

ANNUAL REPORT OF THE DIRECTORS

drafted in compliance with the Regulation no. 1/2006 of the National Commission of Movable Assets

for the financial year
2016

CARBOCHIM S.A. (JOINT – STOCK COMPANY) CLUJ-NAPOCA

Registered Office:	CLUJ-NAPOCA
	Piata 1 Mai No. 3
Telephone number:	00 40 264 437005
Facsimile:	00 40 264 437026
Tax Code (VAT No.) :	RO 201535
Registration number with the Trade Register Office:	J 12/123/1991
Subscribed and paid up share capital	12.325.437,50 lei
E-mail:	Sales@carbochim.ro
Website:	www.carbochim.ro

Date of the report: 22.03.2017

The organized market for the transaction of issued movable assets:

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

The main features of the movable assets issued by the trading company:

On December 31st, 2016, the situation was as follows:

-Number of shares: 4.930.175

-Par value: 2,5 lei/share

-Share capital: 12.325.437,50 lei

-Nominal shares issued in dematerialized form and recorded in the independent Registry Depozitarul Central S.A., according to contract no. 42757 of September 16th, 2008.

1. Analysis of the company's activity

1.1. a) Description of the main company activity.

- Carbochim SA (Joint – Stock Company) operates as a joint – stock company, in compliance with Law 31 / 1990, new edition, with subsequent amendments and additions, having as main activity „ Production of abrasive products and their trading” according to NACE 2391.

b) Year when the company was founded:

CARBOCHIM S.A. has been organized as a joint – stock company since 1991, through change - over of the former I.I.S. CARBOCHIM and it has the registered office in ROMANIA, city of CLUJ – NAPOCA, Piata 1 Mai no.3.

The company has been initially founded in 1949 for the manufacture of coal products, and, through successive investments the company's scope of activity changed to the manufacture and trading of abrasive products: abrasive items with ceramic binder, abrasive items with resinoid binder, abrasive items with elastic binder, mineral binder, abrasive disks for delivery and burr, paper support abrasives, cloth, combined support and vulcanized fiber. At the same time, the company's range of services provides internal and external trading activities, provision of services regarding maintenance and repair of equipment, tenancy contracts.

c) Description of any merger or significant reorganization of the trading company, branches, subsidiaries or controlled companies during the financial year.

Not applicable. During the 2016 financial year the report has been drafted for, the company performed no merger or significant reorganization.

d) Description of acquisitions and / or alienation of assets

Assets purchasing:	1.033.223 lei
-Land	- lei
-Buildings (acquisitions and improvements):	280.044 lei
-Technological Equipment:	552.551 lei
-Transportation means	172.981 lei
-Furniture, office equipment, protection equipment	18.460 lei
-IT license	9.187 lei
Fixed assets purchasing:	1.046.342 lei
- Land	184.351 lei
- Constructions (purchase and improvements):	861.991 lei
Assets' sale (transportation means):	128.007 lei
Sales of fixed assets:	220.000 lei
Assets' cassation:	12.835 lei

e) Description of the main results of the trading company activity assessment.

The second part of 2016 brought a decrease in the industrial demand which led to a decrease of abrasive products sales by about 1% compared to the previous year, with a negative influence on the results of our company's activity.

1.2. General elements of assessment:

INDICATOR	2016/ lei
Net Profit	967.965
Turnover	31.457.243
Export or EU deliveries	1.032.457
Operational Revenues	32.623.758
Operational Expenses	31.332.723
% of held market (in Romania)	26%
Liquidities (cash and cash equivalency on December 31 st , 2016)	576.164

1.3. Assessment of the trading company's technical level.

Description of main products and / or services as specified:

The company Carbochim SA manufactures a wide range of abrasive products, such as:

- binder abrasive items: ceramic, organic, mineral and elastic;
- disks for delivery and burr;
- paper support abrasive, cloth: endless tapes, rolls, sheets, plain disks, blade disks and so on.

At the same time, the company is engaged in various collaboration contracts with other abrasive manufacturers in order to add to the range of products.

a) Main markets for each product or service and methods of supply.

The main market for our products is the domestic market and products' supply is performed both directly by the company and through representation offices and authorized dealers.

On the international market sales are made directly by the company.

The company export mainly to: Poland, Belgium, Switzerland, Hungary, Germany and Czech Republic.

b) Market penetration of each category of products or services in the revenues and the aggregate turnover of the trading company for the last three years.

CARBOCHIM PRODUCTS	2014		2015		2016	
	% revenues	%CA	% revenues	%CA	% revenues	% C.A.
Abrasive Items	58,07%	55,08%	58,54	55,41	57,96	54,52
Support Abrasive	39,57%	37,53%	38,68	36,61	39,78	37,42

c) the new products that a substantial quantity of assets shall be meant for in the future financial year, as well as the development stage of these products.

Considering the great competition on the retail market and the reduced profitability, the company decided to develop abrasive products used in the automotive industry, bearings, metallurgy and others. Special products of high technology with last generation abrasives were assimilated from these industries.

1.4. Assessment of the technical and material supply (indigenous sources, import sources). Determination of information regarding the safety of the supply sources, prices for raw materials as well as the volume of raw materials' and materials' stocks.

Main utilities, such as electricity and gas are purchased from the domestic market. A part of the basic raw materials are imported (China, Turkey, Korea, Germany, Italy, Hungary, Austria, Poland, Slovenia, Czech Republic, France). As a rule, there are at least two suppliers for each raw material.

The raw materials stocks are generally within regular limits, except for the ones supplied from China or the ones with extended manufacture cycle, in such case a stock being formed for two or three months in order to avoid cessation of manufacture due to extended delivery terms.

Assessment of the Sale Activity.

a) Description of sequential sales' evolution on the domestic and / or international market and of the mid and long term sale perspectives.

Goals for 2017 :

- increase of aggregate sales by a minimum 3% as opposed to 2016;
- increase of sales on the international market by at least 3%
- direction towards performance of our own supply system by efficiently using the resources within our working units - Ploiesti; Braila; Brasov; Bucharest.

In 2016 the company's activity has been performed in an fluctuant economic environment, the first trimester being promising, the second one disappointing, fact that led to the maintenance of the sales' values almost to the same level as the previous year.

b) Description of the competitive situation in the activity area of the trading company, the, of the market penetration of the company's products or services and of the main competitors.

Carbochim SA performs its activity in a stable competitive area where amendments emerge with regards to the component "price policy" promoted by the competitor companies. In this context, we believe that the situation at the level of 2017 shall have the same competitive profile with that of the previous years, and minor amendments that might occur shall not be a threat of the adopted marketing policy.

c) Description of any significant dependency of the trading company towards one client or a group of clients, whose loss would negatively impact on the company's revenues.

Considering the company's large of product, as well as the fact the company has many clients, there is no client who could affect the company's activity from the revenues point of view. On the domestic market, there is an extended area of commercial partners who contribute to the company's sales. Nonetheless, none of them has the potential to negatively influence the company's performance, the client / product portfolio being balanced.

1.6. Assessment of aspects related to the company's human resources.

a) Specification of the number and level of professional training of the company's employees and of the extent to which manpower relates to the idea of a union.

The average number of employees in 2016 was 222.

Over 46 % of the employees have been working in the company for more than 2-3 decades, fact the provides the company with vast and thorough experience in the manufacture and sale of abrasive products.

The education level of the employees is as follows: 29% academic studies, 66 % high- school studies (high school, vocational schools), 5% general studies.

It becomes harder every year to find professional staff for the marketing – sales activity as well as for the production activity. Following discussions with the Cluj School Inspectorate we tried to form a vocational school class for abrasive products' operators, but our attempt failed.

70% of the company's employees have joined a union.

b) Description of the relations between management and employees as well as any disputes that characterize such relations.

The relations between management and employees in 2016 did not include disputes and were professional. A Collective Labor Contract has been entered at company level and such contract is renegotiated every year.

1.7. Assessment of aspects related to environmental impact on the company's activity.

The company holds all environment licenses and authorizations for the performed activity. There are no pending court actions and there is no prospect of such action due to breach of legislation regarding the environment protection. The company is certified according to ISO 9001:2008 and ISO 14001:2005, having an integrated quality – environment system.

During 2017 the integrated quality – environment system shall be attested according to ISO 9001:2015 and ISO 14001:2015.

1.8. Assessment of the Research and Development Activity

Research and development activity is directed towards:

- design and homologation of new products, especially the ones required by the industry;*
- technological design and development required by the clients' high quality and technical claims;*
- technological improvement by assimilating available raw materials, considering the main objectives of the company, namely cost decrease, increase of products' quality and meeting clients' requirements.*

1.9. Assessment of company activity with regards to risk management.

As any player on the competition market, the company is always exposed to price amendments regarding raw materials, gas, electricity as well as to local or global evolutions of prices for finished products, as well as to evolutions of the currency exchange rates.

In 2016 as well, the company has been exposed to the following types of risks:

- Currency risk. *The company is exposed to the currency risk due to exposure to certain estimates, especially USD and EURO. The currency risk is associated to undertaken assets and liabilities, especially loans.*

The company does not make formal mitigation actions of the currency risk related to its operations; therefore, the Company fails to apply the accountability of protection against the risk.

The impact of this risk on the profit and loss account in 2016 has been of +4.271 lei.

The impact on the profit and loss account in the hypothesis of EURO value increase by 10% applied on the balance date, with all other variables being steady would be of -101.426 lei .

The strong tendency of RON depreciation as reported to USD that has occurred during 2015 and continued in 2016 impacted on the profit and loss account of 2016, considering that a consistent part of the raw matters are supplied from China.

- Risk of the interest rate. *The company is exposed to the risk of interest rate through its long and short term loans, most of which have variable rates, related to the ROBOR index for the loans and to the EURIOBOR index for the loans in EURO. The company has interest bearing loan contracts with Unicredit Bank, Banca Comerciala Romana and with Raiffeisen Bank. On December 31st, 2016, a possible increase of the interest rate by 1 % would impact on the revenues and expenses by -366 lei.*

-Risk of price *that represents the risk that the value of a financial instrument might fluctuate due to change of prices on the market. A slight price increase has occurred in 2016, due to inflation and the Euro – USD exchange rate.*

-Risk of credit, *is especially related to the cash flow and cash equivalent values and to the commercial receivables. The company has set a series of policies whose enforcement secure the company which sells products and services to reliable clients. The accounting value of the receivables, net for provisions of uncertain receivables, represents the maximum value exposed to the risk of loans.*

The risk of credit of commercial receivables which are neither provisioned nor outstanding may be assessed through internal analyses, considering that there is no external information regarding the risk indicators for the clients.

-Risk of liquidities,

The safe liquidities management involves maintaining enough cash and funds availability through a proper assessment of engaged credit facilities.

Prospects regarding the treasury flow are made by the company's financial department that monitors prospects regarding the company's liquidities requirement, in order to make sure that there is enough cash to meet operational requirements, permanently maintaining, at the same time a sufficient margin for the unused loan facilities, in order for the company not to breach loan margins or the agreements related to loans for all loan facilities.

1.10. Perspective elements regarding the company's activity.

The main uncertainty element equally for 2017 that might affect the company's liquidity compared to 2016 might be the extended payment terms of our clients due to the lack of liquidity on the market, as well as the influence of the Leu – Euro and Leu – USD exchange rates.

1.11. Statement regarding Code of Corporate Governance.

Carbochim SA has shares listed with the Bucharest Stock Exchange. Therefore, the company enforces all legal provisions in effect: Law 31 / 1990 updated, Order of the Ministry of Public Finance 2844/2016 for the approval of Accounting regulations according to International Financial Reporting Standards, Regulation CVNVM no. 1/2006 regarding reporting, Law 297/2004 regarding the capital market, regulations of the Bucharest Stock Exchange and so on. All of the above are public documents.

Up to the date of drafting of the herein report the Company did not adhere the Code of Corporate Governance issued by the Bucharest Stock Exchange in 2015. The company started all required actions in order to join such code. The Board of Directors shall analyze and decide on the conditions and influences regarding adherence to the Code of Corporate Governance.

The stage of complying with the Bucharest Stock Exchange Code of Corporate Governance has been presented by the Company in the Current Report of January 22nd, 2016, report that may be found on the site www.carbochim.ro , in the section About us/ Shareholders/ Year 2016/ Miscellaneous

The company's accounting complies with the legislation in force and the company owns an integrated IT system.

Financial reports are drafted in compliance with observing accounting policies legally adopted by the company and the legislation in force, which are checked and approved by the Economic Manager, the General Manager and the Board of Directors, if required.

Considering that the company Carbochim SA should have been the object of a public procurement offer, as defined by the law with regards to the capital market, the company's Board of Directors decided on April 27th, 2016 and November 29th, 2016 to suspend the performance of all rights related to movable assets held by the following shareholders identified as acting together and under article 203, paragraph(2) of Law 297/2004 and article 70 of CNVM Regulations no. 1/2006 : SC Electroarges SA, Curtea de Arges holder of 611.133 shares , SC Scop Line SA,

Galati holder of 342.600 shares, SC Mattera Com SA , Galati holder of 179.300 shares, SC Alfaline SA, Galati holder of 145.000 shares, Marchis Corina-Andreea , Dej holder of 90.200 shares and Gheorghe Ramona, Galati holder of 9.997 shares .

Within Carbochim SA there is a system of internal control, and there are work procedures set for the main activities.

The tasks of the internal control body are, without being limited to, the following:

- to examine legality, regularity and conformity of operations;*
- to identify errors, waste, improper management and to suggest measures and solutions to make up for the damage and to punish the guilty, as applicable;*
- to overview the operation of systems by planning decisions, scheduling, organization, coordination, follow up and control of decision fulfillment;*
- to assess efficiency and effectiveness by which the management and execution bodies of the company use financial, human and material resources in order to met the objectives and acquire results.*

The structure and operation manner of management and overview bodies is compliant with the legislation in force and the Company's Articles of Incorporation. The General Meeting of Shareholders is the management body of the company that decides on its activity and sets the economic and commercial policy of the same. General Meetings are ordinary and extraordinary and their assignments are set by the Articles of Incorporation. The company is managed by a Board of Directors, composed of 5 directors that may also be shareholders, elected within the General Shareholders' Assembly for a 4 year period, with possibility of reelection for the same amounts of time. On its first meeting the Board of Directors elects its members and a president. The president of the Board of Directors is the General Manager, pursuant to his / her mandate. The executives are appointed by the General Manager and subordinate to the same. The composition of the Management and Administration bodies is presented at point 4 of the report.

The internal audit activity is externalized by a contract with the company Delta Consult SRL , Cluj – Napoca.

Internal Audit directly subordinates to the Company Board of Directors.

The company has a contact with a licensed financial auditor, in compliance with the legal provisions, and such auditor checks on the financial statements according to the legal provisions in force.

The General Assembly is invested with the responsibilities provisioned by Law 31/1990, with subsequent amendments and by the Articles of Incorporation in force at the time the Meeting is held.

Operation of the General Meeting of Shareholders and its assignments comply with the legislation in force and the company's Memorandum of Association.

Rights of the shareholders and their enforcement are provisioned by the applicable law.

2. Company's tangible assets

2.1. Specification of the location and main features of the manufacture units within the company's property.

The company's manufacture units are located in Cluj – Napoca, P-ta 1 Mai, nr.3.

The two manufacture units of Carbochim S.A. are:

The Department of Abrasive Items with a capacity of 3000 t/year.

The Department of Support Abrasives with a capacity of 4000 thousand square meters / year.

2.2. Description and Analysis of the company's property wear and tear.

The average wear and tear is about 39%, considering that there are asses of 1965-1970, and of 2000-2016.

What is of importance is the fact that a large part of the properties (constructions) were built between 1973 and 1979 and they are in good shape. At the same time, all tools and installations are in good operation conditions and allow for a superior manufacture level.

2.3. Specification of potential issues related to the ownership right over the company's tangible assets.

Not applicable.

3. Market of movable assets issued by the company

3.1. Specification of Romanian and foreign markets where movable assets issued by the company are negotiated.

The company issues nominal shares, traded on the 2nd category of the Bucharest Stock Exchange.

3.2. Description of company's commercial policy with regards to dividends. Listing of earned / paid / accumulated dividends for the last 3 years, and, if applicable, of the reasons of dividends' decrease during the last 3 years.

During the past years, the company's policy was that of allotting dividends to the shareholders to the extent to which recorded results allowed for such allotment.

Situation of allotted and paid dividends for the last 3 years:

-in 2014, dividends amounting to 388.239,90 lei have been allotted out of the net profit of 2012 (77.647,98 lei) and out of the net profit of 2013 (310.591,92 lei), (aggregate gross dividend / share 0,10 lei) . In 2014 dividends amounting to 214.959 lei have been paid.

-in 2015 dividends amounting to 936.733,25 lei have been allotted (gross dividend 0,19 lei/share) out of the 2014 net profit, in compliance with the Resolution of the Ordinary Meeting of Shareholders no. 1 / April 28th, 2015.

In 2015 shareholders have been paid net dividends amounting to 828.191,50 lei and the tax per dividends retained to source amounting to 130.445 lei has been paid to the state budget.

-in 2016 we allotted dividends amounting to 1.972.070 lei (gross dividend 0,40 lei / share), out of the net proceeds of 2015, in compliance with the Resolution of the Ordinary General Meeting of Shareholders nr.1/April 27th, 2016.

Shareholders have been paid in 2016 dividends amounting to the net amount of 1.505.643 lei and the company paid to the state budget dividend taxes amounting to 86.746 lei.

In December 2016 the prescribed dividends amounting to 1.155.160 lei have been recorded as other income form exploitation, representing dividends allotted in 2001, 2006, 2007, 2009, 2011 and 2012 and not paid until December 31st, 2016.

3.3. Description of any company's activities to purchase own shares.

Not applicable. The company did not purchase its own shares in 2016.

3.4. If the company has branches, the number and par value of shares issued by the mother company and owned by the branch.

Not applicable. The company does not have any branches, but it opened four secondary business offices in Braila, Ploiesti, Bucharest and Brasov.

3.5. If the company issued bonds and / or other debentures, presentation of the manner in which the company pays its debts considering such movable assets.

Not applicable. The company did not issue bonds or other debentures.

4. Management of the company.

4.1. List of directors of the company and the following information regarding each director:

During 2016 the company has been managed by a Board of Directors composed of 5 members, appointed pursuant to a management mandate for 2013 – 2017, in compliance with the resolution of the Ordinary General Meeting of Shareholders no. 3/April 26th, 2013.

We outline the fact that on November 29th, 2016 the Ordinary General Meeting of Shareholders took place and pursuant to such meeting a new Board of Directors was appointed, formed of 5 members, appointed in accordance with a management contract for a 4 year duration, 2016 – 2020, in compliance with Resolution no. 2 / November 29th, 2016 of the Ordinary General Meeting of Shareholders.

- a) Resume (name, age, professional qualification, professional experience, position and seniority).*
- b) Any agreement, understanding, family relationship between the respective director and another person due to whom that person was appointed as director;*
- c) Participation of the director to the company's share capital;*
- d) List of persons affiliated to the company.*

4.1.1. POPOVICIU VIOREL DORIN, a member of the Board of Directors and the President of the Board of Directors between January 1st, 2016 and December 31st, 2016. He is 62 years old and he is an engineer.

- a) All positions held between the company are as follows: engineer, intern, main engineer, manager, general manager, 38 year seniority.
- b) Not applicable.
- c) On December 31st, 2016 he was the holder of 643.170 shares.
- d) Presented in Note 22 to the Financial Statements and in the annex to the herein report.

4.1.2. POPA GHEORGHE TITUS DAN, member of the Board of Directors between January 1st, 2016 and December 31st, 2016. 62 years old, engineer.

- a) Never did and still does not hold another position in the company..
- b) Not applicable..
- c) He was the holder of 617.796 shares on December 31st, 2016.
- d) Presented in Note 22 to the Financial Statements and in the annex to the herein report

4.1.3. CRISAN VIOREL VASILE, member of the Board of Directors between January 1st, 2016 and December 31st, 2016. 67 years old, economist.

- a) No other positions within the company.
- b) Not applicable.
- c) He was the holder of 7.609 shares on December 31st, 2016.
- d) Not applicable.

4.1.4. IONESCU MIRCEA-PIETRO, member of the Board of Directors between January 1st, 2016 and December 31st, 2016. 60 years old, engineer.

- a) No other positions within the.
- b) Not applicable.
- c) He was the holder of 1.238.396 shares on December 31st, 2016.
- d) Not applicable. .

4.1.5. TURCU IACOB OVIDIU, director and member of the Board of Director between January 1st, 2016 and December 31st, 2016. 66 years old, engineer.

- a) No other positions within the company.
- b) Not applicable. .
- c) He was the holder of 164 shares on December 31st, 2016.
- d) Presented in Note 22 to the Financial Statements and in the annex to the herein report.

4.2. List of company's executives. The following information is put forward for each one of them.

Executive management is provided for by a general manager who performs his / her duties pursuant to a mandate contract entered with the Board of Directors and a team of 3 executives.

- a) Time when the respective person is an executive of the company;
- b) Any agreement, understanding, family relationship between the respective person and another person due to whom that person was appointed as executive;
- c) Participation of that person to the company's share capital.

4.2.1. POPOVICIU VIOREL DORIN, general manager.

- a) Employment Contract for 2013-2017 and 2016-2020
- b) Not applicable.
- c) He was the holder of 643.170 shares on December 31st, 2016.

4.2.2. BARABULA MIHAELA MARIA, Economic manager

- a) Permanent employment contract
b) N/A.
c) N/A.

4.2.3. GIURGIU LIANA, Sales Manager

- a) Permanent employment contract
b) N/A.
c) N/A .

4.2.4. CAREAN NASTASIA, Technical – Manufacture manager

- a) Permanent employment contract
b) N/A.
c) N/A .

4.3. With regards to all persons presented at point 4.1 and 4.2 specification of potential disputes or administrative procedures they have been involved in during the past 5 years, regarding their activity within the company, as well as information regarding the capacity of these persons to fulfill duties within the company.

Not applicable due to the fact that none of the above have been involved in disputes as specified above.

5. Financial – accounting situation. .

Presentation of the comparative economic – financial situation d for the last 3 years, regarding:

a) balance sheet elements: assets that stand for at least 10% of the aggregate assets; cash and other liquidities; reinvested profits, aggregate assets; total of liabilities.

The overall situation of assets is the following:

		2014	2015	2016
Total of assets	<i>lei</i>	62.918.430	79.228.952	77.189.235
Stocks	<i>lei</i>	11.186.268	11.959.107	12.062.446
Stocks	%	17,78	15,09	15,63
Commercial receivables	<i>lei</i>	7.468.650	6.883.973	6.845.623
Commercial receivables	%	11,87	8,69	8,87
Other assets	<i>lei</i>	102.347	131.480	75.704
Other assets	%	0,16	0,17	0,10
Tax per profit to be currently recovered	<i>lei</i>	-	27.080	0
Cash and cash equivalent value	<i>lei</i>	182.660	1.867.879	576.164
Cash and cash equivalent value	%	0,29	2,36	0,75
Real estate investments	<i>lei</i>	3.736.078	5.779.239	6.605.581
Real estate investments	%	5,93	7,29	8,56
Intangible assets	<i>lei</i>	18.711	29.281	20.857
Tangible assets	<i>lei</i>	40.185.716	52.512.913	50.964.860

<i>Tangible assets</i>	%	63,87	66,28	66,03
<i>Investments in instruments and own capitals</i>	lei	38.000	38.000	38.000

Status of liabilities:

		2014	2015	2016
<i>Total of liabilities</i>	lei	62.918.430	79.228.952	77.189.235
<i>Share capital</i>	lei	9.705.998	12.325.438	12.325.438
<i>Amendments to the share capital</i>	lei	-	-	-
<i>Other components of own capitals</i>	lei	36.542.339	45.785.213	45.979.015
<i>Reported result</i>	lei	6.216.738	7.896.305	6.831.926
<i>Long term loans</i>	lei	17.624	412.758	206.926
<i>Long term provisions</i>	lei	172.490	172.490	172.490
<i>Postponed outstanding tax</i>	lei	2.814.845	4.909.676	4.770.997
<i>Current part of the long term loans</i>	lei	3.119.758	2.929.608	2.912.874
<i>Commercial and other types of debts</i>	lei	4.276.351	4.797.464	3.870.455
<i>Current tax per profit</i>	lei	52.287	-	119.114

For the 2016 financial year, the annual financial statements have been drafted in compliance with the International Financial Reporting Standards adopted by the European Union, in compliance with provisions of the Order of the Ministry of Public Finance no. 2844 / 2016 for the approval of Accounting Regulations, compliant with the International Financial Reporting Standards, enforceable for trading companies whose movable assets are admitted for trading on a regulated market, with subsequent amendments and additions.

b) The account of profit, gross revenues, elements of costs and expenses with at least 20% share in the net expenses or gross revenues, risk provisions and those for various expenses, reference to any sale or cease of an activity sector performed during the past year or that is to be performed in the following year; declared and paid dividends.

Evolution of the profit and loss account

		2014	2015	2016
<i>Total revenues</i>	lei	30.446.767	34.508.024	32.625.379
<i>Total expenses</i>	lei	-29.227.613	-31.211.400	-31.390.893
<i>Gross profit</i>	lei	1.219.154	3.296.624	1.234.486
<i>Tax per profit (current and postponed)</i>	lei	-176.986	-568.059	-266.521
<i>Net profit</i>	lei	1.042.168	2.728.565	967.965

Cost elements that account for more than 20% of the total revenues				
		2014	2015	2016
<i>-expenses for raw materials merchandise and consumables</i>	%	35,59	33,62	34,37
<i>-expenses for employees' benefits</i>	%	39,94	38,49	40,17
<i>-expenses for redemption and depreciation</i>	lei	-1.683.361	-1.577.397	-2.400.810
<i>-other operational expenses</i>		-4.360.192	-4.550.084	-4.613.609
<i>-dividends allotted at the end of the period</i>	lei	936.733	1.972.070	0*
<i>-dividends paid during the respective year (related tax included)</i>	lei	214.959	958.637	1.592.389

**proposition of the Board of Directors to allot dividends out of the 2016 net profit within the Ordinary General Meeting of Shareholders of April 2017.*

In 2016 there has been no sale or cease of an activity sector and we believe it shall be the same for 2017.

c)Cash flow: all changes occurred at cash level within the basic activity, investments and financial activity, level of cash at the beginning and end of the period.

	2014	2015	2016
<i>Net treasury out of exploitation activities</i>	1.544.446	2.307.915	2.441.647
<i>Net treasury out of investment activities</i>	-417.263	-1.237.127	-1.570.356
<i>Net treasury out of financing activities</i>	-1.087.993	614.431	-2.163.007
<i>Total cash – flow</i>	39.190	1.685.219	-1.291.715
<i>Cash at the beginning of the period</i>	143.470	182.660	1.867.879
<i>Cash at the end of the period</i>	182.660	1.867.879	576.164

In 2014 the investment expenses amounted to a total of 482.376 lei and investments amounting to 335.008 lei have been completed.

In 2016 the investment expenses amounted to a total of 3.534.906 lei and investments amounting to 3.430.568 lei have been completed.

In 2016 the investment expenses grew to an aggregate of 2.182.900 lei and investments amounting to 2.079.565 have been completed.

6.Signatures

Popoviciu Viorel-Dorin – Engineer
President of the Board of Directors

Barabula Mihaela-Maria - Economist
Economic Manager

Appendix.

a) *Memorandum of Association, if amended during the reported year.*

Not applicable

b) *Important Contracts entered by the company during the reported year.*

Not applicable

c) *resignation / dismissal documents, if applicable for the directors, executives, independent financial auditor.*

Not applicable.

d) *List of company's branches and of companies controlled by the same.*

Not applicable.

e) *List of persons affiliated to the company, the company traded with in 2016: :*

- CARBOREF SA (Joint – Stock Company)	Cluj-Napoca
-EURO-CLUB SRL (Ltd)	Timisoara
-AUTOEUROPA SRL (Ltd)	Timisoara
-SERVICE AUTOMOBILE 2 SRL (Ltd)	Cluj-Napoca
-DACIA SERVICE FELEAC SRL (Ltd)	Cluj-Napoca

Value of the transactions with the aforementioned companies is presented in the financial statements of 2016.