ANNUAL FINANCIAL STATEMENTS IFRS ON 31st DECEMBER 2016

COMELF S.A.

Tax Identification Number 568656
Registration Number J06/2/1991
4 Industriei Street
420063 Bistrita
Romania

STATEMENT OF FINANCIAL SITUATION ON 31st DECEMBER

	Note	2016	2015
Actives			
Intangible assets	**5**	906.950	473.083
Tangible assets	**5**	102.557.151	106.667.946
Financial assets available for sale	**6**	196.109	215.312
Total non-current assets		**103.660.210**	**107.356.341**
Advance payments for tangible assets		148.200	194.590
Stocks	**7**	8.826.250	7.211.418
Account receivables from construction contracts	**8**	61.548.607	56.084.820
Commercial account receivables and of other types	**9**	2.754.549	2.616.404
Current tax account receivables		-	-
Cash and cash equivalents	**11**	5.335.529	10.154.997
Total Current Actives		**78.613.135**	**76.262.229**
Total Actives		**182.273.345**	**183.618.570**
Capital	**12**	13.579.505	13.579.505
Adjustments of the capital	**12**	8.812.271	8.812.271
Other elements of equity	**12**	(3.081.039)	148.712
Reserves	**12**	58.683.195	60.004.011
Shares	**12**	(2.528.596)	
Reported result	**12**	(7.617.345)	(8.013.341)

Year result	**25**	4.014.685	1.416.474
Total Equity		**71.862.676**	**75.947.632**
Debts			
Long term bank loans	**13**	4.350.646	8.615.008
Debts for postponed tax	**22**	10.932.280	8.001.361
Provisions for risks and expenses	**21**	6.818.830	5.968.010
Debts for postponed income	**23**	8.341.692	11.993.684
Total long term debts		**30.443.448**	**34.578.063**
Overdrafts	**13**	31.787.700	31.310.481
The current share for the long term loan	**13**	4.272.642	4.272.642
Commercial and other types of debts	**14**	37.861.532	31.605.606
Provisions for risks and expenses	**21**	2.042.482	3.473.738
Debts for postponed income	**23**	4.002.865	2.430.408
Total current debts		**79.967.221**	**73.092.875**
Total debts		**110.410.669**	**107.670.938**
Total shareholder's and debts		**182.273.345**	**183.618.570**

Stoian Dorin
General Manager

Pop Stefan
Economic Manager

PROFIT OR LOSS ACCOUNT STATEMENT AND OTHER ELEMENTS OF GLOBAL INCOME

	Note	2016	2015
Continuous operations **Income**			
Income from construction contracts	**15**	167.735.322	170.647.044
Income from selling goods		5.155.945	2.387.029
Other income connected to turnover		5.219.884	4.322.927
Total income		**178.111.151**	**177.357.000**
Out of which Turnover	**3**	180.147.787	171.296.503
Other income	**16**	**2.315.349**	**4.642.276**
Expenses			
Raw materials and other expenses		(73.517.683)	(76.260.992)
Electricity and water expenses		(4.394.191)	(4.186.859)
Goods expenses		(4.934.473)	(2.297.809)
Staff expenses	**17**	(52.780.442)	(51.942.686)
Transport costs	**18**	(8.971.734)	(8.722.981)
Other expenses related to income	**19**	(19.296.268)	(18.328.965)
Amortization and depreciation	**5**	(10.215.492)	(7.910.871)

of fixed assets costs			
Financial expenses, net Impairment adjustments on assets, net	**25** **8**	(1.931.645) (46.344)	(2.497.896) -
Provisions costs for risks and expenses, net	**21**	580.437	(7.497.842)
Other expenses		(354.417)	(243.098)
Total expenses		**(175.862.252)**	**(179.890.181)**
Profit before corporate tax		**4.564.248**	**2.109.095**
Corporate tax	**20**	(549.563)	(692.621)
Profit from continuous operations		4.014.685	1.416.474
Profit from discontinuous operations		-	-
Period profit		**4.014.685**	**1.416.474**
Other elements of global result			
Elements that will not be reclassified in expenses or income			
Value change of the used assets, resulted after reevaluation, net of taxes		**-**	1.019.869

Elements that can be reclassified in expenses or income			
Value change of the titles available for sale	**3**	(19.203)	148.712
Total profit or loss account and other elements of global income		**3.995.482**	**2.585.055**
Result per share			
From continuous and discontinuous operations			
Basic earnings per share (lei per share)	**24**	0,17	0,06
Diluted earnings per share (lei per share)	**24**	0,17	0,06
From continuous operations			
Basic earnings per share (lei per share)	**24**	0,17	0,06
Diluted earnings per share (lei per share)	**24**	0,17	0,06

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General Manager

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STATEMENT OF CHANGES IN EQUITY	**Registered capital**	**Adjustments to the registered capital**	**Reserves out of revaluation**	**Legal reserves**	**Other reserves**	**Resulted income**	**Total equity**
Balance on 1st January 2015	**13,579,505**	**8,812,271**	**44,631,100**	**2,324,519**	**12,242,794**	**-2,621,071**	**78,969,118**
Profit or loss account and other elements of the global income							
Profit or loss						1,416,474	1,416,474
Other elements of global income							
Net change in fair value of financial assets available for sale			148,712				148,712
Changes in value of used assets			1,019,869				1,019,869
Movements in the profit or loss account and other elements of global income							
Revaluation differences, transferred to the retained result			-497,772			497,772	0
Constituted legal reserves				38,396		-38,396	0
Reserves from reinvested profit to which tax exemption was applied (according to Fiscal Code)					1,378,078	-1,378,078	0
Total profit or loss account and other elements of the global income	**0**	**0**	**670,809**	**38,396**	**1,378,078**	**497,772**	**2,585,055**
Deferred tax related to reserves from reinvested earnings - current year					-220,493		-220,493
Deferred tax related to reserves from reinvested earnings - previous year					-912,480		-912,480
Total tax for profit tax-exempt, but postponed:					**-1,132,973**		**-1,132,973**
Transactions with shareholders recorded directly in equity							
Contributions from and distributions to the shareholders / employees	-	-	-	-	-	-4,473,568	-4,473,568
Total transactions with shareholders						**-4,473,568**	**-4,473,568**
Balance on 31st December 2015	**13,579,505**	**8,812,271**	**45,301,909**	**2,362,915**	**12,487,899**	**-6,596,867**	**75,947,632**

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STATEMENT OF CHANGES IN EQUITY	**Registered capital**	**Adjustments to the registered capital**	**Differences and reserves out of revaluation**	**Legal reserves**	**Other reserves**	**Resulted income**	**Total equity**
Balance on 1st January 2016	**13,579,505**	**8,812,271**	**45,301,909**	**2,362,915**	**12,487,899**	**-6,596,867**	**75,947,632**
Profit or loss account and other elements of the global income							
Profit or loss						4.014.685	4.014.685
***4.* Other elements of global income**							
Net change in fair value of financial assets available for sale			-19.203				-19.203
Changes in value of used assets							0
Movements in the profit or loss account and other elements of global income							
Revaluation differences, transferred to the retained result			-1.468.054			1.468.054	0
Constituted legal reserves				147.238		-147.238	0
Reserves from reinvested profit to which tax exemption was applied (according to Fiscal Code)							0
Total profit or loss account and other elements of the global income	**0**	**0**	**-1.487.257**	**147.238**	**0**	**5.335.501**	**3.995.482**
Deferred tax constituted related to revaluation reserves			-3.210.548				-3.210.548
Total tax for profit tax-exempt, but postponed:			**-3.210.548**		**0**		**-3.210.548**
Transactions with shareholders recorded directly in equity						-2.528.596	-2.528.596
Contributions from and distributions to the shareholders / employees	-	-	-	-	-	-2.341.294	-2.341.294
Total transactions with shareholders						**-4.869.890**	**-4.869.890**
Balance on 31st December 2016	**13.579.505.**	**8.812.271**	**40.604.104**	**2.510.153**	**12.487.899**	**-6.131.256**	**71.862.676**

CASH FLOW STATEMENT

For financial year completed on 31st December	2016	2015
Cash flows from operating activities		
Profit over the period	4,014,685	1,416,474
Adjustments for:		
Depreciation of fixed assets	10,215,492	7,910,870
Loss (+) / Net Income (-) from selling the tangible assets	0	0
Impairment loss of the financial assets	0	0
Value and loss adjustments of the current assets	46,344	0
Impairment losses on assets available for sale	0	0
Impairment of current assets	0	0
Provisions for risks and expenses	-580,436	7,497,842
Income from grants for investments	-2,079,537	-1,970,553
Income from operating grants	-143,462	-241,658
Net financial expenses	1,931,645	2,497,897
Profit tax expenses	594,563	692,621
Change of stocks	-1,614,832	-261,502
Change of trade receivables	-8,096,222	-4,112,142
Change of other debtors/ borrowers	-83,041	-144,073
Change of staff and similar debts	-961,260	-2,903,774
Change of receivables to the state – VAT	455,377	5,272,755
Change of other debts to the state	-47,051	5,027
Change of different creditors	0	0
Change of the possessed shares	0	0
Change of the suppliers' advance payments	-1,338,654	5,904,181
Change of commercial debts	7,233,116	-6,427,425
Change of other positions	0	70,408
Change of expenses and income in advance	0	0
Paid interests	-515,874	-836,190
Paid profit tax	-1,117,125	-277,457
Net cash from operating activities	**7,913,728**	**14,093,301**

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CASH FLOW STATEMENT

Cash flows from investment activities		
Variations of intangible assets	433,867	-424,482
Variations of tangible assets	-4,110,795	-14,411,628
Domestic production of tangible assets	-841,560	-1,207,291
Cashing grants for investments	0	8,945,209
Variation of the fixed assets guarantees	0	0
Cashed bank interests	2,323	5,434
Net cash used for investment activities	**-4,516,165**	**-7,092,758**
Cash flows from financing activities		
Variation of the capital accounts	-4084956	-4252841
Variation of the long term loans	-4264361	813807
Variation of the short term loans	477219	-361018
Variation of the financial leasing contracts	0	-24978
Variation of the amounts due to shareholders and associates	0	0
Net cash from (used for) financing activities	**-7,872,098**	**-3,825,030**
Net variation of cash and cash equivalents	**-4,474,535**	**3,175,513**
Cash and cash equivalents on 1st January:	10,154,997	7,431,063
The effect of foreign exchange rate variation on cash	-344,933	-451,579
Cash and cash equivalents on 31st December	**5,335,529**	**10,154,997**

Stoian Dorin	Pop Stefan
General Manager	Economic Manager

OPIS NOTE

NOTES TO THE FINANCIAL INDIVIDUAL STATEMENTS IN COMPLIANCE WITH IFRS

1. The reporting entity

COMELF S.A. ("The Company") is a joint-stock company, which operates in Romania in compliance with the provisions of the Law 31/1990 regarding trading companies and the Law 297/2004 on capital market, with its subsequent additions and alterations. The company is headquartered in Bistrita, 4 Industriei Street, Bistrita-Nasaud County, Romania.

The company was established as a trading company in 1991 following the reorganization of the former Technological Equipment Enterprise Bistrita.

Company's shares are listed on the Bucharest Stock Exchange, category II, with the indicative CMF, since 20th November 1995. The record of the shares and shareholders is held according to the law, by SC Depozitarul Central S.A. Bucharest.

The individual financial statements in accordance with International Financial Reporting Standards have been produced for the financial year ended on 31st December 2016.

Our main activity is the production of engines and turbines (except aircraft, motor vehicles and motorcycles). The company also is in the manufacturing of equipment, parts and components for power stations and environmental protection equipment for earthmoving, lifting and transportation equipment, including their parts, metal constructions.

2. Basis of preparation

a. Declaration of Conformity

The financial statements have been prepared by the Company in accordance with:
- International Financial Reporting Standards adopted by European Union ("IFRS");
- These financial statements of the Company are prepared in accordance with the requirements of the Order of the Ministry of Finance no 2844 from 2016, for approval of accounting Regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, which releals the Order 1286/2012. The International Financial Reporting Standards are standards adopted under the procedure laid down in Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of 19th July 2002, on the application of The International Accounting Standards. The date of Transition to The International Financial Reporting Standards was 1st January 2011;

-The Accounting Law 82/1991, republished and updated.

The financial statements were authorized for issue by the Board of Directors on 21st April, 2017.

b. Basis of evaluation

The financial statements have been prepared based on a historical cost, except for those mentioned in the explanatory notes.

c. The Functional and Presentation Currency

These financial statements are presented in LEI, which is the functional currency of the Company. All financial information is presented in LEI, truncated, with no decimals.

d. Use of estimations and professional judgments

Preparation of financial situation in accordance to IFRS requires management's use of professional judgments, estimations and assumptions that affect the application of accounting policies and reported amounts of assets, debts, income and expenses. Actual results may differ from these estimations.

e. Changes in the accounting policies
Overview

Financial year ended on 31st December 2012 is the first year of adoption by the Company of The International Financial Reporting Standards according to IFRS 1, which entered into force on 1st July 2009.

(i) The Company applies in the financial year 2016 for the comparison of the information of the financial year 2015, the following International Financial Reporting Standards as amended defaults on Company's accounting policies.

IAS 1	Presentation of the Financial statements	Fundamental Accounting Principles, structure and content of financial statements, binding posts and the notion of fair picture.
IAS 2	Stocks	Defining processing applicable accounting stocks in historical cost system: evaluation (first in - first out, weighted average cost and net realization value) and perimeter of the allowable costs.
IAS 7	Cash flow statements	Analysis of changes in treasury, classified into three categories: operating flows, investment flows, flows of finance.
IAS 8	Accounting Policies, changes of the accounting estimates and errors	Defining the classification of the information provided and accounting treatment of certain items in the income and loss account
IAS 10	Subsequent events to the date of the balance	Relative provisions to the taking into account of the elements following the closure: definitions, terms and conditions of application, particular cases (dividends).
		Presentation of revenues and expenses depending on

IAS 11	Constructions contracts	the stage of execution of the contracts.
IAS 12	Income tax	Defining processing and accounting of taxes on the result and detailed provisions on deferred/ postponed taxes.
IAS 16	Tangible assets	The principles and the date accounting of the actives, the determination of their accounting amounts and the relative principles to account the depreciation.
IAS 17	Leasing contracts	Defining for the lessee and lessor, of the accounting processing on behalf of the contracts of location-financing and simple location.
IAS 18	Income	Revenue accounting principles of ordinary activities from certain types of transactions and events (fair value principle, the principle of linking expenses to income, the percentage of advancement services, actives sharing, etc.).
IAS 19	Staff benefits	Principles of accounting and disclosure of employee benefits: short and long term benefits, post-employment benefits, advantages on equity and allowances related to termination of employment.
IAS 20	Accounting for government grants and presentation of information related to government assistance	Accounting principles and disclosure of direct or indirect public subsidies (clear identification, the concept of fair value, connection to subsidized immobilization etc.).
IAS 21	The effects of changes in currency exchange rates	Defining accounting processing of activities abroad, transactions in foreign currencies and translation of financial statements of a foreign entity
IAS 23	Borrowing costs	Definition of accounting processing of the borrowing costs: the notion of qualified active, ways to incorporate borrowing costs in the value of qualified actives.
IAS 24	Disclosure on related parties	Detailed information on relationships and transactions with related parties (companies and individuals) who exercise a control or a significant influence on one of the group's companies or on the management.
IAS 26	Accounting and reporting the pension plans	Defining assessment and information on retirement funds, distinguishing defined-contribution schemes and those with definite benefits.

IAS 27	Consolidated and individual financial statements	Principles referring to the presentation of consolidated accounts, defining the duty to strengthen the notion of control, the convergence of accounting rules within the group, other principles.
IAS 31	Interests in associating in partnerships	Principles and policies of the joint venture accounting, operations or assets or shareholdings made in a joint venture.
IAS 32	Financial tools	Rules of presentation (classification debt / equity, expenses or income / equity).
IAS 33	Result per share	Principles of determination and representation in earnings per share.
IAS 36	Impairment of actives/assets	Key definitions (recoverable amount, the fair value minus sales costs, utility value, cash-generating units), the time of testing for impairment, accounting for the impairment, the case of commercial fund.
IAS 37	Provisions, contingent liabilities and contingent assets	Defining provisions and arrangements for estimating individual cases analyzed (of which restructuring issue).
IAS 38	Intangible assets	Definition and processing of accounting for intangible assets, recognition and measurement policies on the processing costs of research and development etc.
IAS 39	Financial tools: identification and evaluation, except for some dispositions on the risk covering accounting	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivative financial instruments, accounting for hedging operations, the issue of fair value etc.
IAS 40	Real estate investments	Choosing between the two valuation methods: fair value or amortized cost transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements under IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS.
IFRS 5	Assets held for sale and discontinued activity	Defining an asset for trading and abandonment activities, valuation of these items.

IFRS 7	Financial tools: Disclosures	Financial information related to financial instruments relates mainly to: (i) informing about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments.
IFRS 13	Fair value evaluation	Application of fair value in case of non-financial assets, disclosing information on the fair value.

Amendments to IAS 1 standard “Presentation of the Financial statements”do not significantly alter the recognition and presentation of financial statements during the year 2016.

(ii) Future demands

Starting with 1st January 2017 some new requirements on existing standards will come into force, regarding :

- Revenue from contracts with the clients, the new IFRS 15 – presents aspects of the moment when the revenues are recognised and how many revenues need to be recognised – without an expected major impact on the financial situations of COMELF S.A.

Starting with 1st January 2018 will come into force some new requirements on:

- Changes related to IFRS 9 Financial instruments - financial instruments that are subject to changes, represent a small percentage of total company assets.

3. Significant accounting policies

The accounting policies have been consistently applied to all periods presented in the financial statements of the Company.

The individual financial statements are prepared on the assumption that the Company will continue its operations in the foreseeable future. To assess the applicability of these assumptions, the management analyzes projections of future cash inflows.

Transactions in foreign currency

Transactions denominated in foreign currency are recorded in RON at the official exchange rate on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the date of statement of financial position are translated into the functional currency at the exchange rate of the day.

Gains or losses resulting from the settlement thereof and the conversion using the exchange rate at the end of the financial year assets and liabilities denominated in foreign currencies are recognized in the statement of global income.

The exchange rates of major foreign currencies were:

Currency	**31st December 2016**	**31st December 2015**

Currency	**31st December 2016**	**31st December 2015**
Euro (EUR)	1: LEU 4,5411	1: LEU 4,5245
American Dollar (USD)	1: LEU 4,3033	1: LEU 4,1477

Accounting for the effect of hyperinflation

In accordance with IAS 29 "Financial reporting in hyperinflationary economies" ("IAS 29"), the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy should be presented in the current unit on the date of concluding the statement of financial position (non-monetary items are restated using a general price index from the date of purchase or contribution).

According to IAS 29, an economy is considered as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds 100%.

The steady decrease of inflation and other factors related to the characteristics of the economic environment in Romania, indicate that the economy whose functional currency was adopted by the Company has ceased to be hyperinflationary with effect on financial periods beginning January 1st 2004. Therefore, the provisions IAS 29 were adopted in preparing financial statements until 31st December 2003.

Thus, the values expressed in the current measuring unit on 31st December 2003 are treated as the basis for the carrying amounts in the financial statements and do not represent evaluated values, replacement cost or any other measure of the current value of assets or the prices for which transactions would held at the moment.

In order to draw up financial statements, the Company adjusts the following non-cash items to be expressed in the current unit on 31st December 2003:

- capital;
- reserves;
- tangible assets / property, other than land and buildings

The land and buildings are shown on their revalued amount on 1st January 2011, 31st December 2011, 31st December 2012 and 31st December 2015.

The most recent revaluation was performed by the Company on 31st December 2015.

Stocks

Inventories are measured at cost under IAS 2 and the cost formula used is the weighted average cost / FIFO. This production method does not apply to ongoing production and finished goods to which the provisions of IAS "Constructions Contracts" apply.

Production in progress can be found in " Receivables from construction contracts" heading as the company applies IAS 11 "Construction Contracts". According to this standard, contract revenue is measured at the fair value of consideration received or to be received. Contract revenue and costs associated with the contract are recognized as revenue and expenses depending on the stage of execution of contract at the end of the reporting period.

Cash and cash equivalents
Cash and cash equivalents include: cash, current accounts and short-term bank deposits.

Financial assets and liabilities
(i) Classification
The Company classifies the possessed financial instruments in the following categories:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near future.

Financial assets available for sale

Financial assets available for sale are those financial assets which are not classified as loans and receivables.

For financial assets available for sale for which an active market exists or can be evaluated by applying valuation methods, subsequent to initial recognition, equity instruments are measured on their fair value, other than impairment losses and also the gains and losses exchange rate variation resulting from the financial instruments, are recognized directly in equity. When the asset is unrecognized, the cumulative gain or loss is transferred to the profit or loss account.

(ii) Recognition

Assets and liabilities are recognized on the date the Company becomes party to the contractual terms of the instrument. Financial assets and liabilities are measured at initial recognition at fair value plus directly attributable transaction costs, except for investments in shares, whose fair value can not be reliably determined and are initially recognized at cost.

(iii) Valuation at amortized cost

The amortized cost of a financial asset or liability is the amount at which the asset or liability is measured (a) on initial recognition, except for principal repayments, plus or minus the accumulated depreciation up to that time using the effective interest rate, except for impairment losses related to reductions.

(iv) Fair value measurement

Fair value is the amount for which an asset can be exchanged or a liability settled, between knowledgeable willing parties because, in a transaction carried out in objective conditions of the valuation date.

For financial assets available for sale fair value is determined using evaluation techniques. Evaluation techniques are based on updated cash flow method.

(v) Identification and measurement of impairment

Financial assets measured at amortized cost

The company analyzes on each reporting date whether there is any indication of which a financial asset is impaired. A financial asset is impaired if and only if there is objective evidence of impairment incurred as a result of one or more events that occurred after the initial recognition of the asset ("loss event “) and that loss event or events have an impact on future cash flows of the financial asset or group of financial assets that can be reliably estimated.

If there is objective evidence that there was an impairment loss on financial assets measured at amortized cost, the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows using the effective interest rate of the financial asset at the initial moment.

The carrying amount of an asset is diminished by the Company through the use of a provision account. Impairment losses are recognized in the profit or loss account and other elements of global income.

If a period following an event occurring after the impairment recognition determines the reduction of the impairment loss, the previously recognized impairment loss is reversed by adjusting the provision account. Reducing impairment loss is recognized in the profit or loss account and other elements of global income.

Financial assets available for sale

In the case of financial assets available for sale, when a decline in the fair value of a financial asset available for sale has been recognized directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognized directly in equity shall be reversed from equity accounts and recognized in the statement of global income even though the financial asset has not been derecognized.

The amount of cumulative loss that is reversed from equity accounts in the statement of global income will be the difference between the acquisition cost (net of principal repayments and amortization) and current fair value, without any impairment loss on that financial asset previously recognized in the statement of global income .

Impairment losses recognized in the profit or loss account and other elements of global income related to certain attended classified as available for sale shall not be reversed through the profit or loss account. If in a subsequent period, the fair value of a recorded impairment increases, the increase in the value will be recognized directly in other global income.

Given the inherent limitations of the methodologies applied and significant valuation uncertainty on international markets and local assets, the Company estimates may be revised significantly after the approval date of the financial statements.

(vi) Derecognition

The Company derecognizes a financial asset when the rights to receive cash flows of that financial asset expire, or when the Company has transferred its rights to receive contractual cash flows attributable to the financial asset in a transaction in which has significantly transferred all the risks and rewards of ownership.

The Company derecognizes a financial liability when its contractual obligations have been completed or when contractual obligations are canceled or expire.

On derecognition of a financial asset entirely, the difference between:

- its carrying amount and
- the sum of (i) the consideration amount received (including any new asset obtained without any new liability assumed) and (ii) any cumulative gain or loss (a) which has been recognized (a) in other global income must be recognized in profit or loss.

Other financial assets and liabilities

Other financial assets and liabilities are measured at amortized cost using the effective interest method, without any impairment losses.

Tangible and intangible assets

(i) Recognition and measurement

Tangible assets recognized as assets are initially measured at cost by the Company. The cost of an item of property, is made of the purchase price, including non-recoverable taxes, after deducting any discounts of commercial nature and any costs directly attributable to bringing the asset to the location and condition necessary for it can be used by the management as it was intended, such as staff costs directly resulting from the construction or acquisition of assets, the costs of site preparation, initial delivery and handling costs, installation and assembly costs, professional fees.

The value of tangible and intangible assets of the Company on December 31st 2016 and December 31st 2015 is detailed in note 5.

Tangible assets are classified by the Company in the following asset classes of the same nature and with similar uses:

- Land;
- Constructions;
- Equipment technical installations and machines;
- Means of transport;
- Other tangible assets.

The fair value is based on market quotations of prices, adjustment, if necessary, to reflect the differences related to the nature, location or conditions of the asset.

All property of the company assets were used in order to achieve the main object of activity, of the production contracted with clients in 2015 or to achieve its minor object of activity (for a reduced share of activity). They are recorded at fair value classified in Level 2 in the fair value hierarchy, at market value.

We mention that in the year 2016 there were not any transfers between the categories of value hierarchy.

Revaluations are performed by specialized assessors, members ANEVAR. The frequency of revaluations is dictated by the market dynamics that own land and buildings owned by the Company.

The other categories of tangible assets are stated at cost, with the exception of accumulated depreciation and the impairment losses.

Maintenance expenses and repairs of tangible assets are recorded by the Company in the statement of global income when they occur, and significant improvements to tangible assets which increase the value and lifespan of their capacity or increase significantly the generating capacity of some benefits by them, are capitalized.

(ii) Depreciation

Depreciation is calculated using the straight-line method over the estimated useful lives assets, as follows:

Constructions	40- 50 years
Equipment	2-15 years
Means of transport	3-6 years
Furniture and other tangible assets	2-10 years

Land is not depreciated.

Intangible assets that meet the recognition criteria of IFRS are recorded at cost, except for the accumulated depreciation. Amortization of intangible assets is recognized in the profit or loss account on a straight-line basis over an estimated period of maximum 3 years.

Depreciation methods, useful estimated life-cycle and residual values are reviewed by management on each reporting date.

(iii) Sale / scrapping of tangible and intangible assets

Tangible fixed assets that are scrapped or sold are removed from the statement of financial position together with the corresponding accumulated depreciation. Any profit or loss, which results from such operations are included in current the profit or loss account.

Impairment of assets other than financial

The carrying value of the Company's assets which are not of a financial nature, other than deferred/postponed tax assets, are reviewed at each reporting date to identify the existence of impairment indicators. If such indication exists, the recoverable amount of the assets is estimated.

An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its recoverable amount of the asset or cash-generating unit. A cash-generating unit is the smallest identifiable group that generates cash and that independently of the other assets and other groups of assets has the ability to generate cash flows. Impairment losses are recognized in the statement of global income.

The recoverable amount of an asset or cash-generating unit is the greatest of its use value and its fair value, except for the costs to sell the asset or units. To determine the value in use, future cash flows are updated using an updating rate before tax that reflects current market conditions and risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date to determine whether they have decreased or no longer exists. An impairment loss is reversed if a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only if the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Investment subsidies

The Company has recorded investment grants. The policies adopted for the recognition and presentation of investment subsidies received are: a grant is recognized only when there is reasonable certainty that the entity will meet the conditions attached to it and that the grant will be received. Company recognized these receivables on collection date or a date close to the date of cashing, while recognizing a deferred income.

Deferred income is recognized in income from grants (Other income) as the assets are amortized. See Note Other income.

Capital

Ordinary shares are recognized in equity. Direct incremental costs attributed to an issue of ordinary shares are deducted from equity, net of tax effects.

Revaluation reserves

Revaluations are performed with sufficient regularity that the carrying amount does not differ materially from that which would be determined using fair value on the date of the statement of financial position. If the revaluation result is an increase compared to the net book value, then it is treated as follows: as an increase of the reserve in the revaluation presented within equity, if there hasn’t been a decrease previously recognized expense related to the asset or income, to compensate for the decrease previously recognized expense on the asset.

If the revaluation is a decrease in net book value, it is treated as an expense with the entire depreciation value when in the revaluation reserve is not recorded an amount related to that asset (revaluation surplus) or as a decrease in revaluation reserve minimum between the value of the reserve and its amount decreasing and the difference remained
derecognised is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to retained earnings when the surplus is a realized gain. The gain is considered realized when the asset is taken out the records and for which it was established a revaluation reserve.

From 1st May 2009, as a result of changes in tax law, the revaluation reserves recorded after 1st January 2004 are taxable as fixed asset depreciation.

Legal reserves

According to legal requirements, the Company creates legal reserves in the amount of 5% of gross profit recorded but not more than 20% of capital available on the establishment date of the reserve. These reserves are tax deductible for profit calculation.

Dividends to be distributed

Dividends are treated as an appropriation of profit in the period in which they were declared and approved by the General Meeting of Shareholders.

Provisions for risks and charges

Provisions are recognized in the statement of financial position when the Company acquires an obligation related to a past event and it is probable that future consumption of some resources will be required to settle this obligation and can make a reasonable estimate of the amount of the obligation. In determining the provision, future cash flows are discounted using an updating rate before tax that reflects current market conditions and risks specific to the liability.

Revenue from construction contracts

Revenue from construction services are recognized based on the stage of completion of works when the following conditions are met: contract revenue can be measured reliably, collection is probable, contract costs attributable to the contract can be clearly identified and measured reliably and stage of completion of work can be measured reliably. The stage of completion of the works is determined as the proportion of contract costs incurred for the work performed in estimated total contract costs.

Contract revenues include the initial amount agreed in the contract plus changes in work contracted claims and incentive payments to the extent that they are likely to lead to obtaining an income and can be measured reliably. When the outcome of a construction contract can be estimated reliably, revenue and expense are recognized in profit or loss in proportion to the stage of completion of the work. Contract expenses are recognized as they are incurred unless they create an asset related to a future contractual activity.

Interest income

Income and expense are recognized in the profit or loss account and other elements of the global income by the effective interest method. The effective interest rate is the rate that exactly discounts expected cash receipts and payments in future expected lifetime of the financial asset or liability (or, where appropriate, a shorter duration) to the carrying amount of the financial asset or liability.

Dividends income

Dividend income is recognized in the profit or loss account at the time the Company‘s right to receive the income is established.

In the case of dividends received in the form of shares as an alternative to cash payment, the dividend income is recognized on the cash that would have been received in correspondence with the increase related stake. The Company does not record dividend income from the shares received free of charge when they are distributed proportionally to all shareholders.

The Company records dividend income to gross value including dividend tax, which is recognized as a current expense with the income tax.

Employees' benefits
(i) Short-term Benefits

Obligations with short-term benefits granted to employees do not get updated and are recognized in the profit or loss account and other elements of global income as the services are provided.

Short-term employee benefits include salaries, bonuses and social security contributions. Short-term employee benefits are recognized as expense when services are rendered. The Company recognizes a provision for amounts expected to be paid by way of premium in cash or short-term staff participation schemes to profit in conditions in which the Company currently has a legal or constructive obligation to pay those amounts as a result of past service rendered by employees and whether the obligation can be estimated reliably.

(i) Defined contribution plans

The company makes the payment on behalf of its employees to the Romanian state pensions system, health insurance and unemployment fund, during the normal course of business.

All members and employees of the Company are also legally obliged to contribute (through social contributions) to the Romanian State pension (a State defined contribution plan). All relevant contributions are recognized in the profit or loss account for the period when incurred. The Company has no further obligations. The company does not operate any independent pension scheme and consequently, has no other obligations in this regard. The company does not operate any other post retirement benefit system. The Company has no obligation to provide further services to current or former employees.

(ii) Long-term employee benefits

Company's net obligation in respect of the long-term reward services is represented by the amount of future benefits that employees have earned in return for services rendered by them in the current and prior periods.

Gains and losses from exchange rate differences

Transactions in foreign currencies are recorded in functional currency (RON) by converting the amount in foreign currency at the official exchange rate of the National Bank of Romania on the transaction date.
On the reporting date, monetary items denominated in foreign currencies are translated using the closing exchange rate.

The exchange differences arising during the settlement of monetary items or the conversion of monetary items at rates different from those at which they were converted on initial recognition (during the period) or in previous financial statements are recognized as a gain or loss in the profit or loss account in the period in which they arise.

Tax profit

Income tax for the period comprises current tax and deferred tax. Current income tax includes income tax applied to amounts of the dividends recognized on their gross value.

Profit tax is recognized in the statement of profit or loss and other elements of global income or directly in equity, taking into account how the elements referred affect one or other of the foregoing.

Current tax is the expected tax payable on the profit realized in the current period, using tax rates enacted at the reporting date, and any adjustment relating to prior periods.

For the period 1st January to 31st December 2016, the income tax rate was 16%.

Deferred tax is not recognized for the following temporary differences: the initial recognition of the commercial fund, the initial recognition of assets and liabilities arising from transactions that are not business combination and that affect neither the accounting profit nor on the fiscal one and differences resulting from investments in subsidiaries, provided that they are not resumed in the near future.

Deferred tax is calculated using tax rates that are expected to apply to the resumption of temporary differences in the legislation in force at the reporting date. Deferred tax receivables and liabilities are offset only if there is a legally enforceable right to offset current tax liabilities and receivables and whether they are related to the tax collected by the same tax authority on the same entity subject to taxation or different tax authorities but wish to achieve settlement of claims and current tax liabilities using a net basis or related assets and liabilities, will be realized simultaneously.

The deferred tax asset is recognized only to the extent that the Company is probable that future profits that could be used to cover the tax loss. The claim is reviewed at each financial year and is reduced to the extent that the related tax benefit is unlikely to be achieved. Additional taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the dividends.

Earnings per share

The Company presents earnings per share basic and diluted ordinary shares. Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders of the Company's to the average number of ordinary shares outstanding over the reporting period. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the average number of ordinary shares with dilution effects resulting from potential ordinary shares.

Leasing payments

Operating leasing payments are recognized in the profit or loss account, based on a straight line method over the leasing term. The leasing facilities received are recognized as an integral part of the total leasing expense, over the term of the leasing. Operating leasing expense is recognized as a component of operating expenses. Minimum leasing payments under financial leasing contracts are divided proportionally between interest expense and reduction of the leasing debt. Leasing interest expense is allocated to each period of the leasing, so as to produce a constant interest rate for the remaining leasing liability.

Segment reporting

A segment is a distinct component of the Company that supplies certain products or services (business segment) or supplies products and services in a particular geographical environment (geographical segment) and is subject to risks and rewards that are different from those of other segments.

4. Significant Risk management

The Company's management believes that risk management should be done in a consistent methodological framework and that their management is an important component of the strategy to maximize profitability, achieving a desired level of profit while maintaining an acceptable risk exposures and compliance with legal regulations. Formalized risk management procedures determined by the Company's management is integral part to the strategic objectives of the Company.
Investment activity exposes the Company to a variety of risks associated with owned financial instruments and financial markets in which it operates. The main risks to which the Company is exposed are:

• market risk (price risk, interest rate risk and currency risk);
• credit risk;
• economic environment risk;
• operational risk.
• capital adequacy

General risk management strategy aims to maximize Society's profits compared to the level of risk to which it is exposed and minimize any potential adverse variations on the financial performance of the Company.

The Company has implemented policies and procedures to manage and evaluate the risks to which it is exposed. These policies and procedures are presented in the section dedicated to each type of risk.

(a) Market Risk

Market risk is the risk of a loss or of not getting the expected profit as a result of fluctuations in prices, interest rates and exchange rates of currencies.
The Company is exposed to the following market risk categories:

(i) Price risk

The Company is exposed to price risk with the possibility that the value of projects fulfillment costs to be higher than the estimated value of such contracts, thus making them run at a loss.
The carrying amount of financial assets and liabilities maturing in less than one year approximates to their fair value.4. Administrarea riscurilor semnificative

	31st December 2016		31st December 2015	
	Book value	**Fair value**	**Book value**	**Fair value**
Current tax receivables	-	-	-	-
Receivables from construction contracts	61.548.607	61.548.607	56.084.820	56.084.820
Trade and other receivables	2.902.749	2.902.749	2.616.404	2.616.404
Advance payments for tangible assets	148.200	148.200	194.590	194.590
Cash and cash equivalents	5.335.529	5.335.529	10.154.997	10.154.997
Short-term bank credit	(31.787.700)	(31.787.700)	(31.310.481)	(31.310.481)
The current part of long-term loans	(4.272.642)	(4.272.642)	(4.272.642)	(4.272.642)
Trade and other liabilities	(37.861.532)	(37.861.532)	(31.605.605)	(31.605.605)

Total	**-4.134.989**	**-4.134.989**	**1.862.083**	**1.862.083**

(ii) Interest rate risk

On 31st December 2016 the majority of the Company's assets and liabilities are not interest bearing, except for the contracted loans. As a result the Company is not significantly affected by interest rate fluctuationsrisk. The Company does not use derivative financial instruments to protect themselves against interest rate fluctuations.

The following tables show the Company's exposure to interest rate risk.

Financial instruments with fixed rate		**2016**		**2015**
Financial assets				
Short-term loans		31.787.700		31.310.481
Interest:	Eur1M + 0.78%		Eur1M + 1.6%	
Medium-term loans (including1 year maturity)		8.623.288		12.887.649
Interest:	Eur 3M + 1.6%			Eur 3M +1.6%

Currency risk

Currency risk is the risk of loss or failure to achieve estimated profit as a result of unfavorable exchange rate fluctuations. Most of the Company's financial assets and liabilities are denominated in national currency, other currencies in which operations are EUR, USD and GBP.
Most of the Company's financial assets and liabilities are denominated in national currency and therefore the exchange rate fluctuations do not significantly affect the Company's activity. Exposure to currency exchange rate fluctuations is mainly due to foreign currency deposits and shares.

(b) Credit risk

The Company is exposed to credit risk related to financial instruments arising from the possible default of payment that a third party has against the Company. The Company is exposed to credit risk on trade receivables with payment terms due up to 90 days.

The maximum exposure to credit risk of the Company is the amount of 61.688.062 lei on 31st December 2016 and the amount of 56.088.073 lei on 31st December 2015 and can be analyzed as follow:

Different debtors and trade receivables

The situation of older claims to the financial data was:

Different debtors and trade receivables

The situation of older claims to the financial data was:

	Gross value on 31st December 2016	Adjustments for impairment	Gross value on 31st December 2015	Adjustments for impairment
In time	30.652.536	-	35.400.387	-
Between 0-30 days	14.136.642	-	16.666.265	-
Between 31-90 days	5.264.695	-	5.217.563	-
Between 91-120 days	6.981.924	947.754	6.735.163	-
Between 121-365 days	-	-	-	-
Over 365 days	1.860.017	1.860.017	2.975.888	2.975.888
Total:	**58.895.814**	**2.807.771**	**66.995.266**	**2.975.888**
Total net:	**56.088.043**		**64.019.378**	

Receivables with age between 31-120 days are within contractual terms. See note 8,9 and 10.

(c) Economic environment risk

The Romanian economy continues to present specific characteristics of emerging economies and there is a significant degree of uncertainty regarding the development of political, economic and social environment in the future. Management is concerned to estimate the nature of the changes that will occur in the economic environment in Romania and their effect on the financial position and operating result and cash of the Company.

Among the features of the Romanian economy there is the existence of a currency that is not fully convertible abroad and a low degree of liquidity of the capital market.

The Company's management can not predict all the crisis effects that will have an impact on the financial sector in Romania, nor their potential impact on these financial statements. The Company's management believes that they adopted the necessary measures for the sustainability and development of the Company in current market conditions.

(d) Operational risk

Operational risk is the risk of recording losses or failure to achieve estimated profits due to internal factors such as inadequate implementation of internal activities, the existence of a personal or inadequate systems or due to external factors such as economic conditions, changes on the capital market, technological progress. The operational risk is inherent in all activities of the Company.

Defined policies for managing operational risk have considered each type of events that can generate significant risks and ways of their manifestations, to eliminate or minimize financial or reputational losses.

(e) Capital adequacy

Management’s policy in terms of capital adequacy focuses on maintaining a sound capital base, in order to support the ongoing development of the Company and investment objectives.

The Company’s equities include the capital, different types of reserves and retained earnings. The Company is not subject to statutory capital adequacy requirements.

(f) Determination of fair value

Certain accounting policies of the Company and disclosure requirements require the determination of fair value for both financial assets and liabilities as well as for non-financial ones. Fair values were determined for evaluation and / or disclosure purposes based on the methods described below. Where appropriate, information on the assumptions used in determining fair value is disclosed in the notes specific to the asset or liability.

5. Tangible and intangible assets

On 31st December 2016 and 31st December 2015, the tangible and intangible assets evolved as follows:

	Intangible assets	Land	Constructions	Technical installations and machines	Other installations and furniture	Tangible assets in progress	Total
	20	211	212	213	214	231	
Balance on 1st January 2015	**276,511**	**40,293,126**	**20,256,769**	**65,005,006**	**264,354**	**4,845,835**	**130,941,601**
Acquisitions	424,482		23,902	642,290		13,745,439	14,836,113
Domestic production						1,207,291	1,207,291
Outputs	-119,477			-59,785	-2,976	-23,113	-205,351
Internal transfers			2,110,42			-2,110,421	0
Internal transfers				16,297,158		-16,297,158	0
Offset by depreciation for fixed revalued assets			-3,468,965				-3,468,965
Revaluation of fixed assets		-19,046,051	20,065,920				1,019,869
Balance on 31st December 2015	**581,516**	**21,247,075**	**38,988,047**	**81,884,669**	**261,378**	**1,367,873**	**144,330,558**
Cumulated depreciation							
Balance on 1st January 2015	**152,471**	**0**	**2,286,794**	**30,271,408**	**219,189**	**0**	**32,929,862**
Depreciation expense during the year	75,439	0	1,182,171	6,642,867	10,393	0	7,910,870
Cumulated depreciation of outputs	-119477	0	0	-59,785	-2976	0	-182,238
Cancellation of depreciation for fixed revalued assets	0	0	-3,468,965	0	0	0	-3,468,965
Balance on 31st December 2015	**108,433**	**0**	**0**	**36,854,490**	**226,606**	**0**	**37,189,529**

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(All amounts are expressed in lei unless otherwise indicated)

Net book value							
Balance on 31st December 2014	**124,040**	**40,293,126**	**17,969,975**	**34,733,597**	**45,165**	**4,845,835**	**98,011,738**
Balance on 31st December 2015	**473,083**	**21,247,075**	**38,988,047**	**45,030,179**	**34,772**	**1,367,873**	**107,141,029**
Balance on 1st January 2016	**581,516**	**21,247,075**	**38,988,047**	**81,884,669**	**261,378**	**1,367,873**	**144,330,558**
Acquisitions	986,655		0	251,2747		4,507,333	5,745,735
Domestic production						841,560	841,560
Outputs	0		0	-297,2915	-57,861	0	-355,152
Internal transfers						0	0
Internal transfers			785.287	3,782,568	94,747	-4,662,602	0
Balance on 31st December 2016	**1,568,171**	**21,247,075**	**39,773,334**	**85,618,693**	**298,264**	**2,054,164**	**150,562,701**
Cumulated depreciation							
Balance on 1st January 2016	**108,433**	**0**	**0**	**36,854,490**	**226,606**	**0**	**37,189,529**
Depreciation expense during the year	552,788	0	3,098,368	6,597,570	14,998	0	10,263,724
Cumulated depreciation of outputs	0	0	0	-296,933	-57,720	0	-354,653
Cancellation of depreciation for fixed revalued assets	0	0	0	0	0	0	0
Balance on 31st December 2016	**108,433**	**0**	**3,098,368**	**43,155,127**	**183,884**	**0**	**47,098.600**
Net book value							
Balance on 31st December 2015	**473,083**	**21,247,075**	**38,988,047**	**45,030,179**	**34,772**	**1,367,873**	**107,141,029**
Balance on 31st December 2016	**906,950**	**21,247,075**	**36,674,966**	**42,463,566**	**114,380**	**2,054,164**	**103,464,101**

The Company assesses the land and buildings at their fair value. The last revaluation of the buildings was performed on 31st December 2015. The Company had the revaluation of tangible assets by independent evaluators.

In 2016 the company carried investments in value of about 6.587.295 lei, funded from the surplus of the period.

The increases in tangible assets in the reporting year are reflected mainly in:

- Small mechanization	74.968 lei
- Equipment, transport and lifting machines	65.261 lei
- Constructions, envelopment, waterproofing	785.288 lei
-Machines and equipments:acquisitions and upgrades	3.269.946 lei
- Anticorrosive protection technique	408.597 lei
- Technical software,upgrade and new licenses ,hardware	986.655 lei
- Laboratory technique	187.046 lei
- Winter preparation 2016 – 2017	18.681 lei

The amortization method was linear throughout the financial year, its total amount was 10.215.492 lei. In the same period grants were resumed to income, for investments worth 2.079.537 lei.

The company has ownership documents for their land and buildings. The situation in the form of mortgages is presented in note 14.

The amount that would have been recognized had it not been any revaluation is as follows:

The effect of these records on deferred income tax is presented in Note 20.

Assets at fair value on a recurring basis (revalued assets) belong to Level II of the fair value hierarchy. Evaluation techniques are based on comparisons with transactions carried out at market value for comparable assets in similar areas and update income methods.

6. Financial assets available to sell

Financial assets available for sale are measured at cost, as indicated in part 3 Accounting policies.

The main activity of Comelf Energy is: the design, implementation, turnkey installation of hydroelectric installations for thermal power, electrical and hot water.

Secondary activities:

- Management and processing of non-technological, non-hazardous and hazardous waste
- Management and processing of metal waste specific for dyeing process
- Processing used diluent/ thinner
- Recycling wood waste
- Activities specific to drycleaners

Financial assets available for sale	**Amount**
On 31st December 2015	215,312.00
On 31st December 2016	196,109.00

Reclassification of financial instruments in 2016:

Securities recorded at fair value on 31.12.2015: :	215.312
Register change in the value of securities available for sale - for 2016:	-19.203
Securities recorded at fair value on 31.12.2016:	196.109

The cost of securities available for sale recorded on 31.12.2016 is 66.600 lei

In 2016 and 2015, the share owned by the Company in Comelf Energy is as follows:

	2016		**2015**	
	Share (fair value– Note 6)	**% share**	**Share (fair value– Note 6)**	**% share**
Comelf Energy	196.109	45%	215.312	45%
Total	**196.109**	**45%**	215.312	**45%**

The financial details of Comelf Energy are presented below:

	2016	**2015**
Total assets	477.297	505.165
Total debts	41.499	26.693
Total equity	435.798	478.472
Total income	331.315	345.621
Total expenses	373.989	277.427
Profit	-42.674	56.823

7. Stocks

On 31st December 2016 and 31st December 2015, the stocks have the following balance:

	31st December 2016	**31st December 2015**
Raw materials	7.504.034	6.693.833
Auxiliar materials	40.315	74.360
Fuel	14.715	38.462
Inventory items	340.711	132.181
Others	1.017.297	272.582
Adjustments for impairment of raw materials	-90.822	-

Total	**8.826.250**	**7.211.418**

The Company recorded value adjustments for impairment of the stocks on 31st December 2016 in amount of 90.822, on 31st December 2015 did not record adjustments for impairment of the stocks. In 2016, expenses related to the above mentioned goods, recognized in cost of sales amounted to 78.718.279 lei (2015: 78.953.942 lei).
Stocks revaluation accounting policies are presented in Note 3.

No inventories were pledged for loans.

8. Receivables from construction contracts

On 31st December 2016 and 31st December 2015, the receivables from construction contracts are as follows:

	31st December 2016	**31st December 2015**
Invoiced construction contracts receivables	44.761.968	37.513.213
Uninvoiced construction contracts receivables	18.538.946	20.368.392
Value adjustments for invoiced construction contracts receivables	(1.752.307)	(1.796.785)
Total	**61.548.607**	**56.084.820**

Receivables from construction contracts are presented net of advance payments received in the amount of 1.625.191 lei (31st December 2015: 2.966.975).
Sharing age was presented in section 4 "Significant risk management."
The situation of the age of impaired receivables to the financial data was:

	31st December 2016	**31st December 2015**
Between 181-365 days	-	-
Over 365 days	1.752.307	1.796.785
Total	1.752.307	1.796.785

For debts of long standing value adjustments have been established under Note 10.
Value adjustments for impairment of current assets.

Below is an analysis by age of financial assets that are past due date on 31.12.2016 but not impaired:

31st December 2016

Receivables	**Total**	**On time**	**Residual < 30 days**	**Residual 30-90 days**	**Residual > 90 days**
Receivables from construction contracts	**61.548.607**	27.499.801	12.973.272	12.198.175	8.877.359
Commercial account and other types of receivables	**2.902.749**	1.058.745	1.244.422	536.350	63.232

TOTAL	**64.451.356**	**28.558.546**	**14.217.694**	**12.734.525**	**8.940.591**

Rotation speed of the customers (Recovery receivables period), expresses the number of days until the debtors pay their debt to the society and show the efficacy of the society in collecting its receivables. For the year 2016 (average balance customer / turnover) x 365 days = 83 days, in 2015 it is 75 days. Generally, penalties are treated according to each customer contracts and resolved through punctual negotiation of each case. The procedure for accepting new clients is done in accordance with the tender - contracting procedures manual, these procedures are reviewed regularly.

9. Commercial account and other types of receivables

On 31st December 2016 and 31st December 2015, the receivables from construction contracts are as follows:

	31st December 2016	31st December 2015
Receivables from sales of goods	802.989	-
VAT to be recovered	944.749	1.400.126
Advances paid to domestic suppliers (those for intangible assets exclusively)	242.371	443.817
Advances paid to external suppliers	145.779	253.415
Advanced payments to suppliers of fixed assets	148.200	194.590
Different debtors	63.232	63.232
Other receivables	1.566.416	1.466.801
Value adjustments	-1.010.987	-1.010.987
Total	**2.902.749**	**2.810.994**

Exposure to credit risk and currency risk, as well as impairment losses related to commercial contracts and other receivables, excluding construction contracts in progress are presented after the Note regarding the various debtors.

10. Value adjustments for impairment of current assets

The evolution of the value adjustments for impairment of current assets in 2016 was as follows:

	Balance on 1st January 2016	Increases	Decreases	Balance on 31st December 2016
Value adjustments for receivables from construction contracts	1.796.785	-	44.478	1.752.307
Value adjustments for various debtors	1.010.987	-	-	1.010.987
Total	**2.807.772**	**-**	**44.478**	**2.763.294**

Adjusting worth 1,010,987 lei represents an adjustment in the amount of 100% of the value of a long standing debt, which is in dispute.
The value adjustments for the amount of 1.752.307 lei are made for a total of eight clients, one of them being in dispute for the amount of 949.436 lei.

The reasons why the the entity considered as impaired financial assets are mainly related to delays revenues and / or non-compliance under discussion with customers.

11. Cash and cash equivalents

On 31st December 2016 and 31st December 2015, the cash and cash equivalents are as follows:

	31st December 2016	**31st December 2015**
Availabilities in bank accounts in local currency	3.972.449	7.283.687
Availabilities in bank accounts in foreign currency	1.332.955	2.843.559
Cash	30.125	27.751
Other availabilities	-	-
Total	**5.335.529**	**10.154.997**

The current bank accounts are permanently available to the Company and are not restricted.

Liquidity / cash management

The responsibility for liquidity risk is the Board of Directors and executive management of Comelf, which sets the liquidity management through BVC and cash flow, prepared on the entire company and for each subunit separately.

31st December 2016

Receivables	**Total**	**< 1 month**	**1 - 3 months**	**3 months – 1 year**	**> 1 year**
Construction contracts receivables	**61.548.607**	27.499.801	19.561.974	12.734.525	1.752.307
Commercial and other receivables	**2.902.749**	1.058.745	1.244.422	536.350	63.232
Receivables related to current tax	**0**	0	0		
Cash and cash equivalents	**5.335.529**	5.335.529			
TOTAL	**69.786.885**	**33.894.075**	**20.806.396**	**13.270.875**	**1.815.539**

31st December 2016

Debts	**Total**	**< 1 month**	**1 - 3 months**	**3 months – 1 year**	**> 1 year**
Commercial and other debts	**37.861.532**	25.046.692	6.385.939	5.715.714	713.187
Bank loans (other than overdrafts)	**8.623.288**			4.272.642	4.350.646
Overdtafts (annually extended)	**31.787.700**			31.787.700	
TOTAL	**78.272.520**	**25.046.692**	**6.385.939**	**41.776.056**	**5.063.833**

31st December 2015

Receivables	**Total**	**< 1 month**	**1 - 3**	**3 months –**	**> 1 year**

			months	1 year	
Construction contracts receivables	**56.084.820**	26.920.857	15.120.559	12.246.619	1.796.785
other receivables	**2.616.404**	1.402.680	352.962	797.530	63.232
Receivables related to current tax	**0**		0		
Cash and cash equivalents	**10.154.997**	10.154.997			
TOTAL	**68.856.221**	**38.478.534**	**15.473.521**	**13.044.149**	**1.860.017**

31st December 2015

Debts	**Total**	**< 1 month**	**1 - 3 months**	**3 months – 1 year**	**> 1 year**
Commercial and other debts	**31.605.606**	20.315.305	5.086.856	5.462.058	741.387
Bank loans (other than overdrafts)	**12.887.650**			4.272.642	8.615.008
Overdtafts (annually extended)	**31.310.481**			31.310.481	
TOTAL	**75.803.737**	**20.315.305**	**5.086.856**	**41.045.181**	**9.356.395**

12. Equity

(a) Capital

On 31st December 2016 and 31st December 2015 the Company's shareholding structure is:

	2016			**2015**		
	Number of shares	**Total face value**	**%**	**Number of shares**	**Total face value**	**%**
Uzinsider SA	18.171.045	10.539.054	77,61%	18.165.470	10.535.972	77,59%
Other shareholders	5.241.895	3.040.451	22,39%	5.247.470	3.043.533	22,41%
Total	**23.412.940**	**13.579.505**	**100%**	**23.412.940**	**13.579.505**	**100%**

All shares are ordinary ones, were subscribed, have the same right to vote and have a nominal value of 0.58 RON / share. The number of shares authorized to be issued is equal to the shares issued. During the years 2016 and 2015 there were no changes in the number of shares issued.

The restated capital contains the following components:

	31st December 2016	**31st December 2015**
Capital	13.579.505	13.579.505
Adjustments to capital- IAS 29	8.812.271	8.812.271
Restated capital	**22.391.776**	**22.391.776**

The effect of hyperinflation on the capital in the amount of 8,812,271 RON was recorded by decreasing earnings / and reported results.

b) Reserves and retained result

Below is detailed the situatio of statement of financial position representing reserves and retained result. The rows marked in bold appear in both the statement of financial position and statement of changes in equity, where the variation from 31.12.2015 to 31.12.2016 is explained.

	ANNUAL FINANCIAL STATEMENTS ON 31st DECEMBER 2015	ANNUAL FINANCIAL STATEMENTS ON 31st DECEMBER 2016
Legal reserves	**2.510.153**	**2.362.915**
Reserves and reevaluation differences	**40.604.104**	**45.301.909**
Reserves from reevaluation of fixed assets	43.685.143	45.153.197
Reserves from reevaluation of financial instruments available for sale	- 3.081.039	-
Other reserves (account 1068)	**12.487.899**	**12.487.899**
Reported result and profit (detained result)	**-3.602.660**	**-6.596.867**
Reported result as realised surplus from reevaluation reserves	2.961.292	1.493.238
Reported result from the IFRS application, except for IAS 29	-11.176.457	-11.176.457
Reported result as undistributed profit or uncovered loss	631.282	2.972.576
Account 118 Reported result from adopting the IAS 29 for the first time	113.776	113.776
Profit	4.014.685	1.416.474
Profit distribution	-147.238	-1.416.474
Total reserves and detained result	**51.999.496**	**53.555.856**

Capital Management

(a) Legal reserves

According to legal requirements, the Company creates legal reserves in the amount of 5% of gross profit recorded under IFRS in 2016 but not more than 20% of the share capital available at the establishment of the reserve.
Legal reserves can not be distributed to shareholders but may be used to cover accumulated losses.

(b) Reserves out of revaluation

The revaluation reserve is fully associated to revaluation of tangible assets of the company.

(c.) Dividends

During 2016, according to the Company's board decision, it was decided to distribute dividends from retained earnings calculated on December 31st 2014. The company declared dividends in the amount of 2.341.294 (meaning 0.10 lei/share) lei and paid during 2016 dividends to its shareholders amounting to 2.075.692 lei, as dividends declared in previous years. On December 31st 2016 the dividend balance payout is 1.018.490 lei.

In the last two years, the evolution of the gross dividends was as follows:

	2015	**2014**
Dividends	2.341.294	4.473.568
Lei/share	0.10	0.191

From 2016 profit, according to the decision of the Board of Directors, the amount of 3.867.447 will be given as dividends. The gross dividend in 2016 is 0.165 lei/share.
According to the decision of the Board of Directors, the amount of 2.341.294 will be given as dividends for 2015 from undistributed profit in previous years. The gross dividend in 2015 is 0.10 lei/share

13.Loans

a) Credit line

On 31st December 2016 the Company has a signed credit agreement with ING Bank Romania - contract no. 11438 / 09.11.2011, with a one year maturity, which is renewed in November. The object of the contract is represented by a credit facility in the amount of EUR 7,000,000 to cover working capital needs related to the financial needs of the Company for current needs and potential commitments in the form of letters of guarantee with a maximum maturity of 12 months.

For the facility provided, the Company will pay interest at the rates specified below:

- the amounts in euro used from the facility, the annual interest rate is EURIBOR 1M plus a margin of 0,78% per year.

On 31st December 2016, the Company had overdrafts in the amount of 31.787.700 lei (31st December 2015: 31.310.481 lei)

b) Investment credit

On December 31st 2016, the Company has a credit agreement signed with ING BANK. The credit contract's object is represented by a medium-term investment credit, worth 3.300.000 EUR, for financing eligible expenses of the investment project "Fundamental change of the manufacturing flows and introduction of new technologies in order to increase productivity and competitiveness on domestic and foreign market of COMELF Bistrita ", concluded between COMELF SA Bistrita and Management Authority of Ministry of Economy, Trade and Business Environment .

The terms of the loan's repayment are the following: the loan is repayable in equal monthly installments starting 31.08.2015.
The monthly credit amount due is worth 79.122,60 EUR.

Main mortgages in favor of ING BANK for the investment loan are:

• Land area of 13. 460 sqm and buildings of 12,920 sqm ground built area, with the topographical number 8118/1/6, registered in Bistrita Land Registry 8685, inventory value = 2,780,904 RON.

• Land area of 20. 620 sqm and buildings of 20,363 sqm ground built area, with the topographical number 8118/1/15, registered in Bistrita Land Registry 8694, inventory value = 4,673,623 RON.

• Land area of 581 sqm and buildings of 572.93 sqm ground built area, with the topographical number

6628/2/2/1/2, registered in Bistrita Land Registry 8697 and topographical number 6628/2/2/1/2 / I, registered in Bistrita Land Registry 8697 / I, inventory value = 1,217,062 RON.

- Land Registry 55054 topographical number 8118/1/5: land area of 16820 sqm, cad. C1 top: 8118/1/5 hall Sidut (FFE)

14. Commercial and other types of debts

On 31st December 2016 and 31st December 2015, the commercial and other debts are as follows:

	31st December 2016	31st December 2015
Commercial debts	32.688.474	25.455.358
Debts to the state budget	1.666.808	2.184.455
Debts to staff	2.400.288	3.074.876
Tax and local taxes	40.024	87.075
Dividends to pay	1.018.490	752.888
Other loans and acummulated debts	47.448	50.954
Total	**37.861.532**	**31.605.606**

The commercial debts in the amount of 32.688.474 lei (December 31st 2016 2015: 25.455.358) comply with the contracts concluded with the suppliers.

The loans' rotation speed – supplier approximates the number of credit days that the company obtains from its suppliers. For the year 2016 (average balance providers / turnover) x 365 days = 59 days, for 2015 is 54 days.

On December 31st 2016 and 2015, debts to the state budget include mainly wage-related contributions.

15. Income from construction contracts

	31st December 2016	31st December 2015
Income from work performed on projects and invoiced to the customer (ct 701)	169.771.958	164.586.547
Income from work performed on projects and not invoiced - the cost share (711500+711540)	-2.435.193	4.898.814
Income from work performed on projects and not invoiced - estimated (71150A + 71154A)	398.557	1.161.683
Variation of unfinished production	-2.036.636	6.060.497
TOTAL	**167.735.322**	**170.647.044**

Contract revenue recognized in the period are determined taking into account the stage of completion of the works and not the billing. In the company accounts the account of production in progress is used, that includes the expected profit. Revenues presented in accordance with IAS 11 include revenues billed influenced by changing production in progress.

The stage of completion of contracts is determined taking into account the share of costs at the balance sheet date compared to the amount budgeted costs.

16a. Other income related to turover

	2016	2015
Rental income	2.470	2.664
Income from various activities	2.263.081	2.293.161
Income from the sale of residual products	1.744.236	972.208
Income from services	1.210.097	1.054.894
Total	**5.219.884**	**4.322.927**

16b. Other income

	2016	2015
Income from grants for investment	2.079.537	1.970.553
Income from subsidies	143.462	241.658
Revenues from transferred fixed assets	-	-
Other income	92.350	2.430.156
Total	**2.315.349**	**4.642.276**

Revenues from the production of tangible assets of 2016 were offset by expenses under the provisions of Order 2844/2016 as follows: Raw materials and other material costs: 266.123 lei, 144.557 lei staff expenses and other costs related to income 430.880 lei. Thus, the amount in “ Other income”, representing 2.315.349, does not include income from capitalized production totaling 841.560 lei.

Revenues from the production of tangible assets of 2015 were offset by expenses under the provisions of Order 1286/2012 as follows: Raw materials and other material costs: 395.141 lei, 140.810lei staff expenses and other costs related to income 671.340 lei. But, the amount in “ Other income”, representing 4.642.276, does not include income from capitalized production totaling 1.207.291 lei.

Turnover on 31st December 2016 is 180.147.787 lei (31 December 2015: 171.296.503 lei).

17. Staff costs

The average number of employees on December 31st 2016 and December 31st 2015 was as follows:

	2016	%	2015	%
Directly productive workers	734	65%	788	68%
Indirectly productive workers	172	15%	146	13%
Office staff	219	20%	225	19%
Total	**1.125**	**100%**	**1.159**	**100%**

The staff costs are as follows:

	2016	2015
Expenses on staff salaries	40.112.914	39.420.921

Expenses with meal vouchers	2.894.791	2.419.139
Expenses on insurances and social security	10.001.664	10.102.808
Total	**53.009.369**	**51.942.868**

On 31st December 2016, out of the total amount of 53.009.369 lei were deduced income wage costs of production assets, according to Order 2844/2016, for the amount of 144.557 lei. See also note on other income.

The amounts granted to key management staff, Board members and directors, were the following (gross amount) and are included in amounts presented above:

	2016	**2015**
Salary expenses - directors	2.382.050	2.065.947
Other long term benefits	33.396	33.396
Board of Directors allowance	190.905	188.790
Total	**2.605.351**	**2.288.133**

The Company has not granted loans and advances to members of the administration, management or supervisory in 2016 and 2015.

On 31st December 2016, COMELF S.A. company management had the following structure:

• Members of the Board of Directors of the Company:

Savu Constantin	president
Babici Emanuel	member
Mustata Costica	member
Maistru Ion	member
Parvan Cristian	member

- Members of the Executive Management of the Company:

Stoian Dorin	General Manager
Cenusa Gheorghe	Deputy General Manager
Pop Stefan	Economic Manager
Souca Nicoleta	Manager AQM
Jurje Valeriu	Factory General Manager
Timofte Antoniu	Factory General Manager
Pop Mircea	Factory General Manager
Oprea Paul	Factory General Manager

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Stoian Dorin	General Manager
Cenusa Gheorghe	Deputy General Manager
Pop Stefan	Economic Manager
Souca Nicoleta	Manager AQM
Kozuk Andrei	Factory General Manager
Ciocan Doru	Factory General Manager
Pop Mircea	Factory General Manager
Oprea Paul	Factory General Manager

18. Transport costs

	2016	2015
Expenses on transport of raw materials	1.389.342	1.366.865
Expenses on transport of end products	7.400.084	7.140.583
Expenses on employees transport	171.629	193.957
Other transport expenses	10.679	21.576
Total	**8.971.734**	**8.722.981**

19a. Other expenses related to income

	2016	2015
Expenses on maintenance and repairs	761.629	745.907
Rent costs	1.301.337	1.199.890
Insurance costs	644.070	647.450
Expenses on commissions and fees	2.665.975	2.005.560
Protocol expenses	148.250	167.049
Travel and transfers costs	476.361	523.130
Postal and telecommunication fee costs	113.864	119.295
Bank services costs	202.236	223.337
Other costs generated by third parties services	11.664.580	12.158.741
Tax costs	1.317.966	535.606
Total	**19.296.268**	**18.328.965**

Out of the total amount of 19.296.268 lei were deduced other expenses related to services provided by third parties for revenues from production assets, according to Order 2844/2016, for the amount of 430.880 lei. See also note on other income.

19b. Other expenses

	2016	2015
Total	**354.417**	**243.098**

The position includes mostly donations / sponsorships.

20. Income tax

Current income tax of the Company on December 31st 2015 is determined at a statutory rate of 16% based on IFRS profit.

Income tax expense for the year ended on 31st December 2016 and on 31st December 2015 is detailed as follows:

	2016	2015
Expenses on current income tax	549.563	692.621
(Income) / expense on the postponed tax	-	-
Total	**549.563**	**692.621**

Reconciliation of profit before tax with the tax income expense in the profit or loss account:

Reconciliation of corporate tax	**2016**	**2015**
Profit of the period	4.014.685	1.416.474
Total expense on corporate tax	549.563	692.621
Profit before tax	**4.564.248**	**2.109.095**
The local tax rate of the entity	16%	16%
	730.280	**337.455**
Corporate tax calculated using the local tax rate of the entity		
The influence of the legal deductible reserve established during the period	-23.558	-6.143
The influence of reserves establised based on tax free reinvested profit	-	-780.680
The influence of tax free income	-259.117	-214.587
The influence of similar elements to income: Influenta elementelor similare veniturilor: Revaluation differences become taxable	279.629	94.813
The influence of non-deductible expenses	309.256	1.553.434
Minus amount representing sponsorship	-207.298	-196.859
The calculation of corporate tax for the period, of which::	**829.192**	**787.434**
Corporate tax recorded directly in equity, related to revaluation differences become taxable	279.629	94.813
Income taxes recorded on charges	549.563	692.621

21. **Provisions for risks and expenses**

On 31st December 2016, the Company recorded provisions for risks and expenses amounting to **8.861.312** lei (**lei 9.441.748** on 31st December 2015**).** Their situation can be seen below:

	Provision for garantees	Pensions provision	Litigation Provision	**Other provisions**	**Total**
Balance on 1st January 2016	**0**	**462.549**	**0**	**8.979.199**	**9.441.748**
Constituted during the period	0	0		933.709	933.709
Used during the period	0	0	0	0	0
Value adjustment receivables (ct 2968)	0				0
Resumed during the period	0	38.124	0	1.476.021	1.514.145
Balance on 31st December 2016	**0**	**424.425**	**0**	**8.436.887**	**8.861.312**

In the long term	0	424.425	0	6.394.405	6.818.830
In the short term	0	0	0	2.042.482	2.042.482

Provisions for pensions in the amount of 424.425 lei (31st December 2015: 462.549 lei).

According to the collective labour agreement, the Company provides benefits in cash depending on the length of service upon retirement for employees. Provisioned amount was calculated considering the amount provided to be granted on retirement, the retirement time for each employee and an upgrade discount; the amounts were given a 10% discount.

• Other provisions in the amount of 8.436.887 lei (31 December 2015: 8.979.199 lei) include:
- Provisions for management awards for the amount of 228.928 lei (short term).
  - The provision related to repurchases of the pension insurance policy for the amount of 1.813.554 lei, are loyalty retirement benefits of the COMELF employees, granted under the law and the Collective Labour Agreement, hereinafter to be paid to employees (short term).

- The provision constituted after an Ordinance issued by DIICOT on the State Budget alleged damages as a result of the interpretation and application of tax legislation related to insurance expenses recorded in 2009-2012.

The Ordinance mentioned sums up a total of 6.394.405 lei. This amount was fully provisioned. There is no certainty regarding the moment when the resources coming is possible. Their level will be reviewed at the end of 2017.

22. Debts for postponed/deferred tax

Deferred tax liabilities on 31st December 2016 are generated by the elements detailed in the following table:

	31st December 2016	**31st December 2015**
Deferred tax receivables	-	-
Deferred tax liabilities related to reserves from reinvested profit	(1.132.973)	(1.132.973)
Deferred tax liabilities for revaluation tangible assets differences	(9.799.307)	(6.868.388)

Net deffered tax	**(10.932.280)**	**(8.001.361)**

23. Deferred/ Postponed income

1). In 2010, the Company concluded with the Ministry of Economy, Trade and Business Environment ("Ministry") the financing contract no. 3131/23.03.03 whose object is non-refundable financial aid from the state budget through the "Program for increasing the competitiveness of industrial products" administered by the Ministry for the project implementation "The uptake of advanced technologies for processing of wind turbine carcasses and compressor units, process chambers of the production lines of photovoltaic cells on the machinery with the latest numerical command which uses boring machine CNC with continuous indexable processing head in SC Comelf SA. "The total cost of the project was 1,991,488 lei, in which state aid was 836.760 lei. The counter state aid has been recognized by the Company as a government grant and amortized over a period of about 11 years.

Grant state aid objectives were represented by the modernization of existing products, development of new products, increase productivity, reduce energy consumption, reduced material consumption, optimizing the decision, environmental protection, quality assurance, targets met by the Company.

In 2016, the Company resumed incomes amount of 2.079.536 lei (2015: 1.970.553 lei), representing amortization grants.
The accounting policies adopted are set out in Note 3.

24. Earnings per share

Basic earnings per share calculation was based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares:

	31 December 2016	**31 December 2015**
Profit attributable to ordinary shareholders	4.014.685	1.416.474
Weighted average number of ordinary shares	23.412.940	23.412.940
Earnings per share	**0,17**	**0,06**

The diluted earnings per share equal the basic earnings per share because the Company has not recorded potential ordinary shares.

25. Financial elements

The financial elements are the following:

	31st December 2016	**31st December 2015**
Income from interests	2.323	5.434
Income from exchange rate differences	2.948.249	3.561.073
Other financial income	-	15.522
Total financial income	**2.950.572**	**3.582.029**
Interest expenses	(515.874)	(836.190)
Exchange rate differences expenses	(3.898.180)	(4.671.772)
Other financial expenses	(468.163)	(571.963)
Total financial expenses	**(4.882.217)**	**(6.079.925)**

Income and expenses from exchange rate differences relate to the following positions in the financial statements: short and long term credits: the net amount of - 489 377 lei (expense) , clients: the net amount of expenses - 106 109 lei, availability: net amount of expenses -451 578 lei, and other smaller amounts for other positions.

Other items of income and financial expenses are mainly granted discounts.

26. Commitments and contingent liabilities

(a) Contingencies related to the environment

Environmental regulations are under development in Romania, and the Company has not recorded any obligations on 31st December 2016 for any anticipated costs, including legal and advisory fees, site studies, design and implementation of remediation plans on elements of the environment.

The Company's management does not consider the costs associated with any environmental problems as significant.

(b) The transfer price

Fiscal legislation in Romania contains rules on transfer prices between related parties since 2000. The current legislative framework defines the "market value" for transactions between related parties, and the methods of transfer prices. As a result, it is expected that the tax authorities to initiate thorough verification of transfer prices, to ensure that the taxable and / or customs value of imported goods are not distorted by the effect of prices charged in relationships with affiliates.

27. Transactions and balances with related parties

Related parties and a brief description of activities and their relationships with the Company are as follows:

The transactions with the companies from the group are performed under the framework of commercial contracts where there are stipulated the rights and obligations of each party to the contract specifying the type:
- Commission contract, consulting contract.

The rights and obligations of the parties are clearly defined by contractual clauses, potential disputes being the competence of the court of International Arbitration, Chamber of Commerce and Industry of Romania.
The transactions between the parties shall be based on the principle of unbridled competition.
Under the framework contract shall be issued firm orders whose purpose is monitored for the fully observance of contractual clauses.

Related party	**Activity**	**Description of the connection type**
Uzinsider SA	Consulting services	Uzinsider SA is the main sharesholder
Uzinsider Techo SA	Acquisition of sheet and steel profiles Selling central heating products	
Uzinsider General Contractor SA	Collaborations on turnkey goals	
Promex SA	Collaboration in production of parts	
24 Ianuarie SA	Collaborations parts	

Uzinsider Engineering SA	Providing services

The other companies are related to Comelf S.A. due to a combination of common lead and / or individuals who are also shareholders of other companies.

a) **Receivables and liabilities with related parties**

On 31st December 2016 and 31st December 2015, the receivables from related parties are as follows:

Receivables to	**31st December 2016**	**31st December 2015**
Uzinsider Techo SA	12.642.735	4.705.922
Uzinsider General Contractor SA	250.375	250.375
Promex SA	13.982	74.025
24 Ianuarie SA	-	-
Total	**12.907.092**	**5.030.322**

On 31st December 2016 and 31st December 2015, debts to related parties are as follows:

Debts to	**31st December 2015**	**31st December 2014**
Uzinsider SA	408.576	212.784
Uzinsider Techo SA	2.373.567	215.725
Uzinsider General Contractor SA	18.910	-
Promex SA	-	-
24 Ianuarie SA	-	-
Uzinsider Engineering SA	-	-
Total	**2.801.053**	**428.509**

b) **Transactions with related parties**

Sales of goods and services to related parties are conducted at prices similar to those from contracts signed with the external recipients, as follows:

Sales in the year completed on :	**31st December 2016**	**31st December 2015**
Uzinsider Techo SA	26.692.695	22.051.576
Uzinsider General Contractor SA	260.310	80.108
Promex SA	43.950	78.785
24 Ianuarie SA	269.232	2.259
Uzinsider Engineering SA	-	-
Total	**27.266.186**	**22.212.728**

Purchases from related parties were carried at cost of acquisition under contract, as follows:

Acquisitions in the year completed on:	**31st December 2016**	**31st December 2015**

Uzinsider SA	905.672	1.029.600
Uzinsider Techo SA	2.193.786	3.134.638
Uzinsider Engineering Galati	-	5.130
Promex SA	13.982	77.478
24 Ianuarie SA	-	5.000
Total	**3.099.458**	**4.251.846**

Payment of dividends due to Uzinsider SA Bucharest was made during the whole of 2016 (Note 12 pts. (c). Exceeding the contractual terms as there are no impairments of value were recognized for these transactions during the year.

General terms and conditions stipulated in the relationships concluded with related parties are as follows: 60-90 day payment terms, payment methods and compensation orders, no guarantees are made, and there are not penalties for not paying them.

28. Capital Commitments

In the course of 2015 ended the project "Fundamental change in the flow of production and introducing new technologies in order to increase productivity and competitiveness on domestic and foreign COMELF market" according to the financing contract signed with the Ministry of Economy as the managing authority for POS-CCE.By the organizational measures taken to ensure implementation activities as planned, at the end of 2015 were put into operation all the 124 goals set in the initial project. Through a careful and meticulous management, savings were made against eligible expenditure provided in the project for which the Managing Authority received permission to be used to purchase new project machines.The project was supplemented with 14 goals and shifted the deadline for completion until 2nd October 2015, the objectives being fully achieved. There were allocated amounts needed to improve facilities with computers, software licenses acquisition, expansion and modernization of the computer network for the period 2016 societatii. The acquisitions committments for 2016 are limited to their own sources of funding and are estimated to 1.5 million Euro.

29. Operating Segment Reporting

The productive activity of the Company is held in the factories organized by profit centers:
• Stainless Steel Products Factory ("FPI")
• Factory of filters and electric filters("FFE")
• Factory of earthmoving machinery and equipment ("FUET")
• Factory of components and earthmoving machines ("TERRA")

The Company's business involves exposure to a number of risks. These include economic conditions, changes in legislation or tax rules. A variety of measures are taken to manage these risks. The Company operates a low risk reporting system designed to identify existing and potential obligations and facilitating taking action in a timely manner. Insurance and taxation are also managed by the Company.

In the Company there are regularly held the identification and monitoring of disputes and the pending lawsuits.

Essential decisions are taken by the Board of Directors. The business segments are independently managed, as each represents a strategic unit with different products:

• FPI - the most important products are: of stainless steel (equipment for gas turbine power plants, components for wind turbines, components for freight wagons, components for air filtration combustion) and carbon steel (power station equipment gas turbine, chassis for turbines, compressors, generators, conveyors metal components for transport, installation and equipping wind turbines, components for vehicles to maneuver trans containers);

• FFE - the most important products include: industrial gases dusting equipment, equipment for gas turbine power plants, equipment for treating and purifying wastewater, hydropower and hydro mechanical equipment, technological equipment;

• FUET - the most important products are: the naval machinery, filters for asphalt plants, components for freight cars, milling components, parts for excavators, electric motors and generators skeleton.

• TERRA - the most important products include: earthmoving machines with final assembly (crushers, trucks and poured asphalt), components for earthmoving machines (chassis, arms, frames) mobile presses for compact automobiles, fixed presses and components used for compacted waste metal telescopic cranes, dump heavy parts.

Reporting on operating segment

	FPI		FFE		FUET		TERRA		Centru		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
External segment incomes	56.167.890	57.883.743	22.675.847	28.054.535	61.462.222	56.396.467	32.284.044	34.206.710	8.678.057	6.665.144	181.268.060	183.206.567
Total segment incomes	**56.167.890**	**57.883.743**	**22.675.847**	**28.054.535**	**61.462.222**	**56.396.467**	**32.284.044**	**34.206.710**	**8.678.057**	**6.665.144**	**181.268.060**	**183.206.567**
Net financial costs	-693.680	-746.141	-239.130	-313.302	-326.458	-311.707	-237.854	-271.965	-434.523	-854.784	-1.931.645	-2.497.896
Depreciation and impairment	2.719.556	2.080.481	1.450.001	1.512.078	2.461.549	1.935.328	2.556.557	1.822.618	1.027.829	560.366	10.215.492	7.910.871
Profit tax expense	-111.492	11.716	-	-127.234	-796.206	-565.051	-	-39.321	358.135	27.269	-549.563	-691.621
The net result of the period	489.638	-354.146	-659.136	370.766	3.823.968	2.113.433	-1.496.014	-440.398	1.856.229	-273.182	4.014.685	1.416.474
Segment's actives	52.118.898	48.242.943	31.930.894	31.519.810	54.142.070	50.495.528	36.399.481	40.674.954	7.682.003	12.685.335	182.273.346	183.618.570
Investments in associated entities									196.109	215.312	196.109	215.312
Segment's debts	38.035.479	34.512.241	23.261.238	20.559.922	31.278.915	28.673.926	25.956.786	27.220.131	(8.121.749)	(3.295.281)	110.410.669	107.670.938

All amounts presented in total correspond to amounts presented in the financial statements without the need to reconcile them.
Total segment revenues correspond to income plus other income position and the other positions with similar positions in the financial statement.

In total operational revenue of the segment in the amount of 181.268.060lei (year 2016) and 183.206.567 lei (year 2015) the major types of products and services are:

	31st December 2016	**31st December 2015**
Energy industry equipment and components	101.542.722	100.213.992
Works earthmoving equipment and components	61.685.521	60.641.374
Equipment for environmental protection	4.966.745	4.213.751
Lifting and handling machines	9.951.616	15.755.765
Technological equipment	1.468.271	916.033
Other types	1.653.185	1.465.652
TOTAL	**181.268.060**	**183.206.567**

The company's revenue can be divided according to geographical area as follows:

	31st December 2016	**31st December 2015**
Revenue from Romania	2.900.289	2.381.685
Revenue from abroad	178.367.771	180.824.882
TOTAL	**181.268.060**	**183.206.567**

By contracting policy we have avoided to depend mainly on a client. Our clients are renowned companies worldwide, the company's policy being to develop strong relationships with companies that give foundation for a secure collaboration and perspective. The main countries these customers come from are:
ITALY, FRANCE, GERMANY, SWEDEN, ENGLAND, NORWAY.

The main customers who have a share in turnover of more than 10% and segment income related activity where these revenues are included are as follows:

Partner	Income share (> 10%)	Income	The segment where the income is included
General Electric	23.8 %	43.323.066	Energy industry equipment and components:FPI-FFE
Siemens	24.6 %	44.591.943	Energy industry equipment and components:FPI-FUET-FCT
Komatsu	19.6 %	35.528.540	Works earthmoving equipment and components:FUET

30. Subsequent events to the date of the balance

There are no subsequent events to the date of the balance.

31.Approval of financial statements

The financial statements were approved by the CA and published on the site on 21.03.2017.

Stoian Dorin
Executive Manager

Pop Stefan
Economic Manager

Undersigned, Magda Ionela Roxana, authorized translator by the Ministry of Justice, number of authorization 24666/2012, I certify the accuracy of this translation in English, according to the Romanian document handed to me.

Translator,

Magda I. Roxana

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