



**Societatea Comerciala**

**ARTEGO S.A.**

ADRESA: Str. Ciocarlau nr. 38  
TG-JIU – 210103, GORJ, ROMANIA;  
J 18/1120/1991; CIF: RO 2157428  
Telefon: 0040-253-22.64.44; 22.64.45  
Fax: 0040-253-22.61.40; 22.60.67; 22.60.45  
Capital social: 24.873.443 lei



**Benzi transport, Garnituri, Placa tehnica, Covoare, Flexiblocuri, Burdufi  
Coturi si mansoane radiator, piese auto din cauciuc, Covoare auto**

Annual report according to: Law 297/2004 on the capital market,  
Regulation C.N.V.M. no. 1/2006

For the financial year : 2016

**Date of report: 26.04.2017**

Name of the company: **S.C. ARTEGO S.A.;**

Headquarters: **Tg-Jiu, Ciocârlău Street, no.38, Gorj County, zip code 210103;**

Phone / fax: phone 0253/226444; fax 0253/226045;

Number and date of registration in the Trade Registry Office: **J18/1120/1991;**

VAT : **RO 2157428;**

Securities issued: shares with nominal value of 2,5 lei;

Organized market on which the securities are traded: Bursa

Subscribed and paid capital: 24.873.442,5 lei

## **1. The analysis of the company's activity**

**1.1. a. S.C. ARTEGO S.A.** operates in the sector of "Manufacture of rubber and plastic products, other rubber sub-branch", CAEN code 2219-Manufacture of other rubber products.

The main activity is the production and sale of rubber conveyor belts, rubber gaskets pressed, technical plates and reclaimed rubber carpets resulted from the reuse of waste rubber and waste tires.

b. S.C. ARTEGO S.A. was established by the Council of Ministers no. 583/23.05.1973 as the Enterprise of Rubber Articles and Reclaimed Rubber, subordinated of the Central Processing Industrial Rubber and Plastics Bucharest.

c. not applicable

d. not applicable

1.1.1. Elements of general evaluation indicators 31.12.2016;

Net profit -	5.149.820 lei,
Turnover	140.380.472 lei,
export	15.404.075 EURO
available in account	6.106.780 lei

**1.1. 2.a)** The main products made by S.C. ARTEGO S.A. are:

**- Conveyor belts:**

- general purpose ply;
- General purpose ferreed;
- antistatic and flame resistant;
- flame resistant;
- thermoset;
- power.

**- technical plates and carpets:**

- normal;
- by insertion;
- static and oil resistant;
- antistatic and flame resistant;
- rubber mats.

**- car accessories for RENAULT, DACIA, OLTCIT, DAEWOO, RABA, SAVIEM.**

**- gaskets pressed in a wide range.**

**b)** The main customers of S.C. ARTEGO S.A. are CNH Petroșani, SNL Oltenia, Energy Complexes, SN Cuprului Deva, RA Army Arsenal on internal market and companies from Italy, England, Dubai, Spain, the Netherlands, Finland, Germany, France, Poland, Turkey;

**c)** The share of each product category in the company's revenue for the past three years are shown in the following table:

PRODUCT	2013	2014	2015	2016
Conveyor belts	75.31%	79.42%	82.34%	80,41%
Technical plate	10.75%	12.48%	10.07%	19,78%
Pressed gaskets	4.5%	3.99%	3.93%	4.98%
Other	9.41%	4.11%	3.66%	5.17%

d) The main competitors for the products of S.C. ARTEGO S.A. are presented in the following table:

<b>Product</b>	<b>Competitor</b>	
	<b>Internal</b>	<b>External</b>
Conveyor belts	Arteca Jilava	<b>Matador Slovak</b> <b>Dunlop</b> Continental <b>Samsung</b>
Pressed gaskets	<b>Fartec Braşov</b>	
Technical plate	Arteca Jilava <b>Fartec Braşov</b> Romvelo Luduş	Chinese, Korean, Indian and South American companies

The achievements of 2016 have located S.C. ARTEGO S.A. as the market leader in Romania with 95% of the belts requirement.

**1.1.3.** The list of the main raw materials used in production include natural rubber, synthetic rubber, carbon black and a range of other chemicals. The main suppliers are shown in the following table:

<b>Raw materials</b>	<b>Internal suppliers</b>
Synthetic rubber	import
Natural rubber	Import
Steel cable	Wire cables Harsova, import
Cloth (for insertion)	import
Carbon black	Import
Sulfur - flakes	Chimcomplex
Solvent TBA	import
Zinc oxide	import
Calcutta	Calcutta Vata Hunedoara
Antioxidants	import
CBS	import

Most of these raw materials is purchased from China and from the suppliers of Western Europe. Although the price of raw materials imported from China is less it did not quit buying the anomalous from suppliers from Europe, considerably reducing the supply period.

**1.1.4.** The businesses of the society were largely influenced by the evolution of raw material prices, oil prices, the global, national economic situation and the exchange rate developments.

**1.1.5.** On 31.12.2016 the average number of employees was 964. The factual number on 31.12.2016 was 966 employees of which 151 with technical higher education, 21 with higher economic education, 25 foremen, 387 chemists operators, 365 maintenance and repair staff, 17 CTC staff and the rest of administrative staff. The number of unskilled workers is very low compared to the total of employees, respectively 12 people, the company regularly organizing internal courses for qualification through the Chamber of Commerce and Industry Gorj.

In S.C. ARTEGO SA aren't organized unions there and there were no conflict situations so far.

#### **1.1.6. Environmental impact**

S.C. ARTEGO S.A. is certified according to SR EN ISO EN ISO 14001:2005-Environmental Management Systems. The human and environmental protection for is for SC ARTEGO SA an important task that can be accomplished only through an unified design and thinking. In this sense the company's management has formulated the following guidelines seeking to represent the framework for setting environmental objectives and targets:

##### **1. Promoting environmental consciousness:**

Only with motivated partners and employees we can achieve an effective environmental protection. Through regular exchange of knowledge and experience, and through initiation and improvement is encouraged the promoting of the awareness in environmental matters at all levels.

##### **2. The environmental protection as task of designing and planning**

The environmental protection starts since the development phase of new products and new technological procedures. It continues in the technical planning phase and the maintenance and acquisition and placement of new machinery and equipment.

##### **3. The prevention of soil pollution and air pollution by adopting the most efficient maintenance techniques of the technical equipment and acquisition and placement of new machinery and equipment.**

4. The improvement of the management of the wastes and the work's planning to minimize the waste and store it / disposed in accordance with environmental requirements in force.

5. The development of the activities and the operation of equipment and tools in a way that protects the environment, safety and health of employees, and the prevention of the appearance of emergency situations and testing response capacity.

6. To use rational the resources

The avoidance, the quantitative reduction, respectively the recovery of waste have priority over their destruction .With the resources, such as energy and water, we are economical. The development of new products and processes is in line with this goal.

7. Continuous improvement through goals

The company management evaluates, at regular intervals, the efficiency of the management system and ensures thereby the proper implementation of the objectives' results agreed with the environmental policy. In the event of deviation from this policy, the leadership acts to correct them.

8. Our contract partner - partner for environmental protection

Through a proper attitude we act as our contact partners take into account of the same relevant environmental standards that we keep in mind. There should be a partnership based on trust between the community and the company. Therefore for us is an understatement to inform, in an open and clear way, and to wear a transparent dialogue with the community, with customers and authorities.

The main sources of air pollution are:

- stationary sources: represented by machinery divisions that produce CO<sub>2</sub> emissions and volatile organic compounds by processing raw materials and manufacturing technical rubber.

- mobile sources: represented by internal transport equipment and auto transport equipment belonging to the service providers and end users that generate gaseous pollutants emissions. The emissions from stationary sources are controlled by dispersion baskets

On soil and groundwater: the main sources of pollution are the deposits of raw materials and the liquid fuel deposits. To prevent the soil's pollution were taken the following measures: concreting deposits; loading, unloading, handling, storage, conservation of raw materials and fuels.

In accordance with the identified environmental issues is performed a regular monitoring of processes, from sourcing with raw materials and equipment until the dissolution of the finished product taking into consideration the technical specifications of the product, the specific parameters of emissions to air, water, soil, waste management , energy and natural resources, according to applicable legislation in force.

**1.1.7.** In research they are worth mentioning the spectacular achievements of the company, which were made possible by a well trained professional staff and management team which, in the current conditions, managed to find solutions for maintaining its competitive among producers of rubber goods. The technical engineering staff of the company has a high level of preparation and is in a constant competition, with a creative role. Thus it was possible to achieve 65 patents in the period 1985-2021. It is also studied at OSIM numerous files with technical solutions that awaits certification. The application of these patents have resulted in: - upgrading of equipment, - construction of new machinery, - improvement of technologies, - reduction of production costs.

**1.1.8.** S.C. ARTEGO S.A. acts in a free competitive market, being exposed to the normal risks taking into account the economic instability at macroeconomic level.

### **The Financial Risk Management**

The Company is exposed to the following risks arising from financial instruments: market risk (interest rate risk and currency risk), credit risk and liquidity risk. The company's management focuses on the unpredictability of financial market and seeks to minimize potential adverse effects of the financial performance of the Company. The market risk is the risk that changes occur on market prices and foreign exchange and interest rates which affect the Company's revenues.

The company has no formal commitments to combat financial risks. Despite the non-existence of formal commitments, the financial risks are monitored by the Company's management, with the focus on the needs of the Company to effectively treat the opportunities and threats.

### **The Interest rate risk**

The Company's operating cash flows are affected by changes in interest rates, mainly due to foreign currency loans to financing banks contacted.

The risk of cash determined by the interest rate is the risk that the interest, and therefore this expense, will fluctuate.

### **The currency risk**

The Company may be exposed to exchange rate fluctuations in cash and cash equivalents receivables or trade payables denominated in foreign currency.

The currency used on the internal market is romanian leu. The Company is exposed to currency risk on cash and cash equivalents of acquisitions and loans made in another currency than that used on the internal market. The coins which exposes the Company to this risk are

primarily EUR, USD, and GBP. The loans in foreign currencies are subsequently expressed in lei, at the exchange rate on the last banking day of each month by the National Bank of Romania. The resulted differences are included in the profit and loss account.

### **The credit risk**

The credit risk is the risk according to which the Company will incur a financial loss as a result of non-fulfillment of contractual obligations by a customer or counterparty to a financial instrument, and this risk mainly result from trade receivables and cash and cash equivalents.

On 31 December 2014, the Company holds cash and cash equivalents 6.106.780 lei. The cash and cash equivalents are held in banks in the call are: BRD,Unicredit Tiriac, Garanti ,Intesa, ING BANK.

### **The liquidity risk**

The liquidity risk is the risk according to which the Company will encounter difficulties in fulfilling the obligations associated with financial liabilities that are settled in cash or another financial asset transfer.

A prudent liquidity risk management implies the maintaining of sufficient cash and cash equivalents, the availability of financing through adequate credit facilities .The Company Policy in terms of liquidity is to maintain sufficient liquid resources to satisfy its obligations as they come to maturity.

### **The fair value of financial instruments**

The fair value is the amount at which the financial instrument can change in the ordinary transactions, other than those resulting from the liquidation or forced sale. The fair values are obtained from quoted market prices or discounted cash flow models as appropriate. At 31 December 2016, the cash and other availability, the customers and assimilated accounts, the commercial debts and other debts approaching their fair value due to their short maturity. The management believes that the estimated value of these instruments is close to their carrying value.

### **The Capital Risk Management**

The company objectives, when it manages the capital, are keeping ability of the Company to continue its work in order to obtain benefits for shareholders and other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

### **1.1.9. The elements of perspective on the company's activity:**

Take into account the macroeconomic situation, was an increase in orders for the main products made by Artego both internal and export, which significantly influences the economic evolution of the company and the policy adopted by its executive management.

It further seeks solutions to reduce the production costs by reducing the share of those deficient raw materials on the market that have high prices and the assimilation in production of products that match in terms of quality but who incorporates cheaper raw materials. Also there are looking for new suppliers of raw materials on the markets in eastern Asia where they are much cheaper compared to Europe despite considerable increases during the supply.

Major influences are found and at the exchange rate differences. In this sense the company's management try to balance as much the trade balance and finding solutions to avoid using currency cashed at state budgets debts and from internal suppliers, short deadlines for products delivered to the internal collection etc.

## **2. The tangible assets of the company**

**2.1.** The main production facilities owned by SC ARTEGO S.A. are located on the industrial site north of Tg-Jiu, in Ciocârlău Street, no. 38.

**2.2.** The wear of the company's assets is 20-25 %.

**2.3** Property issues: - Not applicable

## **3. Market securities issued by the company**

**3.1.** The company's share capital is 24.873.442,50 divided into 9.949.377 shares with nominal value of 2,5 lei / share. The shares of SC ARTEGO S.A. are traded on BVB.

**3.2.** The shares are owned about 9556 shareholders according to shareholders from the consolidated register on 15.04.2016 . The gross due dividends per share were as follows:

2013 - 0.3571 lei/share

2014 - 0.3571 lei/share

2015 - 0.5264 lei/share

2016 - 0.3158 lei/share

Year	Due dividends (lei)	Paid dividends (lei)	Unpaid dividends (lei)
2013	3.552.922	3.261.478	291.444
2014	3.553.349	3.249.001	304.348
2015	5.237.352	4.696.282	541.070

The unpaid dividends are because some shareholders do not live at the address from the consolidated register or are deceased and their legal status is uncertain.

3.3. not applicable

3.4. not applicable

3.5. not applicable

#### 4. The company's management

4.1. The Board consists five members as follows:

Name and surname	Function	participation in the share capital of SC ARTEGO S.A.
David Viorel	President of the Board– General Director, executive member	6.55% of the share capital of the company in AS PAS ARTEGO
Anglitoiu Florian	unexecutive member	1.94% of the share capital of the company in AS PAS ARTEGO
Vladut Titu	unexecutive member	0.50% of the share capital of the company in AS PAS ARTEGO
Picui Alexandru	unexecutive member	0.48% of the share capital of the company in AS PAS ARTEGO
Arancutean Mircea- Stelian	unexecutive member	0.62% of the share capital of the company in AS PAS ARTEGO

--David Viorel – Board President, elected by the decision of general meeting of shareholders for a period of four years, starting on 29.10.2012. He was born in 1953 in Celaru village, Dolj County and he graduated in 1977 the Faculty of Chemistry and Chemical Engineering of IP "Gheorghe Asachi" Iasi, Department of Chemistry, with Chemical Physics of the polymers specialization. Since 1988 until now he fulfills the function of General Director of the company.

-Anglitoiu Florian - unexecutive administrator, elected by the decision of general meeting of shareholders for a period of four years, starting on 29.10.2012. He was born in 1953 in Aninoasa village, Gorj County and in 1977 he graduated the Faculty of Chemical Engineering of Bucharest, Department of technology of the macromolecular compounds. Currently he serves as Administrator with production problems in company.

-Vladut Titu - unexecutive administrator, elected by the decision of general meeting of shareholders for a period of four years, starting on 29.10.2012. He was born in 1952 in Dirvari village, Mehedinti County and he graduated in 1976 The Faculty of Chemistry and Chemical Engineering of IP "Gheorghe Asachi" Iasi, Department of Technology inorganic compounds, and in 1984 the Bucharest Faculty of Cybernetics. Over time he fulfilled various functions, being the head band at the Chemical Craiova, then head of departments and offices in SC ARTEGO S.A .; in the period 1994-2010 he served as Marketing Director.

-Picui Alexandru - unexecutive administrator, elected by the decision of general meeting of shareholders for a period of four years, starting on 29.10.2012. He was born in 1951 in

Richitele village, Arges County and he graduated in 1974 the Faculty of Industrial Chemistry IP Bucharest, Department of Macromolecular Compounds and plastics technology.

-Arancutean Mircea-Stelian – unexecutive administrator, elected by the decision of general meeting of shareholders starting on 09.04.2014, until the expiration of the mandates of Board members. He was born in 1952 in Dej City, Cluj County and he graduated in 1975 the Faculty of overseers of IP Iasi and in 1996 the Faculty of Electromechanical Machines and Installations at the University of Petrosani. Over time he fulfilled various functions: engineer surveyor in the State Office for Quality, chief workshop in SC ARTEGO, Chief Marketing Service, and between 2003 - 2014 Deputy Director of Sales.

#### 4.2. The executive management consists of:

Name and surname	Function	participation in the share capital of SC ARTEGO S.A.
Prafan Marin	Human Resources Director - term contract for 4 years, starting 02.11.2016	0.28% of the share capital of the company in AS PAS ARTEGO
Zamfira Cornel-Pantelimon	Commercial Director - term contract for 4 years, starting 02.11.2016	1.48% of the share capital of the company in AS PAS ARTEGO
Gavan Grigore	Mecano-Energetical Director – term contract for 4 years, starting 02.11.2016	0,06% of the share capital of the company in AS PAS ARTEGO
Rascol Mircea	Director of Production – term contract for 4 years, starting 02.11.2016	0.78% of the share capital of the company in AS PAS ARTEGO
Gramada Ion	Tehnicl Director - term contract for 4 years, starting 02.11.2016	0.56% of the share capital of the company in AS PAS ARTEGO
Jianu Mihai	Chief of Economic Department - labor contract	1.08% of the share capital of the company in AS PAS ARTEGO

4.3. Board members and those of the executive management were not involved in litigations or administrative procedures.

## 5. Financial accounting situation:

### a) balance sheet items

INDICATOR	YEAR 2014	YEAR 2015	YEAR 2016
<b>Assets-total</b>	57.523.045	53.973.486	51.386.235
a) intangible assets	13.966.149	13.279.299	13.092.938
b) tangible assets of which:	43.363.289	40.694.187	38.293.297
-lands	12.878.911	12.872.174	12.874.779
- fixed assets to the value of inventory	95.125.892	95.319.047	95.528.854
- the amount remaining assets	30.138.642	27.515.507	25.124.196

- tangible assets in progress	412.456	386.570	397.730
c) financial assets	193.607	-	-
<b>Current assets</b>	93.149.054	98.092.429	92.075.440
Total assets	150.672.099	152.065.915	143.461.675
Total debts	58.555.750	74.335.506	61.831.894
Net assets of which covered from:	90.433.808	76.628.567	80.926.620
- equity	90.433.808	76.628.567	80.926.620

b) financial results

	2014	2015	2016
I Revenues from exploitation	160.149.167	168.489.297	152.671.820
a) Turnover	144.763.149	151.689.051	140.380.472
b) Stocks' variation	13.260.392	15.225.097	10.438.987
c) Prod realizata de entitate	493.375	434.898	535.858
d) Other revenues	1.632.251	1.140.251	1.316.503
II Expenses for exploitation	151.839.990	153.095.774	144.839.787
- profit / loss from exploitation (+/-)	8.309.177	15.393.523	7.832.033
III Financial revenue	797.455	940.067	1.091.395
IV Financial expenses	3.104.704	2.557.256	2.676.415
- loss	2.307.249	1.617.189	1.585.020
VII Total revenues	160.946.622	169.429.364	153.763.215
VIII Total expenses	154.944.694	155.653.030	147.516.202
- the gross result	6.001.928	13.776.334	6.247.013
- profit tax	1.019.057	2.547.610	1.156.174
NET PROFIT	5.042.216	11.287.856	5.149.820

c) cash flow-ul

INDICATORS	ACCOMPLISHED YEAR 2014	ACCOMPLISHED YEAR 2015	ACCOMPLISHED YEAR 2016
<b>A. LIQUIDITIES AT THE BEGINNING OF THE PERIOD</b>	4.643.369	5.521.174	6.182.672
In accounts	4.544.958	5145.973	6.092.072
Cashbox	7.162	82.867	11.461
Other values	89.227	87.966	77.413
Advances on treasury	-	-	-
Receivable values	2.022	204.368	1.726
<b>ENCASHMENT FROM EXPLOITATION ACTIVITIES</b>	193.615.564	195.985.677	196.054.922
Encashments from customers	153.881.061	160.531.004	158.912.846
Other encashments	39.734.503	35.454.673	37.142.076
<b>PAYMENTS FOR THE EXPLOITATION ACTIVITY</b>	190.890.002	193.166.001	194.148.541
Payments from providers	105.820.054	130.392.127	128.573.097
Payments for staff pay	26.024.669	26.882.582	27.793.499
Payments on taxes	16.769.884	29.616.829	31.905.937
Tax / profit	767.362	1.807.761	1.678.288
Payments on interest rates	1.993.641	1.476.813	1.295.343
Other payments	39.514.392	2.989.889	2.902.377
<b>CASH FLOW FROM THE EXPLOITATION ACTIVITY</b>	2.725.562	2.819.676	1.906.381
<b>ENCASHMENTS FROM INVESTMENTS ACTIVITY</b>	458.960	335.717	247.915

Encashments from sale of lands, fixed assets and intangible assets	458.960	335.717	247.915
Encashments from the sale of equity instruments and receivables of other companies	-	-	-
Encashments from repayment of advances and loans to other parties	-	-	-
<b>PAYMENTS FROM INVESTMENTS ACTIVITY</b>	<b>2.306.717</b>	<b>2.493.985</b>	<b>2.230.188</b>
Payments for acquisition of lands, fixed assets and intangible assets	2.306.717	2.493.895	2.230.188
Encashments to purchase equity's instruments and receivable instruments of other enterprises	-	-	-
Advances and loans made to other parties	-	-	-
<b>CASH FLOW FROM INVESTMENT ACTIVITY</b>	<b>-1.847.757</b>	<b>-2.158.178</b>	<b>-1.982.273</b>
<b>ENCASHMENTS FROM FINANCING ACTIVITY</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>PAYMENTS FOR FINANCING ACTIVITY</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOW FROM FINANCING ACTIVITY</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH FLOW -TOTAL</b>	<b>877.805</b>	<b>661.498</b>	<b>-75.892</b>
<b>B. LIQUIDITY AT THE END OF THE PERIOD</b>	<b>5.521.174</b>	<b>6.182.672</b>	<b>6.106.780</b>
In accounts	5.145.973	6.092.072	6.010.229
Cashbox	82.867	11.461	4.864
Other values	87.966	77.413	90.017
Advances on treasury	-	-	-
Receivable values	204.368	1.726	1.670

Board President  
David Viorel

Chief of Economic Department,  
Jianu Mihai

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