheld the appeal filed by Electroarges SA and consequently ascertained the absolute nullity of the Decision of the CARBOCHIM SA Ordinary General Meeting of Shareholders dated 29 November 2016. File 1146/1285/2016 - Cluj Court of Appeal). The decision is final and enforceable and the Company therefore convened a new Ordinary General Meeting of Shareholders on 26 February 2018 for the election of a new Board of Directors.

- a) Resume (name and surname, age, qualification, professional experience, position and seniority).*
- b) Any agreement, covenant or family relationship between the respective director and another person thanks to whom that person has been appointed director;*
- c) Participation of the director in the equity of the Company;*
- d) List of persons affiliated to the Company.*

4.1.1. POPOVICIU VIOREL DORIN member of the Board of Directors and the Chairman of the Board of Directors for the period 01 January 2017 - 31 December 2017. He is 64 years old and has the profession of engineer.

- a) All the functions held within the Company are: trainee engineer, engineer, chief engineer, director, manager, general manager, with a seniority of 39 years.*
- b) N/A.*
- c) He held 643,177 shares as at 31 December 2017.*
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.*

4.1.2. POPA GHEORGHE TITUS DAN, member of the Board of Directors for the period 01 January 2017 - 31 January 2017. He is 63 years old and has the profession of engineer.

- a) He did not hold and does not holds any other positions within the Company.*
- b) N/A.*
- c) He held 617,796 shares as at 31 December 2017.*
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.*

4.1.3. CRISAN VIOREL VASILE , member of the Board of Directors for the period 01 January 2017 - 31 December 2017. He is 68 years old and has the profession of economist.

- a) He does not hold any other functions within the Company.
- b) N/A.
- c) He held 7,609 shares as at 31 December 2017.
- d) N/A.

4.1.4. IONESCU MIRCEA-PIETRO, member of the Board of Directors for the period 01 January 2017 - 31 December 2017. He is 61 years old and has the profession of engineer.

- a) He did not hold and does not holds any other positions within the Company.
- b) N/A.
- c) He held 1,238,396 shares as at 31 December 2017.
- d) N/A.

4.1.5. TURCU IACOB OVIDIU , director and member of the Board of Directors for the period 01 January 2017 - 31 December 2017. He is 67 years old and has the profession of engineer.

- a) He did not hold and does not holds any other positions within the Company.
- b) N/A.
- c) He held 164 shares as at 31 December 2017.
- d) They are presented in Note 22 to the Financial Statements and in the Appendix to this Report.

4.2. Presentation of the list of members of the executive management of the Company.

The presentation for each of them of the following information:

Executive management is provided by a Chief Executive Officer who performs his/her duties on the basis of the agency relationship concluded with the Board of Directors and a team of 3 executive directors.

- a) The term for which the person is a member of the executive management;
- b) Any agreement, covenant or family relationship between the respective person and another person thanks to whom that person has been appointed a member of the executive management;
- c) participation of the respective person in the equity of the Company.

4.2.1. POPOVICIU VIOREL-DORIN, Chief Executive Officer.

- a) Agency relationship for the period 2016-2020;
- b) N/A.
- c) He held 643,177 shares as at 31 December 2017.

4.2.2. BARABULA MIHAELA-MARIA, Chief Financial Officer;

- a) Employee under an employment agreement for an indefinite period;
- b) N/A.
- c) None.

4.2.3. GIURGIU LIANA, Sales Director;

- a) Employee under an employment agreement for an indefinite period;
- b) N/A.
- c) None.

4.2.4. CAREAN NASTASIA, Technical-Production Director;

- a) Employee under an employment agreement for an indefinite period;
- b) N/A.
- c) None.

4.3. For all the persons listed in 4.1 and 4.2, state the possible litigation or administrative procedures in which they have been involved in the last 5 years regarding their activity within the issuer, as well as those regarding the person's ability to perform his/her duties within the issuer.

The members of the Board of Directors are part of the file 7513/2/2016 lodged with the Bucharest Court of Appeal, appealing against the Financial Supervisory Authority decisions no.973-977 / 25 April 2016, for sanctioning them with a fine with amounts ranging between RON 5,000 and RON 7,500.

In the first instance, the members of the Board of Directors had a caseload and the fines were canceled.

5. Financial and accounting standing .

Presentation of the economic and financial situation, comparative for the last 3 years, with reference to:

(a) balance sheet items: assets representing at least 10% of total assets; cash and other liquid availability; reinvested profits, total assets, total liabilities.

The total assets situation is as follows:

		2015	2016	2017
Total assets	RON	79,228,952	77,189,235	81,073,485
Inventories	RON	11,959,107	12,062,446	12,222,234
Inventories	%	15.09	15.63	15.07
Trade receivables	RON	6,883,973	6,845,623	8,205,506
Trade receivables	%	8.69	8.87	10.12
Other assets	RON	131,480	75,704	170,541
Other assets	%	0.17	0.10	0.21
Current corporate tax receivable	RON	27,080	0	0
Cash and cash equivalents	RON	1,867,879	576,164	635,776
Cash and cash equivalents	%	2.36	0.75	0.78
Investment properties	RON	5,779,239	6,605,581	6,605,581
Investment properties	%	7.29	8.56	8.15
Intangible assets	RON	29,281	20,857	11,121
Tangible assets	RON	52,512,913	50,964,860	53,184,726
Tangible assets	%	66.28	66.03	65.60
Investments in equity instruments	RON	38,000	38,000	38,000

Total liabilities are as follows:

		2015	2016	2017
Total liabilities	RON	79,228,952	77,189,235	81,073,485
Share capital	RON	12,325,438	12,325,438	12,325,438
Share capital adjustments	RON	-	-	-
Other shareholders' equity items	RON	45,785,213	45,979,015	45,873,142
Profit or loss carried forward	RON	7,896,305	6,831,926	7,837,601
Long-term loans	RON	412,758	206,926	202,015
Long-term provisions	RON	172,490	172,490	196,045
Deferred tax debt	RON	4,909,676	4,770,997	4,801,484
The current part of the long-term loans	RON	2,929,608	2,912,874	3,346,581
Trade and other liabilities	RON	4,797,464	3,870,455	6,440,457
Current corporate tax	RON	-	119,114	50,722

For the 2017 financial year, the individual annual Financial Statements have been drawn up in accordance with The International Financial Reporting Standards adopted by the European Union, in accordance with the provisions Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in compliance with the International Financial Reporting Standards.

b) Profit, Net Sales, Gross Income, Cost and Expense Items with at least 20% weight in net sales or gross income, risk provisions and various expenses, refer to any sale or discontinuation of a segment activity performed in the last year or to be carried out in the following year; dividends declared and paid.

Evolution of profit and loss account

		2015	2016	2017
Total income	RON	34,508,024	32,625,379	32,974,296
Total expenditure	RON	-31,211,400	-31,390,893	-31,788,141
Gross profit	RON	3,296,624	1,234,486	1,186,155
Corporate tax (current and deferred)	RON	-568,059	-266,521	-207,185
Net profit	RON	2,728,565	967,965	978,970

Cost elements accounting for more than 20% of total revenue				
		2015	2016	2017
- raw materials, merchandise and usable supplies expenses	%	33.62	34.37	34.18
- payments of employee benefits	%	38.49	40.17	41.67
- Amortisation and depreciation expenses	RON	-1,577,397	-2,400,810	-2,222,562
- other operating expenses		-4,550,084	-4,613,609	-4,431,681
-dividends distributed at the end of the period	RON	1,972,070	0	1,232,544*
- dividends paid during the year (including related tax)	RON	958,637	1,592,389	182,664

* BA's proposal to appropriate the amount of 887,431.50 for the dividends of the net profit for 2017 and the amount of 345,112.25 of the net profit for 2015 remained not appropriated, in the Ordinary General Meeting of Shareholders in April 2018.

In 2017, there was no sale or stop of any segment of activity, and in 2018 we do not think that will be the case.

c) Cash flow: all changes in cash in the core business, investment and financial activity, cash at the beginning and end of the period.

	2015	2016	2017
Net cash from operating activities	2,307,915	2,441,647	1,916,025
Net cash from investing activities	-1,237,127	-1,570,356	-1,561,298
Net cash from financing activities	614,431	-2,163,007	-295,115
Cash flows - total	1,685,219	-1,291,715	59,612
Cash as at the beginning of the period	182,660	1,867,879	576,164
Cash as at the end of the period	1,867,879	576,164	635,776

In 2015, the investment expenditure amounted to RON 3,534,906 and investments worth RON 3,430,568 were completed.

In 2016, the investment expenditure amounted to a total of RON 2,182,900 and investments worth RON 2,079,565 were completed.

In 2017, the investment expenditure amounted to a total of RON 3,827,903 and investments worth RON 597,695 were completed.

6. Signatures

Popoviciu Viorel-Dorin, Engineer
 Chairman of the Board of Directors

Barabula Mihaela-Maria, Economist
 Chief Financial Officer

Annexes.

a) Company's articles of association, if they were amended in the reported year.

N/A.

b) Significant contracts entered into by the Company in the reported year.

N/A.

c) The resignation / dismissal documents, if there were such situations among the members of the administration, the executive management, the independent financial auditor.

N/A.

d) The list of the Company's subsidiaries and the companies controlled by it.

N/A.

e) List of persons affiliated to the Company with whom the Company carried out transactions in 2017:

- CARBOREF SA	Cluj-Napoca
-EURO-CLUB SRL	Timisoara
-AUTOEUROPA SRL	Timisoara
-SERVICE AUTOMOBILE 2 SRL	Cluj-Napoca
-DACIA SERVICE FELEAC SRL	Cluj-Napoca
-ELECTROARGES SA	Curtea de Arges

The value of transactions with the aforementioned companies is presented in the notes to the Financial Statements for 2017.