CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS

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CARBOCHIM S.A.

INCOME STATEMENT

(all amounts are expressed in RON, unless otherwise stated)

	Note	31 December 2015	31 December 2016
Revenues	17	30,451,127	30,021,923
Other income	17	3,432,585	2,585,453
Changes in inventories of finished goods and production in progress		606,846	16,382
		34,490,558	32,623,758
Raw materials, merchandise and consumables employed		(11,602,484)	(11,213,016)
Employees benefits expenses	18	(13,280,985)	(13,105,288)
Depreciation and amortization expenses		(1,577,397)	(2,400,810)
Other operating expenses	19	(4,550,084)	(4,613,609)
		(31,010,950)	(31,332,723)
Operating income		3,479,608	1,291,035
Financial income	20	17,466	1,621
Funding costs	20	(200,450)	(58,170)
Financial net result		(182,984)	(56,549)
Profit before tax		3,296,624	1,234,486
Income tax expense	21	(568,059)	(266,521)
Net profit for the year		2,728,565	967,965
Basic earnings and diluted earnings per share (RON per share)	23	0,55	0,20

STATEMENT OF COMPREHENSIVE INCOME

(all amounts are expressed in RON, unless otherwise stated)

	Note	31 December 2015	31 December 2016
Other comprehensive income			
Profit for the year		2,728,565	967,965
Other comprehensive income:			
Gains / (losses) on revaluation of assets		10,863,692	0
Change of deferred tax recognized in the revaluation reserve		(1,733,083)	133,528
Other comprehensive income for the year, excluding taxes		9,130,609	133,528
Total comprehensive income of the year		11,859,174	1,101,493

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STATEMENT OF FINANCIAL POSITION

(all amounts are expressed in RON, unless otherwise stated)

	Note	31 December 2015	31 December 2016
ASSETS			
Non-current assets			
Investment property	8	5,779,239	6,605,581
Other intangible assets	7	29,281	20,857
Tangible assets	6	52,512,913	50,964,860
Investments in equity instruments		38,000	38,000
Total non-current assets		58,359,433	57,629,298
Current assets			
Inventories	10	11,959,107	12,062,446
Trade receivables	11	6,883,973	6,845,623
Other current assets	11	131,480	75,704
Current profit tax receivable	11,21	27,080	0
Cash and cash equivalents	12	1,867,879	576,164
Total current assets		20,869,519	19,559,937
TOTAL ASSETS		79,228,952	77,189,235
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity capital			
Share capital	13	12,325,438	12,325,438
Adjustments to shareholders' equity	13	-	-
Other shareholders' equity items		45,785,213	45,979,015
Retained earnings		7,896,305	6,831,926
Total shareholders' equity		66,006,956	65,136,379
Long-term liabilities			
Long-term loans	14	-	-
Finance lease liabilities	15	412,758	206,926
Long-term provisions	5	172,490	172,490
Deferred tax liability	21	4,909,676	4,770,997
Total long-term liabilities		5,494,924	5,150,413
Current liabilities			
Current portion of long term loans	14	2,154,680	2,599,141
Current portion of finance lease liabilities	15	774,928	313,733
Trade payables and of other	16	4,797,464	3,870,455

(all amounts are expressed in RON, unless otherwise stated)

	Note	31 December 2015	31 December 2016
nature			
Current income tax	16.21	0	119,114
Total current liabilities		7,727,072	6,902,443
TOTAL LIABILITIES		13,221,996	12,052,856
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		79,228,952	77,189,235

The financial statements were authorized for issue by the Board of Directors on 22 March 2017 and were signed on its behalf.

Popoviciu Viorel-Dorin — Barabula Mihaela-Maria

Director — Chief Financial Officer

CASH FLOW STATEMENT

(all amounts are expressed in RON, unless otherwise stated)

	Note	31 December 2015	31 December 2016
Cash flows from operating activities			
Proceeds from customers and other debtors		39,440,382	37,958,036
Payments to suppliers, employees and other creditors		(25,475,078)	(24.839.094)
Interest paid		(98,047)	(33,862)
Income taxes, social contributions, other duties and taxes paid		(11,559,342)	(10,643,433)
Net cash from operating activities		2,307,915	2,441,647
		-	-
Cash flows from operating activities			
Payments for acquisition of shares		-	-
Payments for acquisitions of tangible assets		(1,254,593)	(1,818,449)
Proceeds from sale of tangible assets		-	246,472
Interest received		17,466	1,621
Dividends received		-	-
Net cash from investing activities		(1,237,127)	(1,570,356)
Cash flows from financing activities			
Proceeds from issue of shares		2,619,440	0
Proceeds from loans		28,957,654	16,660,081
Payment of liabilities related to financial lease		(880,228)	(1,014,819)
Dividends paid		(192,245)	(1,597,751)
Repayments of amounts borrowed		(29,890,190)	(16,210,518)
Net cash from financing activities		614,431	614,431
Cash flows - total		1,685,219	(1,291,715)
Cash at the beginning of period		182,660	1,867,879
Cash at the end of period	12	1,867,879	576,164

CARBOCHIM S.A.

STATEMENT OF CHANGES in SHAREHOLDERS' EQUITY

(all amounts are expressed in RON unless otherwise specified)

	Notes	Share capital	Adjustments to the share capital	Other reserves	Profit or loss brought forward and not distributed	Total shareholders' equity
Balance as at 1 January 2015		9,705,998	-	36,542,337	6,216,740	52,465,075
Net profit for the year 2015		-	-	-	2,728,565	2,728,565
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	73,674	(73,674)	-
Movements in revaluation reserve		-	-	10,863,692	-	10,863,692
Distribution of the previous year profit in other reserves		-	-	44,477	(44,477)	-
Achievements of revaluation reserve		-	-	(5,885)	5,885	-
Deferred profit tax resulting from revaluation		-	-	(1,733,083)	-	(1,733,083)
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(936,733)	(936,733)
Share capital increase		2,619,440	-	-	-	2,619,440
Total comprehensive profit		12,325,438	-	45,785,212	7,896,306	66,006,956
Balance as at 31 December 2015		12,325,438	-	45,785,212	7,896,306	66,006,956

CARBOCHIM S.A.

STATEMENT OF CHANGES in SHAREHOLDERS' EQUITY

(all amounts are expressed in RON unless otherwise specified)

	Notes	Share capital	Adjustments to the share capital	Other reserves	Result reported	Total shareholders' equity
Balance as at 1 January 2016		12,325,438	-	45,785,212	7,896,306	66,006,956
Net profit for the year 2016		-	-	-	967,965	967,965
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	61,725	(61,725)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution of the previous year profit in other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(1,450)	1,450	-
Deferred profit tax resulting from revaluation		-	-	-	-	-
Reversal of deferred profit tax resulting from revaluation		-	-	133,528	-	133,528
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(1,972,070)	(1,972,070)
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	45,979,015	6,831,926	65,136,379
Balance as at 31 December 2016		12,325,438	-	45,979,015	6,831,926	65,136,379

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, 1 Mai Square No. 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.

As at 31 December 2016, the structure of the financial instruments holders holding at least 10% of the share capital of Carbochim S.A. is as follows:

	Number of Shares	**Percentage of Ownership (%)**
IONESCU MIRCEA-PIETRO	1,238,396	251,187
POPOVICIU VIOREL-DORIN	643,170	130,456
POPA GHEORGHE TITUS DAN	617.796	125,309
S.C. ELECTROARGEŞ S.A.	611.133	123,958
Individuals	1,150,216	233,301
Legal entities	669,464	135,789
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 participated as a founding member to the establishment of the 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 these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis for drafting

The financial statements of CARBOCHIM S.A as at 31 December 2016 have been prepared in accordance with the international financial reporting Standards as adopted by the European Union.

The provisions of the Order of the Ministry of Finance 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards were taken into consideration.

In this respect, the statement of financial position, a component of the annual financial statements ended as at 31 December 2016, 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 in compliance with IFRS requires the use of certain critical accounting estimates. It also requires the application of complex judgments by the 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 presentation 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 the existing standards and interpretations issued by the Drafting Committee of the International Accounting Standards Board (IASB) and adopted by the European Union are in effect for the current period and have been adopted in the financial statements. The impact of these new and revised standards has been reflected in the financial statements and estimated as being non-material, except for the presentations made.

IAS 1: Disclosure initiative (amendment)
IAS 1 amendments: the disclosure of the financial statements encourages even more the companies to apply their professional judgment when determining the information to submit and how to structure it in the financial statements. The amendments are effective for annual reporting periods beginning on or after 01 January 2016. The amendments clarify, rather than bring major changes, the existing IAS 1requirements. The amendments relate to materiality, the order of notes, subtotals and disaggregation, accounting policies and disclosure of other comprehensive income resulting from investments accounted for under the equity method.

IAS 16. Tangible assets and IAS 38 Intangible assets (amendment): clarification of the acceptable methods for depreciation
The amendment is effective for annual reporting periods beginning on or after 01 January 2016. The amendment provides additional guidance on how the amortization of tangible and intangible assets should be calculated. This amendment clarifies the principles of IAS 16 Tangible assets and IAS 38 Intangible assets according to which the income reflects a pattern of economic benefits that are generated from a business (which includes the asset) rather than economic benefits consumed by using the asset. As a result, the ratio between the revenues generated and the total revenues expected cannot be used for the amortization of a tangible item but it can be used only in very few cases to amortize intangible assets.

IAS 19 Defined benefit plans (amendment): employee contributions
The amendment is effective for annual reporting periods beginning on or after 01 January 2015
The amendment applies to employees or third party contributions to defined benefit plans. The amendment aims to simplify the accounting of contributions that are independent of the length of service, for example, employee contributions which are calculated according to a fixed percentage of salary.

IAS 27 Individual financial statements (amendment)
The amendment is effective for annual reporting periods beginning on or after 01 January 2016.
This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the separate financial statements.

IFRS 10, IFRS 12 and IAS 28: Investment entities: the waiver consolidation (amendment)
The amendments relate to three issues arising in practice in connection with the waiver consolidated for investment entities.

The amendment is effective for annual reporting periods beginning on or after 01 January 2016.
The amendments clarify that the exception from the disclosure of the consolidated financial statements applies to a parent entity which is a subsidiary of an investment entity when the investment entity shall assess all its subsidiaries at fair value. The amendment clarifies that only a subsidiary that is not an investment entity but provides advisory services for the investment entity is consolidated. All the other subsidiaries of an investment entity are measured at fair value.
The amendments of IAS 28 Investments in associates and joint ventures allow investors that upon the application of the equity method to keep the fair value measurement applied for the associate or joint venture entity of the investment entity for its interests in the subsidiaries.

IFRS 11 Joint arrangements (amendment): accounting for the acquisition of interests in joint operations
The amendment is effective for annual reporting periods beginning on or after 01 January 2016.
IFRS 11 outlines the accounting by entities that jointly control an arrangement. The amendment clarifies the accounting for acquisitions of an interest in a joint operation when the operation constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for these acquisitions.

IASB issued IFRS Annual Improvements - Cycle 2010-2012, which is a collection of amendments in IFRS. The amendments are effective for annual reporting periods beginning on or after 1 February 2015.

- IFRS 2 Share-based Payment: this improvement amends the definition of "Vesting condition" and "Terms of payment" and adds definitions for "performance condition" and "Service condition", which were previously included in the definition of "vesting conditions".

- IFRS 3 Business combinations: this improvement clarifies that the contingent consideration in an acquisition of companies which is not classified as equity is subsequently assessed at fair value through profit or loss whether it belongs or not in the scope of IFRS 9 Financial instruments.

- IFRS 8 Operating segments: this improvement requires an entity to disclose judgments issued by the management entity implementing aggregation of business segments and clarifies that an entity must disclose only reconciliations of total assets of segments reportable to the entity’s assets if the segment assets are reported regularly.

- IFRS 13 Fair value measurement: this improvement clarifies that the issuance of IFRS 13 and amendments to IFRS 9 and IAS 39 did not eliminate the possibility to evaluate assets and liabilities in the short term without a declared interest rate at their invoice value, without discount, if the effect is not significant.

- IAS 16 Tangible assets: the improvement highlights that at the time of the revision of an item of property, the raw accounting is adjusted to correspond to the gross value of the revaluation.

- IAS 24 Related party disclosures: the improvement clarifies that an entity providing management key personal services for the reporting entity or the parent of the reporting entity is a related party of the reporting entity.

- **IAS 38 Intangible assets**: the improvement clarifies that at the time of the revaluation of the intangible asset, the gross accounting value is adjusted so that to correspond to the value of the gross revaluation.

IASB issued IFRS Annual Improvements - Cycle 2012-2014, which is a collection of amendments in IFRS. The amendments are effective for annual reporting periods beginning on or after 1 January 2016.

- **IFRS 5 Non-current assets held for sale and discontinued operations**: The amendment clarifies that the transition from one method of transfer to another (by assignment or distribution to owners) should not be considered to be a new assignment plan but as a continuation of the initial plan. Therefore, there is no interruption in the application of IFRS 5 requirements. It is clarified that changing the method of transfer does not change the date of classification.

- **IFRS 7 Financial instruments: disclosures:** The amendment clarifies that a service contract which includes a fee may have a continuing involvement in the asset. Moreover, the amendment clarifies that the disclosures required by IFRS 7 on offsetting financial assets and financial liabilities should not be compressed in the interim financial report.

- IAS 19 Employee benefits: The amendment clarifies that the depth of the market for high quality corporate bonds is evaluated based on the currency in which the bond is expressed rather than the country accommodating the bond. When there is no deep market for high quality corporate bonds in the respective currency, one must use the rates applicable to state bonds.

- IAS 34 Interim financial reporting: The amendment clarifies that the interim financial information to be disclosed should either exist in the interim financial statements, or be incorporated by cross-referencing between the interim financial statements and the place where they are included in the extended interim financial report. The Committee stated that other information in the interim financial report must be made available to users on the same terms as for the interim financial statements and on the same date. If users do not have access to other information in this way, the interim financial report is incomplete.

(b) *New standards, amendments and interpretations issued but not applicable for the reporting year starting 01 January 2016, therefore not adopted:*

-IFRS 9 financial instruments: refers to the classification, evaluation and recognition of financial assets and liabilities.
The standard is effective for annual reporting periods beginning on or after 01 January 1 2018 and early application is permitted. The final version of IFRS 9 reflects all phases of the draft on financial instruments and replaces IAS 39 Financial instruments: recognition and measurement and all previous versions of IFRS 9. The standard introduces new requirements on classification and assessment, impairment and hedge accounting.

-IFRS 14 Revenue from contracts with customers: The standard is effective for periods beginning on or after 01 January 2018. IFRS 15 establishes a new model in five stages which will apply for the recognition of revenue from a contract with a customer (with limited exceptions), regardless of the transaction type or industry.

The clarifications apply for annual reporting periods beginning on or after 01 January 2018 and early application is permitted. The clarifications aim to clarify IASB intentions when drafting the requirements of IFRS 15, especially accounting for identify the obligations of implementing, modifying the formulation of the principle "separately identifiable" assets, the considerations on the agent and principal, including assessment of whether the entity acts as agent or principal, and the principle of control and licensing, providing additional guidance on accounting for intellectual property and royalties. Additional clarifications provide practical solutions to entities that apply IFRS 15 completely retrospectively, or choose to apply the modified retrospective approach. These clarifications 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 associated entity or joint venture. The amendments refer to an inconsistency identified between IFRS 10 and the requirements of IAS 28 in connection with the sale of and contribution with assets between an investor and its associated entity or joint venture. In December 2015, the IASB has postponed indefinitely the effective date of this amendment. The changes have not yet been adopted by the EU.

- IFRS 16 Leases: The standard will be effective for annual reporting periods beginning on or after 01 January 2019. The standard establishes principles for the recognition, measurement, disclosure and description / providing information about leases of the two parties to a contract, and namely, the customer (lessee) and the supplier (lessor). The new standard requires that tenants should recognize most leases in the financial statements. The residents will have a single accounting sample for all contracts, with certain exceptions. Lessor's accounting significantly remains unchanged. The standard has not yet been adopted by the EU.

- **IAS 12: Recognition of deferred taxes for unrealized losses (amendments):** The amendments are effective for annual periods beginning on or after 01 January 2017 and early application is permitted. These amendments aim to clarify the requirements relating to receivables on deferred taxes relating to unrealized gains, to address diversity in practice regarding the application of IAS 12 Income taxes. The specific issue of the fact that, in practice, there is diversity in the application, refers to the existence of temporary differences deductible to the reduction of fair values, the recovery of an asset at less than its carrying amount, the future probable taxable profits and combined valuation versus separate valuation. The changes have not yet been adopted by the EU.

- IAS 7: Disclosure initiative (amendments): The amendments are effective for annual reporting periods beginning on or after 01 January 2017 and early application is permitted. These amendments aim to provide information that enables users of financial statements to evaluate the changes in respect of debts resulting from financing activities, including changes occurring both in cash flows, and the non-cash items. The amendments specify that a way of fulfilling the disclosure requirements is to provide a tabular reconciliation between the initial balances and the final balances in the financial statement when debts resulting from financing activities, including changes in cash flows from financing activity, changes resulting from obtaining or losing control of subsidiaries or other segments, the effect of changes in exchange rates, changes in fair value and other changes. The amendments have not yet been adopted by the EU.

- IFRS 2: Classification and measurement of share-based payment transactions (amendments) The amendments are effective for annual reporting periods beginning on or after 01 January 2018 and early application is permitted.

The amendments stipulate accounting requirements for the effects of the necessary conditions for vesting and the adverse revocable conditions for vesting on assessment of payments based on shares settled in cash, transactions with payment based on shares with characteristic net settlement of source taxation obligations, and for the changes to terms and conditions applicable to share-based payments that alter the classification of the transaction from cash-settled transaction to transaction with settlement through the issuance of equity instruments. The amendments have not yet been adopted by the EU.

- IFRS 4: Applying IFRS 9 Financial instruments with IFRS 4 Insurance Contracts (amendment)
The amendments are effective for annual reporting periods beginning on or after 01 January 2018.
The amendments relate to concerns arising from the implementation of the new standard on financial instruments, IFRS 9, before the new standard on insurance contracts which the Council is developing to replace IFRS 4. The amendments introduce two options for entities that issue insurance contracts: a temporary exemption from the application of IFRS and overlay approach that would allow entities that issue contracts within the scope of IFRS 4 to reclassify, from the profit or loss account in other comprehensive income, some of the revenues and expenses generated by the designated financial assets.

-**IFRS 40: Transfers to investment property (amendment)**
The amendments are effective for annual reporting periods beginning on or after 01 January 2018 and early application is permitted.
The amendment clarifies when an entity should transfer the property, including property under construction or development, or in the real estate investments. The amendment states that a change of use occurs when the property meets or no longer meets the definition of investment property and there is evidence on the change of use. A simple changing of the leadership intent on using a building does not provide evidence of a change of use.

IFRIC 22 Interpretation: Transactions in foreign currency and advance consideration.
The interpretation is effective for annual reporting periods beginning on or after 01 January 2018 and early application is permitted.
The interpretation clarifies the accounting for transactions that include the receipt or payment of sums in advance in foreign currency. The interpretation covers currency transactions in which the entity recognizes a non-cash asset or liability resulting from non-cash payment or receipt of an amount in advance before the entity recognizes the asset, expense and related income. The interpretation provides that, in order to determine the exchange rate, the transaction date is the date of initial recognition of the non-monetary prepaid asset or deferred income liability. Where there are several advance payments or receipts, the entity should determine a date of transaction for each payment or receipt of the amount in advance.

-IASB issued the IFRS Annual Improvements cycle 2014-2016, which is a collection of amendments in IFRS.
The amendments are effective for annual reporting periods beginning on or after 01 January 2017 for IFRS 12 Disclosure of interests in other entities and beginning on or after 01 January 2018 for IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 28 Investments in associates and joint ventures.
Early application is permitted for IAS 28.

- **IFRS 1 First-time adoption of International Financial Reporting Standards**
  This improvement eliminates short-term exemptions on disclosures about financial instruments, employee benefits and investment entities, applicable for companies that adopt the first International Financial Reporting Standards.

- **IAS 28 Investments in associates and joint ventures:** The amendment clarifies that the choice to assess at fair value, through profit and loss account, an investment in an associate or a joint venture that is owned by an entity which is a joint venture or another entity that qualifies as such, is available for each investment in an associate or a joint venture for each investor, on initial recognition.

- **IFRS 12 Disclosure of interests in other entities:** The amendment clarifies that the IFRS 12disclosure requirements apply, except in the summarized financial information for subsidiaries, joint ventures and associates, the interests of an entity in a subsidiary, joint ventures and associate that are classified as held to sell, for distribution or discontinued operations according to IFRS 5.

2.2 Reporting by segments

A business segment is a distinctive component of the Company:

a) that engages in business activities from which it may obtain revenues from which can incur expenditure,

b) whose results 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.

(all amounts are expressed in RON unless otherwise stated)

IFRS 8. The activity segments should apply to the individual financial statements of the Company as its own equity instruments are traded in a public market (BSE).

The presentation of information on products and services and geographic areas in which the Company carries out its activity is mandatory, even for those entities that identify a single reportable 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 (%) 2015**	**Amount of revenue 31 December 2015**	**Share (%) 2016**	**Amount of revenue 31 December 2016**
External (Poland, Hungary, Germany, Belgium, Slovakia, The Czech Republic, Switzerland, Netherlands)	2	634,314	3	1,032,457
Internal (Romania)	98	33,856,244	97	31,591,301
Total operational revenue	100	34,490,558	100	32,623,758

Disclosure of information on the Company's products and services

Product or service	**Share (%) 2015**	**Amount of revenue 31 December 2015**	**Share (%) 2016**	**Amount of revenue 31 December 2016**
Grinding wheels	51,10	17,625,735	52,57	17,151,511
Coated abrasives	33,77	11,647,084	36,09	11,771,650
Other products	0,53	181,427	0,72	235,509
Rental income	3,79	1,307,942	4,30	1,403,067
Revenue from sale of goods	2,31	796,717	2,01	654,499
Other income, including changes in stocks of finished goods and work in progress	8,50	2,931,653	4,31	1,407,522
Total operational revenue	100,00	34,490,558	100,00	32,623,758

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.

Exchange rates as at 31 December 2016 and 31 December 2015 are as follows:

	2016	**2015**
EUR	4,5411	4,5245
USD	4,3033	4,1477

(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 registered 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

The 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 31 December 2003. Therefore, the values reported in terms of purchasing power as at 31 December 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 Tangible assets

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

All classes of fixed assets are presented as at 31 December 2016 at fair value, determined by independent evaluators.
For buildings and equipment, we used the revalued amount as at 31 December 2015 minus the depreciation losses for 2016. The revaluated value as at 31 December 2015 is used for land.

As at 31 December 2016 no revaluation of assets were performed due to the fact that a market analysis carried out by a licensed assessor concluded that no revaluation is necessary after only 12 months from the previous one.

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 depreciation at the date of revaluation is restated pro rata 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's 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 depreciation 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 life time 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's carrying amount is greater 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 depreciation.

The depreciation 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 Investment properties

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 for:
- 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).

The Company's accounting policy on further evaluation 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).
The depreciation expense 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.

On 31 December 2015, an authorized evaluator conducted revaluations of investment properties.

On 31 December 2016, revaluations of investment properties were conducted as a market analysis carried out by an authorized evaluator concluded no revaluation is necessary after only 12 months from the previous one.

2.8 Investments in shareholders' equity elements

Investments in equity items include participating interests in CARBOREF SA Cluj-Napoca, in 25% of the share capital, and a contribution to the initial assets of the association A.P.I.E.L. Romania, which represents a participation 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

(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) *Financial assets available for sale*

Financial assets available for sale 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 certificate*

Starting 01 January 2013, the plant belonging to the Company is no longer subject to the greenhouse gas emissions trading scheme pursuant to Directive 2013 / EC, therefore in 2013 did not receive EUAs.

In 2014, the Company has alienated all 2,196 allowances found in the account at the beginning of the year, otherwise risked losing 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. The 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.
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). Loan 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, are recorded provisions for obsolete inventories and slow turning. 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 presented as current assets.

Trade receivables are recognized initially at fair value and subsequently for claims with a credit period of more than six months, the assessment is made at amortized cost using the effective interest method less provision 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 overdrafts from banks.

2.14 Share capital

Ordinary shares are classified as 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, it will be presented as current liabilities. are recognized commercial lung. 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 tax

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 equity. In this case, the corresponding tax is recognized in other comprehensive income or directly in equity.

Current income tax expense is calculated based on tax regulations in force at the end of the reporting period. The Management evaluates periodically the positions in tax returns regarding situations in which applicable tax regulations are subject to interpretation. This constitutes provisions, where applicable, based on estimated amounts due to tax authorities.

Deferred income tax is recognized, based on the liability 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 affects neither the accounting profit nor 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 pays the personnel costs for providing benefits such as medical 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 scheme and bonuses

The Company awards to employees, in addition to wages, additional bonuses result 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

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the normal course of business of the Company. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when their value can be estimated reliably, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the activities of the Company, as shown below. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each engagement.

(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. 3% 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 Company has delivered products to customers.

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 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 estimated based on anticipated annual purchases. It is considered that there are no funding elements, as sales are made with a credit period of 60 days in accordance with the normal market practice.

(b) Income from royalties

Income from royalties is 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 determining the entitlement to receive those amounts.

2.23 Lease contracts

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 finance 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 Dividend appropriation

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

(all amounts are expressed in RON unless otherwise stated)

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.

(a) *Market risk*

(i) Foreign exchange risk

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

The Company does not undertake formal action to minimize currency risk related to its operations; therefore, the Company does not apply hedge accounting against risk.

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

	As at 31 December 2015			**As at 31 December 2016**		
	Monetary financial assets	Monetary financial liabilities	Net amount on the financial position statement	Monetary financial assets	Monetary financial liabilities	Net amount on the financial position statement
RON	8,784,224	3,891,788	4,892,436	7,292,042	5,892,937	1,399,105
EUR	123,451	4,248,042	(4,124,591)	202,168	1,216,432	(1,014,264)
USD	2,737	0	2,737	3,282	0	3,282
Total	8,910,412	8,139,830	770,582	7,497,492	7,109,369	388,123

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 NBR at the balance sheet in relation to the functional currency of the Company, with all other variables constant, as follows:

	2016	**2015**
EUR	4.9953	4.9770
USD	4.7337	4.5625

(all amounts are expressed in RON unless otherwise stated)

Impact on profit or loss account:

	2016
EUR increased by 10%	(101,426)

	2015
EUR increased by 10%	(412,459)

(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 or EURLIBOR for loans in EUR.

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

The status of the loans undertaken was the following:

- As at 31 December 2015

Financial institution	Currency	Interest rate	Threshold	The loan balance as at 31 December 2015 (RON)
Unicredit Tiriac Bank	EUR/	Negotiated		2.557
	RON	Negotiated	200,000	0
Unicredit Tiriac Bank	EUR	Negotiated		498,853
	RON	Negotiated	600,000	0
Piraeus Bank Romania	RON	Negotiated	1,600,000	0
Piraeus Bank Romania	EUR	Negotiated	370,000	1,653,270
Raiffeisen Bank	RON	Negotiated	1,000,000	0

- As at 31 December 2016

Financial institution	Currency	Interest rate	Threshold	Loan balance as at 31 December 2016 (RON)
Unicredit Bank	RON	Negotiated	800,000	584,283
Banca Comerciala Romana	RON/ EUR	Negotiated	2,000,000	804,501
Raiffeisen Bank	RON/ EUR	Negotiated	3,740,000	1,210,357

(all amounts are expressed in RON unless otherwise stated)

As at 31 December 2016, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 366.

(b) Credit risk

Credit risk is mainly related to cash and cash equivalents and trade receivables. The Company has developed a number of policies whose application 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.

	31 December 2015	31 December 2016
Clients for which the recovery of claims is under 30 days	2,343,509	2,855,133
Clients for which the recovery of claims is between 30 and 90 days	2,845,810	2,525,171
Clients for which the recovery of claims is between 90 and 180 days	68,302	438
Total	5,257,621	5,380,742

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 created.

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

Bank's financial indicators	Bank	31 December 2015	31 December 2016
Ba1	Raiffeisen Bank	62,273	4,671
Baa3	BRD	1,523,550	2,900
n/a	Treasury	19,240	3,614
Ba1	BCR	116,613	107,294
n/a	Unicredit Tiriac Bank	26,760	0
n/a	Piraeus Bank Romania	78,588	943
n/a	Banca Comerciala Feroviara	11,932	0
n/a	CEC Bank	0	416,458
Total		1,838,956	535,880

(all amounts are expressed in RON unless otherwise stated)

Where:

Financial institutions quoted with indicator D shows a modest financial power, with a possible need for external support and the financial institutions listed with indicator E shows 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 made 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 analyzed in the table below:

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As at 31 December 2015				
Loans (Note 14)	2,154,680	-	-	-
Financial lease (Note 15)	774,928	412,758	-	-
Trade payables and of other nature (Note 16)	4,797,464	-	-	-
Current income tax	-			
Total	**7,727,072**	**412,758**	**-**	**-**
As at 31 December 2016				
Loans (Note 14)	2,599,141	-	-	-
Financial lease (Note 15)	313,733	206,926	-	-
Trade payables and of other nature (Note 16)	3,870,455	-	-	-
Current income tax	119,114			
Total	**6,902,443**	**206,926**	**-**	**-**

(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 "equity" in the statement of financial position net debt.

In 2016 the Company's strategy, unchanged from 2015, was to maintain the indebtedness coefficient as low as possible to maintain the significant ability to borrow funds for future investment if and when necessary.

Indicators of indebtedness as at 31 December 2016 and 2015 were the following:

	2015	2016
Total loans	3,342,366	3,119,800
Less: cash and cash equivalents	1,867,879	576,164
Total liability	1,474,487	2,543,636
Total equity	66,006,956	65,136,379
Total equity and liabilities	67,481,443	67,680,015
Indebtness ratio	2%	4%

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 valuation techniques.

It is considered that the carrying value minus the provision 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.

(all amounts are expressed in RON unless otherwise stated)

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

a) level 1 - prices listed in active markets for identical assets and liabilities
b) level 2 - data other than listed 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 31 December 2016:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalent	576,164	-	-
Receivables and other receivables	-	6,921,327	-
Financial liabilities:			
Loans	-	3,119,800	-
Trade payables and other nature	-	3,870,455	-
Current income tax	-	119,114	-

Presentation at the fair value of financial assets and financial liabilities as at 31 December 2015:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalent	1,867,879	-	-
Receivables and other receivables	-	7,042,533	-
Financial liabilities:			
Loans	-	3,342,366	-
Trade payables and other nature	-	4,797,464	-
Current income tax	-	0	-

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated 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 develops estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions for which there is a considerable risk to cause significant adjustments 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 to financial audit based on estimates predict 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 NBR benchmark interest rate as the discount rate for pension obligation at the end of each year.

5. APPLICATION FOR THE FIRST TIME OF IFRS

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

a) Tangible assets

The Company has not calculated in previous periods depreciation expenses of tangible conservation. When adopting IFRS, tangible assets kept in storage still pays off for as long as 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

(all amounts are expressed in RON unless otherwise stated)

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

c) Provisions for leaves not taken

The Company estimates for the days of leaves not taken and for the year ended, a provision for the registration of 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 NBR.

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 buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress	Total
As at 1 January 2015					
Cost or valuation	46,204,453	21,839,067	194,037	851,511	69,089,068
Accumulated amortization	(10,046,691)	(18,720,775)	(135,886)	-	(28,903,352)
Net book value	36,157,762	3,118,292	58,151	851,511	40,185,716

(all amounts are expressed in RON unless otherwise stated)

Financial period ended on 31 December 2015

	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress	Total
Initial net book value	36,157,762	3,118,292	58,151	851,511	40,185,716
Inflows	-	2,347,498	2,749	1,246,828	3,597,075
Transfers	62,903	719,070	40,512	(822,485)	-
Revaluation gain	8,729,850	2,351,511	-	-	11,081,361
Loss from revaluation	-	-	-	-	-
Outflow, net	(21,807)	(257,041)	-	(764,083)	(1,042,931)
Transfer to investment properties	-	-	-	-	-
Expense on amortization	(431,045)	(766,682)	(18,193)	-	(1,215,920)
Depreciation of fixed assets in conservation	(92,388)	-	-	-	(92,388)
Final net book value	44,405,275	7,512,648	83,219	511,771	52,512,913

As at 31 December 2015	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress	Total
Cost or valuation	55,086,346	29,834,418	237,298	511,771	85,669,833
Accumulated amortization	(10,681,071)	(22,321,770)	(154,079)	-	(33,156,920)
Net book value	44,405,275	7,512,648	83,219	511,771	52,512,913

(all amounts are expressed in RON unless otherwise stated)

6. TANGIBLE FIXED ASSETS (CONTINUED)

Year ended on 31 December 2016

	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress and advance payments	Total
Initial net book value	44,405,275	7,512,648	83,219	511,771	52,512,913
Inflows	-	174,970	-	729,024	903,994
Transfers	280,045	550,562	18,460	(849,067)	-
Revaluation gain	-	-	-	-	-
Loss from revaluation	-	-	-	-	-
Outflows, net	-	(136,293)	(4,549)	(67,352)	(208,194)
Transfer to investment properties	-	-	-	-	-
Expense on amortization	(764,156)	(1,387,256)	(12,349)	-	(2,163,761)
Amortization of preserved fixed assets	(80,092)	-	-	-	(80,092)
Final net book value	43,841,072	6,714,631	84,781	324,376	50,964,860

As at 31 December 2016	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress and advance payments	Total
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

Fair value of tangible assets

An independent assessment of land, buildings and other categories of tangible assets was made by an independent appraiser to determine the fair value of tangible assets as at 31 December 2015. The net revaluation surplus was recorded in other comprehensive income and is disclosed in "other reserves" in equity.

(all amounts are expressed in RON unless otherwise stated)

On 31 December 2016, the appropriateness of performing a carried out by an independent appraiser concluded that no revaluation as at 31 December 2016 is necessary after only 12 months from the previous one.

Disclosing the fair value of tangible assets as at 31 December 2016:

	Level 1	Level 2	Level 3
Land	-	30,848,407	-
Buildings and special constructions	-	12,992,665	-
Total land and buildings	**-**	**43,841,072**	**-**
Equipment and vehicles	**-**	**6,714,631**	**-**
Furniture, fixtures and fittings	**-**	**84,782**	**-**

Fair presentation of tangible assets as at 31 December 2015:

	Level 1	Level 2	Level 3
Land	-	30,848,407	-
Buildings and special constructions	-	13,556,868	-
Total land and buildings	**-**	**44,405,275**	**-**
Equipment and vehicles	**-**	**7,512,647**	**-**
Furniture, fixtures and fittings	**-**	**83,219**	**-**

Vehicles and machinery include the following amounts for which the Company is the lessee under finance leases:

	2015	2016
Cost	2,516,083	2,551,279
Accumulated amortization	165,374	411,441
Net book value	2,350,709	2,139,838

For loans undertaken, the Company recorded collaterals over the following tangible assets:

Buildings

	2015	2016
Cost	13,112,062	16,134,809
Accumulated amortization	2,983,508	4,856,270

(all amounts are expressed in RON unless otherwise stated)

Related land:

	2015	2016
Cost	15,068,967	8,818,960

- On 31 December 2016, the following tangible assets (land and buildings) are pledged under loan agreements that the Company has concluded with financial institutions Unicredit Bank Cluj, Banca Comerciala Romana Cluj and Raiffeisen Bank Clui:

No.	Object of mortgage or pledge	Value of mortgage or pledge	Beneficiary of mortgage or pledge	Mortgage level
1.1	Land with constructions located in 1 Mai Square, no. 3 registered with the Land Registry 261371 of Cluj-Napoca City	RON 800,000 + interests and related fees	UNICREDIT BANK	I
1.2	Land with constructions located in 1 Mai Square, no. 3 registered with the Land Registry 309072 of Cluj-Napoca City	RON 2,000,000 + interests and related fees	BANCA COMERCIALA ROMANA	I
1.3	Land with constructions located in 1 Mai Square, no. 3 registered with the Land Registry 305138 and 305138-C1-U1 of Cluj-Napoca City	RON 2,000,000 + interests and related fees	RAIFFEISEN BANK	I
2.1	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Pledge Agreement, registered with the Electronic Archive for Security Interests	RON 800,000 + interests and related fees	UNICREDIT BANK	
2.2	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Pledge Agreement, registered with the Electronic Archive for Security Interests	RON 2,000,000 + interests and related fees	BANCA COMERCIALA ROMANA	
2.3	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened with the bank under the Pledge Agreement, registered with the Electronic Archive for Security Interests	RON 3,740,000	RAIFFEISEN BANK	

We hereby mention that the mortgage in favor of Unicredit Bank was erased from the Land Registry 261371 on 17 February 2017, the net book value of the buildings being RON 3,685,815 and of the adjacent land RON 2,873,673.

(all amounts are expressed in RON unless otherwise stated)

The credit line amounting to RON 800,000 will be guaranteed only by pledge on cash reserves and future / credit balances on present and future accounts and sub-accounts opened with the bank under the Pledge Agreement, registered with the Electronic Archive for Security Transactions.

The book value which would have been recognized if the assets had been recorded under cost-based model are presented in the table below. This cost represents the supposed cost at the date of transition to the IFRS.

Description	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Intangible assets in progress and advance payments	Total
Year ended on 31 December 2015					
Cost	50,082,577	21,404,039	237,298	511,771	72,235,685
Accumulated amortization	10,830,081	16,642,775	154,078	0	27,626,934
Net book value	39,252,496	4,761,264	83,220	511,771	44,608,751
Year ended on 31 December 2016					
Cost	50,362,621	21,993,278	251,210	324,377	72,931,486
Accumulated amortization	11,674,329	18,030,031	166,427	0	29,870,787
Net book value	38,688,292	3,963,247	84,783	324,377	43,060,699

6. INTANGIBLE ASSETS

	Trademarks and licenses
As at 01 January 2015	
Cost or valuation	179,684
Accumulated amortization	(179,114)
Net book value	570
Financial period ended on 31 December 2015	
Initial net book value	570
Inflows	37,835
Amortization expense	(9,124)
Net final book value - intangible assets As at 31 December 2015	**29,281**

(all amounts are expressed in RON unless otherwise stated)

As at 01 January 2016	
Cost or valuation	217,519
Accumulated amortization	(188,238)
Net book value	29,281
Year ended on 31 December 2016	
Initial net book value	29,281
Inflows	9.187
Amortization expense	(17,611)
Net final book value - intangible assets	**20,857**
Intangible fixed assets in progress - initial	0
Inflow	0
Outflow	0
Book value - intangible fixed assets in progress	**0**

7. INVESTMENT PROPERTY

As at 01 January 2015	**Building**
Cost or valuation	3,736,078
Net book value	3,736,078
Inflows	220,000
Gain/ (loss) on valuation at fair value of investment properties	1,823,161
Outflows	-
Final net book value	5,779,239
As at 31 December 2015	
Cost or valuation	5,779,239
Net book value	5,779,239
Year ended on 31 December 2016	**Buildings + Land**
Inflows	1,046,342
Gain/ (loss) on valuation at fair value of investment properties	-
Outflows	220,000
Final net book value	6,605,581
As at 31 December 2016	
Cost or valuation	6,605,581
Net book value	6,605,581

(all amounts are expressed in RON unless otherwise stated)

8. FINANCIAL INSTRUMENTS

	31 December 2015	31 December 2016
Assets		
Receivables and other receivables	7,042,533	6,921,327
Cash and cash equivalents	1,867,879	576,164
Total Assets	8,910,412	7,497,491
Liabilities		
Loans	2,929,608	2,912,874
Trade payables and other kinds of liabilities	4,797,464	3,870,455
Current income tax	0	119,114
Total Liabilities	7,727,072	6,902,443

Accounting classifications and fair values:

31 December 2016	Note	Amortized cost	Total book value	Fair value
Financial assets (RON)				
Cash and cash equivalent	12	576,164	576,164	576,164
Receivables and other receivables	11	6,921,327	6,921,327	6,921,327
Total Financial Assets		**7,497,491**	**7,497,491**	**7,497,491**
Financial debts (RON)				
Loans	14	2,912,874	2,912,874	2,912,874
Trade payables and other kinds of liabilities	16	3,870,455	3,870,455	3,870,455
Current income tax		119,114	119,114	119,114
Total Financial Debts		**6,902,443**	**6,902,443**	**6,902,443**

9. INVENTORIES

	31 December 2015	31 December 2016
Materials	3,816,107	3,944,650
Inventory items	105,536	105,164
Finished products	7,868,096	7,862,402
Merchandise	382,313	342,348
Provisions relating to inventory impairment	(212,945)	(192,118)

(all amounts are expressed in RON unless otherwise stated)

Total inventories	11,959,107	12,062,446

	31 December 2015	31 December 2016
As at 1 January	61,266	212,945
Provisioned during the year (Note 15)	160,796	0
Reversed	(9,117)	(20,827)
As at 31 December	212,945	192,118

10. TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 December 2015	31 December 2016
Receivables from clients	7,110,575	7,074,992
Provisions relating to customer receivables impairment	(226,602)	(229,369)
Trade receivables and other receivables	6,883,973	6,845,623
Prepaid expenses	101,433	43,279
Other receivables	29,059	31,988
Other fixed receivables (for a period exceeding 3 months)	988	438
Provisions relating to other receivables impairment	0	0
Current profit tax receivable	27,080	0
Total	158,560	75,704
Total Receivables after provisioning	7,042,533	6,921,327

The fair value of receivables and other receivables equals the par value thereof.

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

	31 December 2015	31 December 2016
RON	6,923,455	6,726,343
EUR	119,078	194,984
Other currencies (USD, GBP)	-	-
Total receivables	7,042,533	6,921,327

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

(all amounts are expressed in RON unless otherwise stated)

	31 December 2015	31 December 2016
Within the period of maturity	5,257,621	5,380,742
The due period exceeded, but without risk of impairment	1,784,912	1,540,585
Total	7,042,533	6,921,327

A seniority analysis of outstanding receivables, but not provisioned is as follows:

	31 December 2015	31 December 2016
Up to 3 months	1,691,630	1,396,898
Between 3 and 6 months	78,209	133,538
Over 6 months	15,073	10,149
Total	1,784,912	1,540,585

Analysis of the provision movement for impairment of receivables:

	31 December 2015	31 December 2016
As at 1 January	235,641	226,602
Receivables provisioned during the year	37,822	26,593
Reversed provision	(46,861)	(23,826)
As at 31 December	226,602	229,369

11. CASH AND CASH EQUIVALENT

	31 December 2015	31 December 2016
Cash on hand and cash in the bank	366,727	62,432
Performance guarantees under 3 months	-	-
Collateral cash at the bank - letter of credit	-	-
Other cash equivalents	-	-
Short-term deposits	1,501,152	513,732
Total	1,867,879	576,164

(all amounts are expressed in RON unless otherwise stated)

	31 December 2015	31 December 2016
Cash on hand and cash in the bank in RON	359,617	51,966
Cash on hand and cash in the bank in USD	2,737	3,282
Cash on hand and cash in the bank in EUR	4,373	7,184
Short-term deposits in RON	1,501,152	513,732
Short-term deposits in EUR	-	-
Total	1,867,879	576,164

Bank	31 December 2015	31 December 2016
Raiffeisen Bank	62,273	4,671
BRD	22,398	2.900
Treasury	19,240	3,614
BCR	116,613	10,021
Unicredit Ţiriac Bank	26,760	0
Piraeus Bank Romania	78,588	943
Banca Comerciala Feroviara	11,932	0
Cash on hand and other cash equivalents	28,923	40,283
Short-term deposits - BRD	1,501,152	0
Short-term deposits - BCR - manager securities	0	97,274
Short-term deposits - CEC BANK- dividends recorded	0	416,440
Short-term deposits - CEC BANK- sureties	0	18
	1,867,879	576,164

The amount of RON 416,440 was registered with CEC BANK SA in the course of 2016, representing dividends due to 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). The amounts were recorded based on an ordinance issued on 25 September 2015 by the Directorate for Investigating Organized Crime and Terrorism in the file case no. 394 / D / P / 2007.

	31 December 2015	31 December 2016
Cash and cash equivalent	1,867,879	567,164
Total current portion of loans	2,154,680	2,599,141
	4,022,559	3,166,305

(all amounts are expressed in RON unless otherwise stated)

12. SHAREHOLDERS' EQUITY

	31 December 2015	31 December 2016
Share capital	12,325,438	12,325,438
Share capital adjustments	-	-

	Value	Number of Shares	Share Value (RON)	Percentage of ownership (%)
Ionescu Mircea-Pietro	3,095,990	1,238,396	2.5	25.1187
Popoviciu Viorel-Dorin	1,607,925	643,170	2.5	130,456
Popa Gheorghe Titus Dan	1,544,490	617,796	2.5	12.5309
S.C. ELECTROARGEŞ S.A.	1,527,833	611,133	2.5	12.3958
Individuals	2,875,540	1,150,216	2.5	23.3301
Legal entities	1,673,660	669,464	2.5	135,789
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 Statistics Institute ("NIS"). The indices used, determined by relevant prices for December 1990 (1990 = 100) for those 13 years and the conversion factors were the following:

Month / year	Movements in the 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

DIVIDENDS

During 2016, the Company appropriated dividends to owners based on the Decision of the Ordinary General Meeting of Shareholders no. 1 of 27 April 2016, totaling RON 1,972,070 of the net profit of 2015 (gross dividend of RON 0.40 / share).

(all amounts are expressed in RON unless otherwise stated)

13. LOANS

	31 December 2015	31 December 2016
Loans at banks	2,154,680	2,599,141
Loans from shareholders	-	-
Total loans	2,154,680	2,599,141
Current portion of loans	2,154,680	2,599,141
The long-term portion - loans at banks	-	-
	2,154,680	2,599,141

The fair value of the loans at the end of each reporting period coincides with the book value thereof at the time.

	31 December 2015	31 December 2016
RON	0	2,599,141
EUR	2,154,680	0
	2,154,680	2,599,141

The average annual effective rate of interest on loans for the 2016 financial year was 1.54% (for the 2015 financial year was 0.83%).

14. FINANCE LEASE

	31 December 2015	31 December 2016
Up to one year	774,928	313,733
Between 1 year and 5 years	412,758	206,926
Current value of finance lease	1,187,686	520,659

	31 December 2015	31 December 2016
Up to one year	800,873	325,159
Between 1 year and 5 years	422,723	211,906
Future financial expenses	35,910	16,406
Current value of finance lease	1,187,686	520,659

(all amounts are expressed in RON unless otherwise stated)

The average annual effective rate of interest for the finance lease for the 2016 financial year was 2.44% (for the 2015 financial year was 5.34%).

16 . SUPPLIERS AND OTHER CREDITORS

	31 December 2015	**31 December 2016**
Suppliers	1,732,904	1,847,745
Liabilities related to the staff	624,336	594,462
Interest to be paid	0	2,741
Dividends payable	1,614,367	838,888
VAT payable	326,512	193,773
Other liabilities towards the State	399,647	302,641
Deferred income	33,760	0
Advanced payments from customers and sundry creditors	58,484	83,588
Inventory surpluses in the form of non-current assets	7,454	6,617
Total	4,797,464	3,870,455

	31 December 2015	**31 December 2016**
EUR	905,675	695,774
USD	-	-
RON	3,891,789	3,174,681
	4,797,464	3,870,455

17. ANALYSIS ON REVENUE CATEGORIES

	31 December 2015	**31 December 2016**
Revenue from the sale of finished products	29,454,246	29,158,670
Revenue from the sale of merchandise	796,717	654,499
Revenue from services rendered	200,164	208,754
Total	30,451,127	30,021,923

Other operating revenue

	31 December 2015	**31 December 2016**
Gain/(loss) from the sale of fixed means	37,822	20,475
Other income	45,992	**1,161,911**
Revenue from tangible assets revaluation	217,668	0

(all amounts are expressed in RON unless otherwise stated)

Earnings from valuation at fair value of investment properties	1,823,161	0
Rental income	1,307,942	1,403,067
Total	3,432,585	2,585,453

In other operating income as at 31 December 2016 were recorded revenues amounting to RON 1.155,160 representing dividends distributed in 2001, 2006, 2007, 2009, 2011 and 2012, unpaid until 31 December 2016 and for which the shareholders' right to request their payment is prescribed.

18. SALARIES AND OTHER RELATED COSTS

	31 December 2015	31 December 2016
Expense on salaries	10,437,833	10,301,881
Salary contributions costs	2,368,988	2,347,051
Lunch tickets expenses	474,164	456,356
Total	13,280,985	13,105,288

	31 December 2015	31 December 2016
Average number of employees	235	222
Number of employees	245	222
Administrative staff salary (executives, including related social contributions)	1,356,654	1,314,841
Board of Directors (including related social contributions)	828,358	827,138

(all amounts are expressed in RON unless otherwise stated)

19. OTHER OPERATING EXPENSES

	31 December 2015	31 December 2016
Other third party expenses	796,798	744,724
Royalties and rental expenses	147,054	148,638
Expenditure relating to utilities	1,935,783	1,815,945
Maintenance and repair expenses	324,567	350,897
Expenditure on insurance	102,303	110,233
Expenses with damages and penalties	66	138
Other provisions expense / (reversal)	-	-
Net provision for expense debts / (reversal)	(5,414)	2,767
Postage and other fees	46,784	52,149
Expenses relating to commissions and fees	38,811	8,368
Protocol, promotion and advertising expenses	156,597	145,824
(Gain) / net loss from exchange rate differences from operational activities	34,375	(5,031)
Net provision for slow-moving inventory or impaired expense / (reversal)	151,679	(20,827)
Expenses related to banking and similar services	46,869	44,099
Travel expenses	118,639	205,868
Other operating expenses	465,237	862,623
Transport costs	189,936	147,192
Total	4,550,084	4,613,609

A fee amounting to EUR 8,000 was paid to the auditor in 2016 for auditing the financial the statements as at 31 December 2015

The Company concluded an operating lease in March 2014, under which in 2016 it recorded rent expense amounting to RON 127,901.
The subject matter of the lease agreement is a Land Rover vehicle, which is available to members of the Board of Directors.
Payments to be made in the future throughout the duration of the agreement (January 2017 - February 2017) amount to EUR 4,687.64, equivalent to RON 21,287 at the exchange rate from 31 December 2016 (4.5411).

(all amounts are expressed in RON unless otherwise stated)

20. FINANCIAL RESULT

	31 December 2015	31 December 2016
Interest expense		
- loans	97,558	36,603
- Finance lease	33,200	20,808
Net result from foreign exchange rate differences	69,692	759
Financial costs	200,450	58,170
Interest income	17,466	1,621
Other financial income	0	0
Financial income	17,466	1,621
Net financial result	(182,984)	(56,549)

21. CORPORATE TAX

Description	31 December 2015	31 December 2016
Gross result	2,728,566	967,965
Tax rate according to national regulations	16%	16%
Items similar to income	213,155	1,123,282
Items similar to expenses	(50,523)	(36,181)
Deductions	(1,768,125)	(2,812,071)
Non-taxable income	(2,137,976)	(78,000)
Non-deductible expenses	2,621,038	2,957,439
Total	1,606,135	2,122,434
Income tax expense	(256,982)	(339,589)
Tax credit	50,671	67,917
Total	(206,311)	(271,672)
(Expense) / Income with deferred tax	(361,748)	5,151
(Expense) / income with corporate tax	(568,059)	(266,521)

(all amounts are expressed in RON unless otherwise stated)

21. CORPORATE TAX (CONTINUED)

	1 January 2015	Movement in deferred tax	31 December 2015	Movement in deferred tax	31 December 2016
Deferred tax assets	17,837	21,219	39,056	(26,241)	12,815
Liabilities from deferred taxes	(2,832,682)	(2,116,049)	(4,948,731)	164,919	(4,783,812)
Asset/(Debt) from deferred tax - net	(2,814,845)	2,094,830	(4,909,675)	138,678	(4,770,997)

Liabilities from deferred taxes	Tangible assets	Provisions	Total
As at 1 January 2015	(2,810,857)	(21,825)	(2,832,682)
Movement in deferred tax	(2,136,441)	20,392	(2,116,049
As at 31 December 2015	(4,947,298)	(1,433)	(4,948,731)

Deferred tax assets	Tangible assets	Provisions	Total
As at 1 January 2015	17,837	0	17,837
Movement in deferred tax	(3,054)	24,273	21,219
As at 31 December 2015	14,783	24,273	39,056
Asset/(Debt) from deferred tax - net	(4,932,515)	(22,840)	(4,909,675)

Liabilities from deferred taxes	Tangible assets	Provisions	Total
As at 1 January 2016	(4,947,298)	(1,433)	(4,948,731)
Movement in deferred tax	173,253	(8,334)	164,919
As at 31 December 2016	(4,774,045)	(9,767)	(4,783,812)

Deferred tax assets	Tangible assets	Provisions	Total

As at 1 January 2016	14,783	24,273	39,056
Movement in deferred tax	(1,968)	(24,273)	(26,241)
As at 31 December 2016	12,815	0	12,815
Asset/(Debt) from deferred tax - net	(4,761,230)	(9,767)	(4,770,997)

22. RELATED PARTIES

The list of related parties of the Company is as follows:

Related company	Explanations
CARBOREF SRL Cluj-Napoca	CARBOCHIM SA holds 25% of the social shares of CARBOREF SRL. Mr. Popoviciu Viorel was part of both the Board of Directors of CARBOCHIM SA (Board consisting of 5 members) and of CARBOREF SA (Board consisting of 3 members) until March 2015 when the company became CARBOREF SRL with one director (Mr. Ioan Mihut which hold 70% of the social shares). The supplies represent the equivalent of rent and utilities under contract 2249 / 13 December 2012. The acquisitions consist of purchases of products by CARBOREF with the purpose of selling them as various goods or materials.
EURO CLUB SRL Timişoara	Mr. Popa Dan – director of CARBOCHIM SA holds 50% of EUROCLUB SRL and is director of EUROCLUB SRL together with another person. Supplies consist of grinding products in order to sell them as authorized dealer (under contract no. 35001/2008 and addendum 20/2016).
AUTO EUROPA SRL Timişoara	Mr. Popa Dan – director of CARBOCHIM SA holds 50% of AUTOEUROPA SRL and is director together with another person.
ELECTROARGES SA Curtea de Argeş	ELECTROARGES SA holds 12.40% of the share capital of CARBOCHIM SA
SERVICE AUTOMOBILE 2 SA, Cluj-Napoca	Mr. Turcu Iacob Ovidiu – CEO of CARBOCHIM SA holds 41,88% of SERVICE AUTOMOBILE 2 SA and is the director's representative of DACIA SERVICE CLUJ FELEAC
DACIA SERVICE CLUJ FELEAC SA, Cluj-Napoca	Mr. Turcu Iacob Ovidiu –director of CARBOCHIM SA starting 26 April 2013, holds 95.66% of DACIA SERVICE FELEAC SA and is director with another two persons

Analysis of the balances and transactions with related parties:

Balances as at 1 January 2015	Receivables	Other receivables	Liabilities
CARBOREF SA	61,505	3,625	-

EURO CLUB SRL	217,148	-	-
FURBY SRL	-	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	278,653	3,625	-

Transactions conducted during 2015:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	16,566	249,937	-
EURO CLUB SRL	999,408	-	-
AUTOEUROPA SRL	-	14,820	-
ELECTROARGES SA	46	-	-
SERVICE AUTOMOBILE 2 SA	859	9,253	-
DACIA SERVICE FELEAC SA	-	1,767	-
Total	1,016,867	275,777	-

Balances as at 31 December 2015	**Receivables**	**Other receivables**	**Liabilities**
CARBOREF SA	1,555	-	-
EURO CLUB SRL	122,922	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	124,477	-	-

Transactions conducted during 2016:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	9,773	27	-
EURO CLUB SRL	692,893	-	-
AUTOEUROPA SRL	-	4,165	-
ELECTROARGES SA	523	-	-
SERVICE AUTOMOBILE 2 SA	834	9,365	-
DACIA SERVICE FELEAC SA	1,432	5,660	-
Total	705,455	19,217	-

Balances as at 31 December 2016	**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	-	957

The amounts are expressed in RON and include VAT.

(all amounts are expressed in RON unless otherwise stated)

As at 31 December 2016, the Board of Directors of the Company has the following members:

- Popoviciu Viorel Dorin, member of the Board of Directors and Chairman of the Board. He holds 643,170 shares.
- Popa Gheorghe Titus Dan, member of the Board of Directors. He holds 617,796 shares.
- Ionescu Mircea Pietro, member of the Board of Directors. He holds 1,238,396 shares.
- Turcu Iacob Ovidiu, member of the Board of Directors. He holds 164 shares.
- Crisan Viorel Vasile, member of the Board of Directors. He 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 Manager
- Carean Nastasia, Technical – Production Manager

23. RESULT PER SHARE

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

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

	Year ended on 31 December 2015	**Year ended on 31 December 2016**
Profit attributable to equity holders of the Company	2,728,565	967,965
Weighted average of number of shares	4,930,175	4,930,175
Basic earnings and diluted earnings per share (RON per share)	0,55	0,20

24. CONTINGENCIES

Legal proceedings

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

Taxation

The Romanian taxation system has undergone multiple changes over the past recent years and is under adaptation to the case-law of the European Union. As a result, there are still different interpretations of the tax legislation. In certain circumstances, the tax authorities may approach differently certain aspects by carrying out the calculation of taxes and additional fees and interest and penalties on late payments (in 2016 the late penalties are 0,01% per day of delay, plus late interest of 0,02% per day of delay). In Romania, the financial year remains open for tax checking for 5 years. The Company’s management deems that the tax liabilities included in these financial statements are appropriate.

Tax law existing at the time of drafting the financial statements for companies reporting under the International Financial Standards is in an early stage of development. It is therefore possible that the tax authorities have different interpretations from those included in these financial statements. As the Company maintains the method revaluation for tangible assets, and also to mitigate the related tax risk, the Company decided to keep on the account 105 "Revaluation reserves" at the date of transition to IFRS, the amounts existing in this account as at 31 December 2010 in the financial statements prepared according to Order of the Minister of Public Finance 3055/2009.

The financial crisis

The recent volatility of international and Romanian financial markets:

The current global liquidity crisis which 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 high volatility of stock exchanges. Moreover, the volatility of the RON exchange rate and the major currencies used in international trade was very high. Currently, the full impact of the current financial crisis is still difficult to anticipate or prevent completely.

The management is unable to reliably estimate the effects on the Company’s financial position of a potential decrease in liquidity of financial markets, an increase in exchange rate volatility of the national currency and the continuing 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 the financial markets that resulted in restricting access to credit for companies and individuals. Therefore, the carrying amount 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

The current report issued on 16 March 2017 for the agenda of the Ordinary General Meeting of Shareholders on 26 April 2017, convened to approve the 2016 financial statements, submits for approval:
- the distribution of net profit of 2016, amounting to RON 967,964.83 as follows: the amount of RON 61,724.29 as legal reserves and the retained earnings (undistributed profit) amounting to RON 906,240.54.