ICME ECAB S.A.

Financial Statements

Prepared in accordance with Minister of Public Finance Order no 1802/2014 with subsequent changes

For the year ended
31 DECEMBER 2017

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Note: The financial statements are accompanied by the administrators' report, Informative Data (Form 30) and Fixed Assets Schedule (Form 40); these reports are not part of the financial statements and are not included in this document.

KPMG Audit SRL
Victoria Business Park
DN1, Soseaua Bucuresti-Ploiesti nr. 69-71
Sector 1

P.O. Box 18-191
Bucharest 013685
Romania
Tel: +40 (21) 201 22 22
+40 (372) 377 800
Fax: +40 (21) 201 22 11
+40 (372) 377 700
www.kpmg.ro

Independent Auditors' Report

(free translation[1])

To the Shareholders of ICME ECAB SA

Bucuresti, Sector 3, Str. Drumul Intre Tarlale nr 42
CUI: 11703669

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of ICME ECAB SA ("the Company"), which comprise the balance sheet as at 31 December 2017, the income statement, the statement of changes in equity and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements as at and for the year ended 31 December 2017 are identified as follows:

- Net assets / Total equity: Lei 192,588,811
- Net Loss for the year: Lei 10,565,641

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with the Order of Minister of Public Finance No. 1802/2014 for approval of accounting regulations regarding the annual separate financial statements and annual consolidated financial statements and related amendments ("OMPF No. 1802/2014").

K

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version.

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Fiscal registration code
RO12997279
Trade Registry no J40/4139/2000
Share Capital 2,000 RON

KPMG

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Romania, the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter – Scope of the Audit

The financial statements of the Company as at and for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 19 April 2017.

Other information –Administrators' Report

Administrators are responsible for the preparation and presentation of other information. The Other information comprises the Administrators' Report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect of the Administrators' Report we read and report whether the Administrators' Report is prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding separate annual financial statements and annual consolidated financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements, in our opinion:

a) The information given in the Administrators' Report for the financial year for which the financial statements are prepared is consistent, in all material respects, with the financial statements;

b) The Administrators' Report has been prepared, in all material respects, in accordance with OMPF no. 1802/2014, articles 489 – 492 of the accounting regulations regarding separate annual financial statements and annual consolidated financial statements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Administrators' Report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with OMPF no. 1802/2014 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

K

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

K

Other matters

This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for the report on the audit of the financial statements, or for the opinion we have formed.

Refer to the original signed Romanian version

For and on behalf of KPMG Audit S.R.L.:

Soare Paula Raluca

registered with the Chamber of Financial Auditors of Romania under no 1518/2003

KPMG AUDIT S.R.L.

registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 18 April 2018

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KPMG AUDIT S.R.L.

registered with the Chamber of Financial Auditors of Romania under no 9/2001

Bucharest, 18 April 2018

ICME ECAB SA
BALANCE SHEET
AS AT 31 DECEMBER 2017
(all amounts are expressed in lei ("RON"), unless specified otherwise

Company name: SC ICME ECAB
Adress: Bucuresti Str.Drumul intre Tarlale, nr. 42 Sector 3
Telephone: 021.209.01.00 **FAX**: 021.256.14.76
Trade Register number: J40/3748/1999
Fiscal Code: RO11703669

CAEN Name: fiber production, insulated electric cablesc
CAEN Code: 313

	Nr. rd.	Note	Balance at 1 January 2017	Balance at 31 December 2017
A. NON-CURRENT ASSETS				
I. INTANGIBLE ASSETS				
Development expenses	01	3	-	563.286
Concessions, patents, licenses, trademarks, similar rights and assets and other intangible assets	01	3	1.048.854	4.288.463
Advance payments	02		867.087	631.173
TOTAL (rd. 01 la 02)	03		**1.915.941**	**5.482.922**
II. TANGIBLE ASSETS				
Freehold land and buildings	04	3	110.993.903	123.108.215
Plant and machinery	05	3	85.693.912	92.633.522
Other plant, machinery and fixtures	06	3	1.989.966	2.158.543
Advance payments and tangible fixed assets in progress	07	3	11.021.161	2.839.878
Advance payments	08		857.923	1.046.006
TOTAL (rd. 04 la 09)	09		**210.556.865**	**221.786.164**
III. FINANCIAL ASSETS				
Investments in subsidiaries	10		67.000	67.000
Other loans	11	3	291.657	131.447
TOTAL (rd. 10 la 12)	12		**358.657**	**198.447**
NON-CURRENT ASSETS - TOTAL (rd. 03 + 09 + 12)	13		**212.831.463**	**227.467.533**
B. CURRENT ASSETS				
I. INVENTORIES				
Raw materials and consumables	14	4	36.181.666	41.507.003
Work in progress	15	4	29.654.807	37.095.142
Finished goods and merchandise	16	4	49.367.093	55.060.935
Advance payments for the acquisition of inventories	17	4	1.592.159	1.649.529
TOTAL (rd. 14 la 17)	18		**116.795.725**	**135.312.609**
II. RECEIVABLES				
Trade receivables	19	5	32.443.864	47.546.876
Receivables from affiliated companies	20	14.5	53.937.914	67.895.311
Other receivables	21	5	17.090.115	11.975.898
TOTAL (rd. 19 la 22)	22		**103.471.893**	**127.418.085**
IV. CASH AND CASH EQUIVALENTS	23	6	**1.723.230**	**3.894.253**
CURRENT ASSETS (rd. 18+22+23)	24		**221.990.848**	**266.624.947**
C. PREPAID EXPENSES	25	7	542.327	679.784
Short term amounts (under one year)	26		542.327	679.784

ICME ECAB SA
BALANCE SHEET
AS AT 31 DECEMBER 2017
(all amounts are expressed in lei ("RON"), unless specified otherwise

	Nr. rd.	Note	Balance at: 1 January 2017	31 December 2017
D. LIABILITIES: AMOUNTS DUE WITHIN ONE YEAR				
2. Amounts owed to credit institutions	27	8	135.063.001	120.337.573
3. Advance payments received for orders	28	8	66.268	173.286
4. Trade debts – suppliers	29	8	45.332.882	57.704.262
6. Amounts due to affiliated companies	30	14.5	52.748.212	111.513.555
7. Other liabilities, including tax and social security contributions liabilities	31	8	10.539.561	6.571.010
TOTAL (rd. 27 la 31)	32		**243.749.924**	**296.299.686**
E. NET CURRENT ASSETS/NET CURRENT LIABILITIES (rd. 24 + 25 - 32 -38- 41)	33		**(21.549.290)**	**(29.258.003)**
F. TOTAL ASSETS LESS CURRENT LIABILITIES (rd. 13+33)	34		**191.282.173**	**198.209.530**
G. LIABILITIES: AMOUNTS DUE AFTER ONE YEAR				
8. Other liabilities, including tax and social security contributions liabilities	35	8	2.470.927	5.031.587
TOTAL (rd. 36)	36		**2.470.927**	**5.031.587**
I. DEFFERED INCOME				
1. Investment subsidies (Total (rd 38+39)	37	9	**891.520**	**740.326**
Short term amounts (under one year)	38		151.194	151.194
Long term amounts (over one year)	39		740.326	589.132
2. Other deffered income (Total (rd 41+42)	40	9	**181.347**	**111.854**
Short term amounts (under one year)	41		181.347	111.854
Long term amounts (over one year)	42			
TOTAL (rd. 37+40)	43		**1.072.867**	**852.180**
J. CAPITAL AND RESERVES				
I. CAPITAL				
1. Subscribed and paid up capital	44	10	34.863.429	34.863.429
TOTAL (rd. 44)	45		**34.863.429**	**34.863.429**

		Nr. rd.	Note	Balance at: 1 ianuarie 2017	31 decembrie 2017
III. REVALUATION RESERVE		**46**		**144.055.943**	**158.642.326**
IV. RESERVES					
1. Legal reserve		**47**		6.964.307	6.964.307
3. Other reserves		**48**		9.682.257	9.682.257
TOTAL (rd. 47 la 49)		**49**		**16.646.564**	**16.646.564**
V. PROFIT / (LOSS) BROUGHT FORWARD	Sold C	**50**		3.232.768	
	Sold D				6.997.867
VI. PROFIT / (LOSS) FOR THE YEAR	Sold D	**51**		10.727.784	10.565.641
TOTAL EQUITY (rd. 45+46 + 49-50+51)		**52**		**188.070.920**	**192.588.811**
TOTAL CAPITAL & RESERVES (rd. 52)		**53**		**188.070.920**	**192.588.811**

The financial statements from page 3 to page 49 were authorized by the Board of Directors for GMS approval at 13.04.2018

LAIOS KONSTANTINOS
Administrator

Stamp

Prepared by,

OLAN RAMONA
Economic Manager

ICME ECAB SA

INCOME STATEMENT

For the year ended 31 DECEMBER 2017

(all amounts are expressed in lei ("RON"), unless specified otherwise)

	Nr. rd.	Note	Financial year 2016	2017
1. NET TURNOVER (rd. 02 +03-04)	**01**	**11**	**521.831.856**	**589.700.432**
Sales of produced goods	**02**		497.090.861	548.326.514
Sales of goods purchased for resale	**03**		24.740.995	40.689.178
Trade discounts offered	**04**		-	(684.740)
2. Revenues associated with the cost of completed production Sold C	**05**			
Sold D	**06**		3.796.848	12.485.153
3. Own production capitalized	**07**		472.699	3.112.742
4. Other operating income	**08**		2.737.689	3.064.794
- From which investments subsidies	**09**		151.194	151.194
TOTAL OPERATING REVENUES (rd. 01 + 05 -06-07+08)	**10**		**521.245.396**	**608.363.121**
5. a) Expenses related to raw materials and consumables	**11**		394.811.664	444.537.170
Other material expenses	**12**		12.084.103	13.174.011
b) Other utilities expenses (electricity, heating and water)	**13**		11.909.429	12.221.473
c) Expenses regarding goods for resale	**14**		19.029.621	38.609.014
Trade discounts received	**15**		245.501	175.165
6. Personnel expenses (rd. 17 + 18), from which:	**16**	**12**	**30.062.278**	**32.406.120**
a) Salaries	**17**		24.659.224	26.673.499
b) Expenses related to social security contributions	**18**		5.403.054	5.732.621
7. a) Value adjustment related to tangible and intangible assets (rd. 20 – 21)	**19**		**15.364.443**	**16.890.686**
a.1) Expenses	**20**		15.364.443	16.890.686
a.2) Revenues	**21**		-	-
			-	
b) Value adjustements for current assets (rd. 23 – 24)	**22**		**(1.020.804)**	**1.694.487**
b.1) Expenses	**23**		1.241.292	1.694.487
b.2) Revenues	**24**		2.262.096	
8. Other operating expenses (rd. 26 la 29)	**25**		**39.725.511**	**45.957.183**
8.1. Third party services expenses	**26**	**13**	34.570.702	36.684.084
8.2. Other taxes, duties and similar expenses	**27**		1.725.218	1.543.533
8.3. Environmental expenses	**28**		167.823	173.159
8.4. Other expenses	**29**		3.261.768	7.556.407
TOTAL OPERATING EXPENSES (rd. 11 la 16+ 19 +25)	**30**		**521.720.744**	**605.314.979**
OPERATING PROFIT OR LOSS:				
- Profit (rd. 10- 30)	**31**		-	3.048.142
- Loss (rd. 30 – 10)	**32**		475.348	

Denumirea indicatorilor	Nr. rd.	Note	Financial year 2016	Financial year 2017
9. Income interest	33		187.858	-14.849
- from which, income from affiliated companies	34		-	-
10. Other financial revenues	35		6.782.943	9.318.716
TOTAL FINANCIAL REVENUES (rd. 33 + 34 + 35)	36		**6.970.801**	**9.303.867**
11. Interest expenses	37		7.628.634	7.262.308
- from which, interest from affiliated companies	38		1.364.113	1.350.180
12. Other financial expenses	39		9.594.603	15.655.342
Total financial cost (rd. 37 + 39)	40		**17.223.237**	**22.917.650**
Profit or loss::				
- Loss (rd. 40- 36)	41		**10.252.436**	**13.613.783**
Profit or loss from current activity: - Loss (rd. 30 + 40 - 10 - 36)	42		10.727.784	10.565.641
TOTAL INCOME (rd. 10+ 36)	43		**528.216.197**	**617.666.988**
TOTAL EXPENSES (rd. 30 + 40)	44		**538.943.981**	**628.232.629**
PROFIT OR LOSS BEFORE TAX : - Loss (rd. 50 – 49)	45		10.727.784	10.565.641
20. NET PROFIT OR LOSS:	46			
- Loss (rd 50-49-53-54)	47		10.727.784	10.565.641

The financial statements from page 3 to page 49 were authorized by the Board of Directors for GMS approval at 13.04.2018

LAIOS KONSTANTINOS
Administrator

Stamp

Prepared by,

OLAN RAMONA
Economic Manager

	2016	2017
Cash flow from operating activities:		
Gross Profit:	**(10.727.784)**	**(10.565.641)**
Adjustements for:		
Impairment, depreciation and amortization	15.364.443	16.890.686
Grants amortization	(151.194)	(151.194)
Provision for current assets	(935.314)	656.853
Interest expense	7.628.634	7.262.308
Interest income	(187.858)	(14.849)
Unrealized exchange rates	496.519	3.704.946
(Profit) / loss on sale of fixed assets	3.332	551.570
	11.490.778	**18.334.679**
Operating profit before changes in working capital		
Decrease / (Increase) in trade and other receivables	(16.301.513)	(22.992.461)
(Increase) / Decrease in inventories	3.389.754	(18.721.427)
(Decrease) / Increase in trade and other payables	(232.322)	67.709.957
Interest paid	(6.665.874)	(7.057.856)
Income tax paid	(2.108.082)	(159.322)
Cash generated from operating activities	**(10.427.259)**	**37.113.570**
Cash flows from investing activities:		
Payments for purchase of property and equipment	(16.043.278)	(15.157.194)
Payments for acquisition of other long term assets	(188.948)	160.210
Payments for purchase of intangible assets	(929.471)	(4.651.072)
Interest received	187.858	14.849
Cash flows from investing activities	**(16.973.839)**	**(19.633.207)**
Cash flows from financing activities:		
Proceeds from borrowings	-	-
Payment of finance lease debts	(1.254.347)	3.335.511
Dividends paid	(5.507)	-
Net Increase/ (Decrease) in short-term loans	26.749.198	(18.644.851)
Cash flows from financing activities	**25.489.344**	**(15.309.340)**
Net decrease / increase in cash and cash equivalents	(1.911.754)	2.171.023
Cash and cash equivalents at the beginning of the financial year	**3.634.984**	**1.723.230**
Cash and cash equivalents at the end of the financial year	**1.723.230**	**3.894.253**

The financial statements from page 3 to page 49 were authorized by the Board of Directors for GMS approval at 13.04.2018

Prepared by,

LAIOS KONSTANTINOS
Administrator

OLAN RAMONA
Economic Manager

Stamp

2017

			Increase		Decrease		
		01.jan.17	Total, of which:	Transfer	Total, of which:	Transfer	31.dec.17
Subscribed capital	- Sold C	34.863.429	-	-	-	-	34.863.429
Revaluation reserves	- Sold C	144.055.943	14.586.383	-	-	-	158.642.326
Legal reserves	- Sold C	6.964.307	-	-	-	-	6.964.307
Other reserves	- Sold C	9.682.257	-	-	-	-	9.682.257
Reported result, of which							
Profit / Loss carried forward	- Sold C	3.232.768	497.149	-	-	-	-
	- Sold D	-	10.727.784	10.727.784	-	-	6.997.867
Profit / Loss for the year	- Sold D	10.727.784	10.565.641	-	10.727.784	10.727.784	10.565.641
Total Equity		**188.070.920**	**(6.209.893)**	**(10.727.784)**	**10.727.784**	**10.727.784**	**192.588.811**

The financial statements from page 3 to page 49 were authorized by the Board of Directors for GMS approval at 13.04.2018

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LAIOS KONSTANTINOS
Administrator

Stamp

OLAN RAMONA
Economic Manager

2016			Increase		Decrease		
		1 jan. 2016	Total, of which:	Transfer	Total, of which:	Transfer	31 dec. 2016
Subscribed capital		34.863.429	-	-	-	-	34.863.429
Revaluation reserves	- Sold C	144.055.943	-	-	-	-	144.055.943
Legal reserves	- Sold C	6.964.307	-	-	-	-	6.964.307
Other reserves	- Sold C	9.682.257	-	-	-	-	9.682.257
Reported result, of which Profit / Loss carried forward	- Sold C	13.650.845	-	-	10.418.077	6.914.636	3.232.768
Profit / Loss for the year	- Sold D	6.914.636	10.727.784	-	6.914.636	6.914.636	10.727.784
Total Equity		**202.302.145**	**10.727.784**	**-**	**3.503.441**	**-**	**188.070.920**

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In 2017, the equity changed as follows:

The retained earnings were affected by the amount of RON 10,727,784 representing the loss for the previous year and the amount of RON 497,149 representing the amounts recovered as a result of the reverification, related to the amounts previously imposed after the control of the tax institutions completed in April 2016 representing the profit tax and related increases for 2010-2014 financial years.

The legal reserve is created in accordance with the stipulations of the Commercial Companies Law, according to which 5% of the annual accounting profit is transferred within the legal reserves until their balance reaches 20% of the company's share capital. In 2016 the company did not constitute legal reserves. If this reserve is used wholly or partially to cover losses or to distribute in any form (such as the issuance of new shares in accordance with Commercial Companies Law), it becomes taxable. The company's management does not expect to use the legal reserve in such a way that it becomes taxable.

The Other Reserve line represents amounts set up in previous years and represents:

- Development fund: RON 1.695.074;

- Reserves from the decrease of tax for exports: RON 670.463;

- Reserves from the decrease of tax for reinvested earnings : RON 7.316.720.

As at December 31, 2017, a revaluation of the land and buildings belonging to the Company was carried out by an assessment expert, ANEVAR member, in accordance with OMF 1802/2014 with subsequent amendments and national valuation standards issued by ANEVAR. The revaluation aimed to adjust the net book value of the items included in the land and construction category to their fair value, taking into account their physical condition and market value.

Following the revaluation, there was an increase in the revaluation reserve in amount of RON 14,586,383.

1. Company presentation

S.C. ICME ECAB S.A. (the "Company") is a joint-stock established in 1999 as a result of the division of the former ICME SA, with the headquarters in Drumul intre Tarlale Street, no. 42, sector 3, Bucharest, Romania. The company is registered with the Trade Register number J40/3748/1999.

The Company's scope of activity is the production of isolated power cables, conductors and telephony cables for both domestic and international market.

The company did not have extraordinary activity so that the result of the exercise and the tax result are derived only from the current activity.

2. Accounting principles and policies

A. Basis of accounting

A.1. General informations

The individual financial statements of S.C. ICME ECAB S.A. as at and for the year ended 31 December 2015 have been prepared in accordance with:

- The accounting law 82/1991 (republished in 2008) and related amendments
- The Order of Minister of Public Finance no 1802/2014 and related amendments ("OMPF no. 1802/2014")

The accounting policies adopted for preparing and presenting the financial statements are in accordance with the accounting principles stipulated by OMPF no. 1802/2014.

The financial statements include:

- the Balance Sheet;
- the Income Statement;
- the Statement of changes in equity;
- the Cash flow statement;
- the Explanatory notes to the annual financial statements;

The financial statements refer only to ICME ECAB SA.

The company does not have subsidiaries which would make necessary the consolidation.

The accounting records, based on which these financial statements have been prepared, are made in lei ("RON").

The accompanying financial statements are not intended to present the financial position in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Also, the financial statements are not intended to present the results of operations, cash flows and a complete set of notes to the financial statements in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Therefore, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements including the Order of the Minister of Public Finance no. 1802/2014 and related amendments.

2. Accounting principles and policies

A.2. Significant accounting principles

The financial statements for the year ended 31 December 2017 have been prepared in accordance with the following accounting principles:

Going concern principle

The Company will continue in operation for the foreseeable future, without entering into liquidation or curtail materially the scale of information.

The consistency principle

The Company applies consistently the accounting polices and measurement measures from one financial year to another.

The prudence principle

The following have been taken into account in the preparation of the financial statements:

a) Only the realized profit at the balance sheet date was included in the profit and loss account
b) The liablities occurring during the current or predecent financial year were recognized, even those were acknowledged between balance sheet date and the date of its preparation;
c) Value adjustments were recognized, irrespective of whether the result of the financial year is profit or loss.

The accrual principle

The effects of the transactions and other events were recognized when transactions when transactions and events occurred (and not while the cash or its equivalent was cashed or paid) and were recorded in accounting and reported in the financial statements of the related periods.

All income and expenses of the financial year were considered, without taking into account the date of cash receipts and payments.

Income and expenses resulting directly and simultaneously from the same transaction were recognized simultaneously in accounting, through direct association of the related expenses and income, and by separately presenting these revenues and expenses.

The opening balance principle

The opening balance sheet of the financial year corresponds to the closing balance sheet of the previous financial year.

The principle of separate measurement of asset and liability items

In order to determine the total value of each balance sheet line, the value of each asset and liability item was determined separately.

2. Accounting principles and policies (continuation)

A.2. Significant accounting principles (continuation)

The non- offsetting principle

The values of assets has not been offset against values of liabilities, and respectively revenues have not been compensated against expenses.

Accounting and disclosure of financial statement items considering the substance of the transaction or of the engagement

Bookkeeping and disclosure in the financial statements of the economic and financial operations reflects their economic substance, highlighting the rights and obligations, and also the risks associated with these operations.

Principles of evaluation at acquisition cost or production cost

The items presented in the financial statements were measured based on the acquisition cost or production cost principles. [The acquisition cost or production cost principle was not used in cease were the company chose to evaluate the tangible assets or the financial instruments at fair value]

The materiality principle

The entity may depart from the requirements of the applicable accounting regulations concerning disclosures and publishing information when the effect of complying with these requirements is not significant.

A.3. Reporting currency

The accounting records are kept in Romanian and in the national currency („RON" or „LEI"). The transactions in foreign currency are recorded into accounting both in national and foreign currencies. The items included in these statements are presented in Romanian lei.

A.4. Comparative information

The financial statements prepared on 31 December 2017 are comparable to the financial statements of the previous financial year.

A.5. Use of accounting estimates

The preparation of the financial statements in accordance with OMPF no 1802/2014 and related amendments requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and the presentation of contingent assets and liabilities at the date of the financial statements, and amounts of income and expenses for the reporting period. Actual results could differ from those estimated. These estimates are reviewed periodically and, if necessary, adjustments are recorded in the income statement in the period the estimates are revised.

A.6. Going concern

These financial statements have been prepared on a going concern basis, which assumes that the Company will continue its activity in the foreseeable future. To asses the appropriateness of this assumption, the management analises estimates regarding future cash inflows. Based on this analysis, the management considers that the Company will be able to continue to operate in the foreseeable future and therefore the use of the going concern assumption in the preparation of these financial statements is appropriate.

The forecasts done by the Management take into consideration the fact that the activity will become profitable on medium term. In this period, the company depends on bank loans and on the support of the Mother-Company. The Management considers that the support provided by the banks and the Mother-Company will allow he continuation of the activity and the payment of the debts during the regular activity of the company, without the need for substantial assets sales, forced operation interruption due to external factors or other similar activities.

Based on these forecasts, the management considers that the Company will be able to continue its activity in the foreseeable future and therefore the application of the **going concern principle** in preparing the financial statements is justified.

B. Foreign currency exchange

Transactions in foreign currencies are initially recorded at the exchange rate published by the National Bank of Romania at the transaction date.
At the balance sheet date the monetary items denominated in foreign currency and the receivables and liabilities denominated in lei the settlement of which is based on a foreign currency exchange rate are measured and presented in the annual financial statements at the exchange rate published by the National Bank of Romania, valid at the closing date of the financial year.
Realized and unrealized exchange rate differences (gains and losses) between the exchange rate of the currency market, communicated by the National Bank of Romania at the date of recording the receivables or liabilities in foreign currency and those expressed in RON for which the settlement is made based on the exchange rate of a foreign currency, as well as differences between the exchange rate at which the receivables and liabilities are recorded in accounting and the exchange rate at the closing date of the financial year are recorded in the income statement of the period.
Non-monetary items purchased with payment in foreign currency and recorded at historical cost (fixed assets, inventories) are presented in the financial statements using the exchange rate from the transaction date. Non-monetary items purchased with payment in foreign currency and recorded at fair value (e.g. revalued tangible assets) are presented in the financial statements at this value.

Exchange rates RON / USD and RON / EUR communicated by the National Bank of Romania on 31 December 2075 and 31 December 2016 were as follows:

	2016	2017
1 euro (EUR)	4,5411	4,6597
1 dolar SUA (USD)	4,3033	3,8915

C. Intangible assets

Intangible assets are measured at cost less accumulated amortization and accumulated depreciation losses.

C1. Intangible assets

Development costs

Development costs (or costs made in the development phase of an internal project) are recognized as an intangible asset only if an entity can demonstrate the following:

a) the technical feasibility for completing the intangible assets so that it will be available for use or sale;
b) the intention to complete the intangible asset and to use or sell it;
c) the ability to use or sell the intangible asset;

2. Accounting principles and policies (continuation)

d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the production obtained through use of the intangible asset or for the intangible asset itself or, if it is planned to be used internally, the utility of the intangible asset
e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
f) its ability to measure reliably the expenses attributable to the intangible asset during its development

Development costs are amortized on a straight line basis over a period of 10 years, representing the period of use.

Computer software

Intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment.

Depreciation is recognized in the income statement on a straight-line basis over the estimated useful life of the intangible asset.

Intangible assets registered by the Company are represented by software and licenses.

These are linearly amortized over a period of 3-5 years.

C.2. Tangible assets

Cost/ Measurement

The initial purchased cost of property, plant and equipment consists of their purchase price, including import taxes and non-refundable purchase taxes, transportation costs, handling fees, notary fees, and costs of obtaining permits and other unrecoverable costs attributable to the acquisition of the fixed asset and any directly attributable costs for bringing the asset to the operating location and conditions.

Expenses incurred after the fixed asset has been put into operation, such as repairs, maintenance and administrative costs, are normally recorded in the income statement in the period in which they occurred. If it can be shown that these expenses have resulted in an increase in the expected future economic benefits to be obtained from the use of a fixed assets item above the initially assessed performance standards, the expense is capitalized as an additional cost in the asset's value.

Fixed assets in progress include the cost of construction, property, and other direct expenses. They are not depreciated over time until relevant assets are completed and put into operation.

The cost of an item of property, plant and equipment may include costs initially estimated with the dismantling and removal of the asset from decommissioning as well as with the restoration of the location on which the asset is located when these amounts can be estimated reliably and the entity has a dismantling obligation, movable property and site rehabilitation. Estimated costs with dismantling and moving the property, as well as those with site restoration, are recognized in its amount, in accordance with a provisioning account.

Expenses with the upgrading of some long-term assets taken into consideration are capitalized in the lessee's accounts and are amortized over the lease term or recognized as an expense in the period in which they were incurred, depending on the economic benefits that might result from the upgrading . Upon expiry of the lease, if these assets have been capitalized, they are transferred to the lessor (sale or other disposal).

When replacing a component of a tangible asset, the Company recognizes the cost of the partial replacement; the book value and related depreciation of the replaced part is derecognized, if the necessary information is available and the recognition criteria for property and equipment are met.

C.2. Tangible assets (continuation)

Cost/ Measurement

The cost of a self-constructed fixed asset is determined using the same principles as for an acquired asset. Thus, if the entity produces similar assets, for trading purposes, in the normal course of business, the cost of the asset is usually the same as the cost of production of the asset for sale. Therefore, any internal profits are eliminated from the calculation of the cost of that asset. Similarly, expenses representing scrap, manual labor or other resources beyond the limits accepted as normal and the losses that occurred during the construction of own asset are not included in the cost of the asset. Borrowing costs attributable to the production of assets with long production cycle (defined as assets that necessarly takes a substantial period of time to get ready for its intended use or sale) are included in their production costs, to the extent they relate to the period of production. The borrowing costs include interest on borrowed capital to finance the acquisition, construction or production of qualifying assets.

In case of inspections or regular general checks performed by the entity in order to find any malfunctions, the cost of each general inspection, at the moment it takes place, can be recognized as expense or in the book value of the tangible asset item as replacement, if the recognition criteria are respected. In the case of the recognition of the inspection cost as a component of the asset, the value of the component shall be depreciated during the period between two planned inspections.

When the Company determines that a tangible asset is intended for sale or improvements are made in the prospect of sale, at the time of the decision to change the destination, the asset is transferred from the category of property, plant and equipment to inventory. The transfer value is the unamortized value at the transfer date. If the asset has been revalued, the reclassification of the asset proceeds to the closing of the revaluation reserve related to it.

Assets owned based on a lease contract

The costs incurred in connection with the tangible assets used under a lease agreement, management agreement, administration and other similar contracts are recognized as tangible assets or as expenses in the period when they are incurred, depending on the related economic benefits, similar to the expenditure incurred in connection to its own fixed assets.

Other leasing contracts are classified as operating leases

As at 31 December 2003, the assets were revalued on the basis of HG 1553/2003. The difference is reflected in account 1058 "Revaluation reserves". Based on the stipulations of Government Decision 403/2000, the net book value of the financial assets has been indexed with cumulative inflation indices between the acquisition date or the last revaluation and the balance sheet date, the resulting value being compared to the value of use and the market value. HG 1553/2003 recommended the revaluation of tangible assets based on the usefulness of the goods, their state, inflation and market value.

Revaluations of tangible assets (land, buildings and equipment) are done with sufficient regularity so that the carrying amount does not differ materially from that which would have been determined using the fair value at the balance sheet date.

As of 31 December 2006, 31 December 2009, 31 December 2012, 31 December 2014 and 31 December 2017, as per OMF 1752/2005, OMF 3055/2009 and OMF 1802/2014, and the management decision, the revaluation of the land and buildings owned by the Company took place. The purpose of the revaluation was to bring the inventory values in the balance sheet to their fair value, which, as per OMF 1802/2014, is determined based on evaluations usually performed by certified professionals.

2. Accounting principles and policies (continuation)

If a tangible asset is revalued, all other assets in the group to which it belongs must be revalued, except when there is no active market for that asset. If the fair value of a tangible asset can no longer be determined by reference to an active market, the value of the asset presented in the balance sheet should be its revalued amount at the date of the last revaluation, deducting the cumulative value adjustments.

As per the new regulations applicable starting with the current fiscal year, namely OMF 1802/2014 with further amendments, the surplus from the revaluation included in the revaluation reserve is capitalized through the direct transfer to the reported result when this surplus represents a realized gain. As per the present regulations, the gain is considered as realized at the write-off of the asset for which the reserve from revaluation was made.

C.2. Tangible assets (continuation)

Cost/ Valuation (Continuation)

The reserve from revaluation is reduced to the extent that the amounts transfered to it are no longer necessary for the application of the revaluation-based method.

If the revaluation result is an increase against net book value, it is treated as follows:

-as an increase in the revaluation reserve presented under the item "Capital and reserves", unless there has been an earlier decrease recognized as an expense related to that asset; or

-as an income that offsets the previously recognized decrease in that asset.

If the result of a revaluation is a decrease in net book value, it is treated as an expense with the full amount of the impairment when no revaluation surplus is recorded in the revaluation reserve or as a decrease in the reserve revaluation presented under the "Capital and Reserves" element, with the minimum of the amount of that reserve and the amount of the decrease, and any remaining uncovered difference is recorded as an expense.

Depreciation

The depreciation of fixed assets with limited economic useful life is the systematic allocation of the depreciable amount of an asset over its economic useful life. Depreciable amount is represented by the cost or other value that substitutes the cost (eg revalued amount).

The depreciation of tangible assets is calculated starting with the next month following the month when they were put into function until the date of the full recovery of their entry value.

The depreciation of tangible assets takes into consideration their useful life and conditions of use.

The depreciation is calculated using the straight line depreciation method over the entire useful life of the assets. Investments made to tangible assets used under a lease agreement, management contract, administration or other similar agreements are subject to depreciation over the period of the respective contract.

2. **Accounting principles and policies (continuation)**

The useful lives of the main property, plant and equipment categories are listed in the table below:

Type	Years
Buildings	40 - 50
Production equipment	10 - 15
Transportation vehicles	5 - 20

Revising the depreciation period can be justified by a significant change condittiilor use, as well as by performing investments or repairs, other than those caused by current maintenance or by obsolescence of the tangible assets. Also, if the tangible assets are transferred in conservation and their use is interrupted for an extended period, it may be warranted for revising the duration of depreciation. When the conditions that formed the based of determination of the the initial economic useful life have changed, the Company sets a new depreciation period. Changing the economic useful life is change in an accounting estimate.

The depreciation method can be changed only when it is caused by an error in the estimation of consumption of benefits of the respective tangible assets.

C.2. Tangible assets (continuation)

Depreciation (continuation)

Assets in progress and land are not depreciated. Imobilizarile in curs si terenurile nu sunt supuse amortizarii. Investments in progress are amortized starting from the date of commissioning.

Disposal and retirement

A tangible asset is derecognised on disposal or retirement, when no future economic benefits are expected from its future use. At the time the tangible asset is derecognized, the income from sale is presented separately; the related expenses are represented by the non – depreciated amout of the asset and other expenses related to its disposal.

For the purpose of presentation in the profit and loss account, the gains or losses obtained from the retirement or disposal of a tangible asset are determined as the difference between the income generated by the derecognion of the assets and their non-depreciated value, including the related expenses and should be presented on a net basis, as income or expenses, at "Other operating income" line and "Other operating expenses" line, as the case may be.

D. Financial assets

Financial assets include shares in affiliated entities, loans granted to affiliated entities, shares in associates and jointly controlled entities, loans granted to associates and jointly controlled entities and other investments held as fixed assets and other loans.

Short-term investments include short-term deposits, including deposits for maximum three months when they are held for investment purposes, bonds issued and purchased back, securities purchased for the purpose of sale in a short period of time and other short-term investments.

Financial assets are initially recorded at the acquisition cost or the amount determined by the acquisition contract. Financial assets are subsequently recorded at the input value less the cumulative value adjustments for impairment.

2. Accounting principles and policies (continuation)

E. Sale and lease back of a non-current assets

Sale of non-current assets, with subsequent lease from the lessor is booked differently depending on the type of the lease agreement between the parties:

- in the case of a finance lease, the sale of the asset is not recorded because that transaction is not a sale but a financing transaction; therefore, the financing of the lessee by the lessor transaction is reflected in the accounting records (i.e. cash receipt and the long term debt)
- in the case of an operating lease, the lessee records both the sale of the asset, as well as the monthly expense with the lease installments stipulated in the contract.

F. Depreciation of non-current assets

Determining depreciation losses

The recoverable amount of non-current assets is considered the higher of their fair value less cost to sell and the value in use. Estimating the value in use of an asset involves discounting the estimated future cash flows using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. If an asset that does not generate significant cash flows independently, the recoverable amount is determined for the cash -generating unit to which the asset belongs.

The carrying amount of the non-current assets of the Company is reviewed at each balance sheet date to determine whether there there are impairment losses. If such impairement loss is probable, the amount of impairment losses is determined.

Adjusting the carrying amount of tangible and intangible assets to bring them to the inventory value level is made depending on the type of the impairment, either by recording an additional depreciation - when the impairment is not reversible, or by establishing or supplementing the adjustments for depreciation - when the impairment is reversible. As mentioned in Note 2.8 Intangible assets, adjustments for impairment of goodwill adjusts its initial amount.

Reversal of provisions for impairment

An adjustment for depreciation of assets it is reversed if there has been a change in the estimation used to determine the recoverable amount. The recognized adjustments for depreciation of goodwill are not subsequently reversed to income.

An adjustment for depreciation can be reversed to the extent that the accounting value of the asset does not exceed its recoverable amount, less depreciation, that would have been determined if no impairment loss had been recorded.

G. Inventories

The main categories of inventories are raw materials, work in progress, semi-finished products, and finished products, goods for resale, inventory-like biological assets, agricultural products, spare parts, consumables, and packages.

The cost of inventories includes all costs related to acquisition and processing, as well as other costs paid to bring the inventories in the current location and condition:

Raw materials and consumables: cost of acquisition;

G. Inventories (continuation)

Semifinished: direct material costs and processing costs, plus attributable administrative expenses, at the standard cost related to the product phase.

Finished products: direct material costs and processing costs, plus attributable administrative expenses, at the weighted average cost.

Trade discounts from suppliers and included in the purchase invoice adjust downwards the acquisition cost of goods. When the acquisition of goods and receipt of trade discounts are treated together, the trade discounts received after invoicing also adjust the cost of acquisition of goods. Trade discounts received subsequently to invoicing adjust the cost of inventories to which they refer to if they are still in balance. If the inventories for which subsequent discounts were received are no longer in balance, they are separately recorded in the accounts (account 609 "Trade discounts received"), in correspondence with third-party accounts. If the trade discounts on the acquisition invoice fully cover the value of the purchased goods, they are recorded in the fair value accounting on current earnings (account 758, Other operating income).

When discharged, inventories are valued based on the weighted average cost method.

At balance sheet date, inventories are valued at the lower of cost and net realizable value. The net realizable value is the estimated selling price to be obtained from sale in the ordinary course of business, less the estimated costs of completion, when the case, and the estimated costs of sales.

H. Trade receivables

Trade receivables are initially recognized and recorded as the value on invoice, or on the documents supporting the delivery of goods, and respectively rendering of services.

The estimation of the recoverable amount of receivables at the balance sheet date is made at the probable value of their collection or payment. The negative differences between inventory value determined in the stocktaking and the accounting value of the receivables are recorded as adjustments for depreciation. The allowances are recorded when there is evidence that the company will not be able to collect receivables at their initially agreed maturity.Uncollectable receivables are recorded as expenses when they are identified.

Losses from impairment of receivables are reversed if the subsequent increase in recoverable amount can be related to an event occurring after the impairment loss was recognized.

The company included in the receivables category and the value of the promissory notes issued by the clients.

I. Cash and cash equivalents

Cash and cash equivalents consist of petty cash, bank accounts, short-term bank deposits for maximum three months if their purpose is to cover the short term need of cash, cheques and notes receivables deposited in the bank. Overdrafts are included in the balance sheet at bank loans – amounts payable within a period of one year.

In the cash flow statement, the cash and cash equivalents include: petty cash, bank accounts, short-term financial investments, net of overdrafts.

J. Loans

Short and long-term loans are recorded at the amount received, **net from the loan granting costs.**

2. Accounting principles and policies (continuation)

The short term portion of long term loans are classified as "Liabilities: Amounts payable in a period of up to one year" and included, along with the interest accrued on the balance sheet, in ["Bank loans"/ "Amounts due to related parties "," Amounts due to associates "/ " Other liabilities "] within current liabilities.

K. Liabilities

Trade payables are recorded at cost, which represents the amount of the obligation that will be paid in future for goods and services received, whether or not these have been invoiced to the company.

L. Subsidies

Subsidies are recognized when there is sufficient certainty that: the company will comply with the conditions imposed by its award and the subsidies will be received.

Subsidies related to depreciable assets are recorded in the accounting as subsidies for investments and are recognized in the balance as advance payment. The advance payment is recorded in the profit and loss account as the depreciation expenses are recorded or at assets cassation or release.

Subsidies that compensate the Company for expenditures incurred are recognized in the income statement on a systematic basis over the same periods in which expenditures are recognized and presented to the income statement as income items.

Operating subsidies income, related to net turnover are presented in income statement as a part of net turnover.

M. Advances granted or received

According with OMFP 1802/2014 applicable for financial years starting from 1 January 2016, the amounts representing advances for tangible and intangible assets are recorded in the "Advances granted for tangible assets" and "Advances granted for intangible assets" resulting from the valuation made on December 31, 2015, according to the Accounting Regulations in compliance with the European directives, approved by the Order of the Minister of Public Finance no. 3055/2009, as amended and supplemented.

With effect from 1 January 2016, amounts recorded as advances granted or received, as well as those reflected, are no longer subject to exchange rate valuation at the end of the month or end of the financial year respectively.

N. Lease contracts

Financial lease

Financial leasing contracts that transfer to the Company all the risks and rewards incident to the leased fixed assets are capitalized at the fair value of the leased assets at the fair value of the lease or if it is lower than the present value of the minimum lease payments. Lease payments are separated between interest expense and debt reduction with leases to obtain a constant interest rate applicable to the balance of the liability. Interest expense is recorded directly to the income statement.

The assets capitalized under a financial leasing contract are amortized as per the normal similar goods amortization policy.

Operating lease

Payments under an operating lease contract are recognized as an expense in the income statement for the period of the lease.

O. Provisions

Provisions are recognized when the company has a present, legal or constructive obligation arising from a past event and it is probable that an outflow of economic benefits will be required to settle that obligation, and the obligation can be reliably estimated.
The value recognized as a provision represents the best estimate at the balance sheet date of the costs necessary to settle the obligation.

The best estimate of the cost necessary to settle the obligation is the amount that the company would normally pay to settle the obligation at the balance sheet date or for transferring it to another party at that time.

When the time value of money is significant, the value of the provision represents the discounted value of the estimated costs necessary to settle the obligation. The discount rate used reflects the current market assessments of the time value of money and the risks of the liability

The gains resulting for a foreseen disposal of assets are not taken into consideration when assessing the provision.

If it is estimate that a part or all the expenses related to a provision will be reimbursed by another party, the reimbursement must be recognized only when there is clear evidence that it will be received. The reimbursement is considered a separate asset. The amount recognized as reimbursement shall not exceed the value of the provision. If the Company requests another party to pay, fully or partially, the costs required to settle a provision, and the Company is not liable for the respective amounts, the Company does not include such amount in the provision.

Provisions are revised at each balance sheet date and adjusted in order to reflect the best present estimate. If an outflow of economic benefits is no longer be necessary to settle the obligation, the provision must be reversed to income.

P. Pensions and other post employment benefits

In the ordinary course of business, the Company makes payments to the Romanian State for the benefit of its employees. All employees are members of the Romanian State Pension Plan. The company does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in the respect to pensions. Also, the Company does not have the obligation to provide additional benefits to its former or current employees.

Q. Share capital

The share capital consisting of common [and or preferential shares], is booked at the value established based on constitutive deeds and additional documents, as the case may be, as well as based on supporting documents for payment of the capital.

The company recognizes changes in the share capital only after their approval at the Trade Register.

Dividends distributed to equity holders, proposed or declared after the balance sheet date, and other similar distributions from profit, are not recognized as a liability at the balance sheet date but when the shareholder's right to receive them is determined.

R. Retained earnings and reserves

According with Romanian law, companies must allocate a value equal to at least 5% of the pre-tax profit in legal reserves until they reach 20% of the share capital. Once this level has been reached, the company may make additional allocations according to its own needs.

The accounting profit remaining after the distribution of the legal reserve made shall be taken up within the result carried forward at the beginning of the financial year following that for which the annual financial statements are prepared, from where they are to be distributed to the other legal destinations.
The destinations of the accounting profit are recorded in the accounting in the following year, following the general assembly of shareholders or associates who approved the profit appropriation, by registering the amounts representing dividends due to the shareholders or associates, reserves and other destinations, as per the legislation in force. These profit appropriation recordings cannot be revised.

S. Financial instruments

The company's financial instruments comprise mainly cash, deposits, receivables, payables and borrowings from credit institutions. Instruments of this type are measured according to specific accounting policies presented at Note 2 "Accounting principles and policies".

T. Revenues

Revenue from sale of goods

Revenue from sale of goods is recognized when the goods are transferred to the customers, at delivery, based on the invoice or based on other conditions stipulated in the contract that attest the fact that the risks and rewards related to ownership have been transferred to the customer.

Revenues from sales goods are recognized if the following conditions are met:

a) The company has transferred to the customer the significant risks and rewards related ownership of the goods;
b) The company retains neither continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
c) The amount of revenue can be measured reliably;
d) It is probable that the economical benefits associated with the transaction will flow to the entity;
e) The costs incurred or to be incurred in respect of the transactions and be measured reliably.

If the Company retains only an insignificant risk related to ownership, the transaction is a sale and revenue is recognized.

The moment of transfering the significant risks and rewards related to ownership of the goods is determined after examining the circumstances of the transaction and the terms of the sales contracts.

Trade discounts granted subsequent to issuance of the invoice, irrespective of the period they relate to, are presented separately in accounting (account 709 "Trade discounts granted") in correspondence with the third party accounts. In case the discounts represent events subsequent to the balance sheet date they are booked in account 418 "Clients-invoices to be issued" and are reflected in the financial statements for the year if the respective amounts are known at balance sheet date.

2. Accounting principles and policies (continuation)

T. Revenues (continuare)

Revenue from service rendered

Revenue from services rendered is recognized in the period when the services are rendered and in correspondence with the stage of completion. Rendering of services includes performance of works and any other transactions that cannot be considered delivery of goods.

The stage of completion of works is determined based on work statements accompanying the invoices, hand-over protocols or other documents attesting the stage of completion and reception of services rendered.
Interest income is recognized periodically, proportionally, as revenue is generated on the basis of accrual accounting.

Income from royalties and rents is recognized on the basis of accrual accounting, according to the contract.

Income from renting and / or asset use rights is recognized on an accrual basis under the contract.

U. Taxes

The company accounts for income tax in accordance with the tax legislation in place at the date of the financial statements. The income tax related payables are booked in the period they refer to.

V. Financial revenues and expenses

Financial revenues include interest income, dividend income, and income from disposal of financial assets, income from short term financial investments – net, income from foreign exchange differences and income from financial discounts obtained. Financial income is recognized using accrual basis of accounting. Thus, interest income is recognized periodically, proportionally, as that income is generated, on an accrual basis. Dividends are recognized when the shareholders' right to cash them is set.
Financial expenses included borrowing related interest expense, amortization of provisions discounting, impairment losses recognized in relation to financial assets, expenses related to transfer of financial assets, expenses with short-term financial investments – net, expenses from exchange rate differences and expenses with financial disounts granted. All borrowing costs that are not directly attributable to the acquisition, construction or production of an asset with long production cysle are periodically recognized in the income statement, using accrual basis of accounting.

W. Accounting errors

Accounting errors identified may refer either to the current financial year or to previous years; errors in prior periods include misrepresentation of information in the financial statements. Errors are corrected in the period when they are identified. Prior period errors are omissions from and misstatements in the entity's financial statements for one or more prior periods arising from a failure to use or misuse of reliable information that

a) Was available when the financial statements for those periods were authorized for issue; and
b) Could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Current period errors are corrected against profit and loss for the period.

2. Accounting principles and policies (continuation)

The correction of significant errors in the previous financial years is made on the basis of the retained earnings. The insignificant errors of the previous financial years are corrected on the profit and loss account.

X. Related parties

A related party is a person or entity that is related to the entity preparing the financial statements, hereinafter called the reporting entity.

A person or a close member of that person's family is related to (a) a reporting entity if that person:

i) has control or joint control over the reporting entity;
ii) has significant influence over the reporting entity; or
iii) is a member of the key management personnel of the reporting entity or the parent of the reporting entity.

An entity is related to a reporting entity if it meets any of the following conditions:

i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and subsidiary of the group is linked to the other);
ii) an entity is an associate or jointly controlled entity of the other entity (or an associate or jointly controlled entity of a member of the group to which the other entity belongs);
iii) both entities are jointly controlled entities of the same third party;
iv) an entity is a jointly controlled entity of a third entity and the other is an associate of the third entity;
v) the entity is a post-employment benefit plan for the benefit of the employees of the reporting entity or of an entity related to the reporting entity. If the reporting entity represents in itself such a plan, sponsor employers are also related to the reporting entity;
vi) the entity is controlled or jointly controlled by a person or a close family member of the person having control or joint control over the reporting entity, has significant influence over the reporting entity; or is a member of the key management personnel of the reporting entity or of the parent of the reporting entity.
vii) a person or a close family member of the person having control or joint control or significant influence over the reporting entity or a member of the key management personnel of the entity (or the parent entity);
viii) the entity or any member of a group where the entity belongs provides to the reporting entity or parent of the reporting entity services related to the reporting entity's key management personnel of the entity concerned.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.
Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:
(a) that person's children and spouse or domestic partner;
(b) children of that person's spouse or domestic partner; and
(c) dependants of that person or that person's spouse or domestic partner.

According to OMFP 1802/2014, affiliated entities means two or more entities within the same group.

2. Accounting principles and policies (continuation)

Y. Subsequent Events

The accompanying financial statements reflect the events subsequent to the end of the financial year that provide additional information about the position of the Company at the balance sheet date. Two types of events after the balance sheet date can be identified: a) those that prove the conditions that existed at the balance sheet date. These events after the balance sheet date lead to the adjustment of the annual financial statements; and b) those that provide indications of conditions that arose after the balance sheet date. These events after the balance sheet date do not lead to the adjustment of the annual financial statements. In the case of post-balance sheet events that result in the adjustment of the annual financial statements, the entity adjusts the amounts recognized in its financial statements to reflect events subsequent to the balance sheet date.

Z. Contingent assets and liabilities

Contingent liabilities are not recognized in the accompanying financial statements. They are presented if the possibility of an outflow of resources that represent economic benefits is probable.

A contingent asset is not recognized in the accompanying financial statements but is presented when an economic benefit is probable.

3. NON-CURRENT ASSETS

	Gross value				
	01.01.2016	Increases	Transfers	Disposals	31.12.2016
I. INTANGIBLE ASSETS					
Concessions, patents, trade marks, rights and similar assets and other intangible assets	7.489.392	608.182	61.801	-	8.159.375
Advance payments and intangible assets in progress	607.599	680.441	-	420.953	867.087
Total Intangible assets	**8.096.991**	**1.288.623**	**61.801**	**420.953**	**9.026.462**
II. TANGIBLE ASSETS					
Land and land improvements	120.696.645	-	664.094	-	121.360.739
Technical equipment and machinery	94.220.575	-	10.740.254	18.341	104.942.488
Other fixtures, tools and furniture	6.961.669	-	468.609	124	7.430.154
Tangible assets in progress	7.471.512	15.484.407	(11.934.758)	11.934.758	11.021.161
Advance payments	130.022	4.681.865	-	3.953.964	857.923
TOTAL TANGIBLE ASSETS	**229.480.423**	**20.166.272**	**(61.801)**	**15.907.187**	**245.612.465**
III. Financial assets					
Shares in subsidiaries	67.000	-	-	-	67.000
Other fixed debts	209.938	188.948	-	107.229	291.657
TOTAL FINANCIAL ASSETS	**276.938**	**188.948**	**-**	**107.229**	**358.657**

	Value Adjustments (depreciation and adjustments for depreciation or impairment losses)			
	01.01.2016	Increases	Reductions	31.12.2016
I. INTANGIBLE ASSETS				
Concessions, patents, trade marks, rights and similar assets and other intangible assets				
Advance payments and intangible assets in progress	6.607.224	503.297	-	7.110.521
Total Intangible assets	-	-	-	-
I. INTANGIBLE ASSETS	**6.607.224**	**503.297**	**-**	**7.110.521**
II. TANGIBLE ASSETS				
Land and land improvements	5.591.018	4.775.818	-	10.366.836
Technical equipment and machinery	9.647.176	9.616.409	15.009	19.248.576
Other fixtures, tools and furniture	4.971.393	468.919	124	5.440.188
Tangible assets in progress	-		-	-
Advance payments	-	-	-	-
TOTAL TANGIBLE ASSETS	**20.209.587**	**14.861.146**	**15.133**	**35.055.600**
III. Financial assets				
Shares in subsidiaries	-	-	-	-
Other fixed debts	-	-	-	-
TOTAL FINANCIAL ASSETS	-	-	-	-

3. NON-CURRENT ASSETS (CONTINUATION)

	Gross value						
	01.01.2017	Increases	Increases from revaluation	Transfers	Reversals	Disposals and other reductions	31.12.2017
I. INTANGIBLE ASSETS							
Concessions, patents, trade marks, rights and similar assets and other intangible assets	8.159.375	4.886.985	-	-	-	38.349	13.008.011
Advance payments and intangible assets in progress	867.087	46.302	-	-	-	282.215	631.174
Total Intangible assets	**9.026.462**	**4,933.287**	**-**	**-**	**-**	**320.564**	**13.639.185**
II. TANGIBLE ASSETS							
Land and land improvements	121.360.739	-	14.586.382	2.433.390	15.260.929	11.367	123.108.215
Technical equipment and machinery	104.942.488	-	-	18.002.996		588.095	122.357.389
Other fixtures, tools and furniture	7.430.154	-	-	596.253		-	8.026.407
Tangible assets in progress	11.021.161	11.920.212	-	(20.101.495)		-	2.839.878
Advance payments	857.923	1.119.227	-	(931.144)		-	1.046.006
TOTAL TANGIBLE ASSETS	**245.612.465**	**13.039.439**	**14.586.382**	**-**	**15.260.929**	**1.530.606**	**257.377.895**
III. Financial assets							
Shares in subsidiaries	67.000	-	-	-	-	-	67.000
Other fixed debts	291.657	26.099	-	-	-	186.309	131.447
TOTAL FINANCIAL ASSETS	**358.657**	**26.099**	**-**	**-**	**-**	**186.309**	**198.447**

3. NON-CURRENT ASSETS (CONTINUATION)

	Value Adjustments (depreciation and adjustments for depreciation or impairment losses)				
	01.01.2017	Increases	Reductions	Reversals	31.12.2017
I. INTANGIBLE ASSETS					
Concessions, patents, trade marks, rights and similar assets and other intangible assets	7.110.521	1.045.742	-	-	8.156.263
Advance payments and intangible assets in progress	-	-	-	-	-
Total Intangible assets	**7.110.521**	**1.045.742**	**-**	**-**	**8.156.263**
II. TANGIBLE ASSETS					
Land and land improvements	10.366.836	4.894.093	-	15.260.929	-
Technical equipment and machinery	19.248.576	10.523.176	47.885	-	29.723.867
Other fixtures, tools and furniture	5.440.188	427.676	-	-	5.867.864
Tangible assets in progress	-	-	-	-	-
Advance payments	-	-	-	-	-
TOTAL TANGIBLE ASSETS	**35.055.600**	**15.844.945**	**47.885**	**15.260.929**	**35.59.1731**
III. Financial assets					
Shares in subsidiaries	-	-	-	-	-
Other fixed debts	-	-	-	-	-
TOTAL FINANCIAL ASSETS	**-**	**-**	**-**	**-**	**-**

The net book value of non-current assets as at 31 december 2017 and 2016 is as follows:

Item description	**31.12.2016**	**31.12.2017**
Development expenses	-	563.286
Concessions, patents, trade marks, rights and similar assets and other intangible assets	1.048.854	4.288.463
Advance payments	867.087	631.174
Total Intangible assets	**1.915.941**	**5.482.922**
Land and land improvements	110.993.903	123.108.215
Technical equipment and machinery	85.693.912	92.633.522
Other fixtures, tools and furniture	1.989.966	2.158.543
Tangible assets in progress	11.021.161	2.839.878
Advance payments	857.923	1.046.006
TOTAL TANGIBLE ASSETS	**210.556.865**	**221.786.164**
Shares in subsidiaries	67.000	67.000
Other fixed debts	291.657	131.447
TOTAL FINANCIAL ASSETS	**358.657**	**198.447**

Intangible assets

Intangible assets are mainly software and amortized using the straight-line method over their useful life, generally for 3 years.

3. INTANGIBLE ASSETS (CONTINUATION)

Tangible assets

Revaluation

On December 31, 2017, a revaluation of the land and buildings belonging to the Company was carried out by a valuation expert, ANEVAR member, in accordance with OMF 1802/2014 with subsequent amendments and national valuation standards issued by ANEVAR. The revaluation aimed to adjust the net book value of the items included in the land and construction category to their fair value, taking into account their physical and market value.

Following the revaluation, there was an increase in the revaluation reserve amounting to RON 14,586,383.

Tangible assets (continuation)

At 31 December 2017, the impact of revaluations on the net book value of property, plant and equipment is as follows:

	Revaluation according HG 1553/2003	Revaluation 2006	Revaluation 2009	Revaluation 2012	Revaluation 2014	Revaluation 2017	Total Revaluation
Land and land improvements	30.682.047	33.027.264	38.014.559	7.202.455	-3.807.094	14.586.383	119.705.614
Technical equipment	9.187.283	-	-	-	29.635.179		38.822.462
Other fixtures, tools and furniture	114.250	-	-	-	-	-	114.250
Total	**39.983.580**	**33.027.264**	**38.014.559**	**7.202.455**	**25.828.085**	**14.586.383**	**158.642.326**

Assets held in finance leases or purchased in installments

During the years 2016 and 2017, the Company acquired equipment in financial leasing. Assets acquired in financial leasing are represented by various equipment and machinery specific to the activity. The value of the equipment purchased in financial leasing is RON 11,579,106 (RON 4,020,561 at 31.12.2016)

Assets pledged by guarantees

At December 31, 2017, the Company's tangible assets are not pledged.

Others

The gross carrying amount of fully depreciated assets at 31 December 2017 is RON 13,585,090 (2016: RON 10,058,483).

Impairment of fixed assets

At December 31, 2016 and December 31, 2017, the Company analyzed net book value for tangible assets in order to assess the possibility of impairment, which could result in the recording of a provision for impairment. Following the analysis, no events were identified that indicate a potential impairment of fixed assets.

Financial assets

The financial assets include amounts deposited as collateral for customs and utilities suppliers in the amount of 131,447 lei, as well as shares worth 67,000 RON held at the Arkadia Foundation.

2. INVENTORIES

	Raw materials and consumables	Work in progress	Semi-finished goods	Advances	Total
31.12.2017					
Cost	42.328.936	37.095.142	55.060.935	1.649.529	136.134.542
Impairment adjustments: depreciated and slow moving stocks	(821.933)	-	-	-	(821.933)
	41.507.003	**37.095.142**	**55.060.935**	**1.649.529**	**135.312.609**
31.12.2016					
Cost	36.799.057	29.654.807	49.367.093	1.592.159	117.413.116
Impairment adjustments: depreciated and slow moving stocks	(617.391)	-	-	-	(617.391)
	36.181.666	**29.654.807**	**49.367.093**	**1.592.159**	**116.795.725**

Adjustments for depreciation of inventories were set for:

- stocks with slow / no movement,
- net realizable value,
- for losses on certain finished products.

3. RECEIVABLES

			Liquidity term	
	31.12.2016	**31.12.2017**	**Below 1 year**	**Above 1 year**
Trade receivables				
Trade receivables - third parties	36.190.804	51.746.126	51.746.126	-
Trade receivables - other related parties	53.937.914	67.895.311	67.895.311	-
Total trade receivables	**90.128.718**	**119.641.437**	**119.641.437**	**-**
Allowance for trade receivables	(3.746.940)	(4.199.250)	(4.199.250)	-
Trade receivables, net	**86.381.778**	**115.442.187**	**115.442.187**	**-**
VTA receivables	11.706.581	4.053.033	4.053.033	-
Income tax	-	463.238	463.238	
Other receivables	5.383.534	7.459.627	7.459.627	-
Total trade and other receivables	**103.471.893**	**127.418.085**	**127.418.085**	**-**

For amounts to be cashed, terms and conditions on receivables from affiliated / related parties, please see Note 14.5.

Trade receivables do not bear interest and generally have a payment term 30-90 days.

In 2017 and 2016, the company concluded multi-bank factoring contracts with no appeal. Discounts for the year 2016 and billed in 2017 were granted and recorded under contracts.

The movements in the impairment adjustments were as follows:

	31.12.2016	**31.12.2017**
At January 1	**2.826.360**	**3.746.940**
Increases during the year	1.367.854	452.310
Amounts expensed	-	-
Reverses during the year	447.274	-
At december 31	**3.746.940**	**4.199.250**

At December 31, 2017 and 2016, adjustments for impairment of receivables were made for non-group receivables as follows:

- Unsure customers: 100% for receivables older than one year and for those with which the company is in dispute; and
- 50% for receivables between 6 months and one year;

6. CASH AND BANK ACCOUNTS

	31.12.2016	31.12.2017
Bank accounts in RON	310.758	738.796
Bank accounts in foreign currency	1.294.512	3.031.283
Other values	8.058	98.075
Petty Cash	27.301	26.099
Cheques	82.601	-
	1.723.230	**3.894.253**

7. PREPAYMENTS

	Balance at 1 January 2017	Balance at 31 December 2017	Amounts as at 31 December 2017 to be expenses in a period to be expenses	
			<1 an	>1 an
Rent				
Subscriptions		303	303	
Insurance	313.274	278.326	278.326	
Other prepaid expenses	229.052	401.154	401.154	
Total	**542.327**	**679.784**	**679.784**	**-**

8. LIABILITIES

	31.12.2016	31.12.2017	Maturity		
			Below 1 year	Peste 1 an	ve 5 years
Bank loans	135.063.001	120.337.573	120.337.573	-	-
Avansuri încasate în contul comenzilor	66.268	173.286	173.286	-	-
Trade payables - suppliers	45.332.882	57.704.262	57.704.262	-	-
Trade payables - other related parties	29.248.019	87.504.451	87.504.451	-	-
Trade payables - third-party suppliers	23.500.193	24.009.104	24.009.104	-	-
Total trade payables	**233.210.363**	**289.728.676**	**289.728.676**	-	-
Leasing	3.279.074	6.614.584	1.582.997	5.031.587	
Salaries	2.487.839	2.738.924	2.738.924	-	-
Social security	4.286.916	1.379.676	1.379.676	-	-
Income tax	1.760.545	799.185	799.185	-	-
Other taxes and commissions	323.157	70.228	70.228	-	-
Payment dividends	872.957	0	0	-	-
	246.220.851	**301.331.273**	**296.299.686**	**5.031.587**	**-**

8. LIABILITIES (continuation)

On December 31, 2017 and 2016 trade payables include:

	Balance at 31 december 2016	Balance at 31 december 2017
Domestic suppliers	43.047.401	38.794.405
External suppliers	23.634.658	101.567.302
Fixed assets domestic suppliers	854.836	841.205
Fixed assets external suppliers	3.731.379	1.588.890
Suppliers - invoices to be received	3.312.627	2.416.911
	74.580.901	**145.208.713**

The "Other debts – suppliers, affiliated entities and other parties" chapter also includes a loan granted by Viohalco in amount of 5 million EUR. See Note 14.5 for other information, conditions and terms regarding the debts of the affiliated parties.

During 2016 and 2017, the Company acquired equipment in financial leasing. As at 31 December 2017, the debts related to the leasing contracts are matched according to the maturity date as follows:

FINANCIAL LEASING LIABILITIES	**1 january 2017**	**31 december 2017**
The amount of the minimum lease rates		
Below 1 year	808.147	1.582.997
Above 1 year	2.470.927	5.031.587
Total	**3.279.074**	**6.614.584**
Future Interest Rate		
Below 1 year	135.489	243.678
Above 1 year	183.391	369.680
Total	318.880	613.358
The present value of the minimum lease rates	**3.597.954**	**7.227.942**

Amounts owed to credit institutions	**31.12.2016**	**31.12.2017**
Short term loans	135.063.001	120.337.573
	135.063.001	**120.337.573**

For the contracted loans, the company provided the banks with a comfort letter from the parent company. Certain bank accounts are pledged in favor of banks for both loan and factoring contracts.

8. LIABILITIES (CONTINUATION)

2017	Loan type	Contract date	Due date	Currency	LoanRON	Interest RON	Total RON
Alpha Bank	Credit line	003/2005	mar.18	EUR/GBP/USD/RON	42.231.602	-	42.231.602
OTP BANK (Millenium)	Credit line	3548/03.02.2012	april.18	RON	8.121.118	-	8.121.118
Pireus	Credit line	152/2006	jun.18	EUR	13.979.100	-	13.979.100
LIBRA BANK	Credit line		jul.18	EUR	5.591.640	-	25.446.392
Bank Post	Credit line	115/14.01.2011	feb.18	EUR	50.414.113	-	50.414.113
						-	
					120.337.573	**-**	**120.337.573**

2016	Loan type	Contract date	Due date	Currency	Loan RON	Interest RON	Total RON
Alpha Bank	Credit line	003/2005	feb.17	EUR/GBP/USD/RON	31.201.932	-	31.201.932
OTP BANK (Millenium)	Credit line	3548/03.02.2012	jan.17	RON	13.431.471	-	13.431.471
Pireus	Credit line	152/2006	jul.17	EUR	13.623.300	-	13.623.300
Banca Romaneasca	Credit line	88070054/8.10.2007	jan.17	EUR/RON/USD	25.446.392	-	25.446.392
Bank Post	Credit line	115/14.01.2011	feb.17	EUR	49.862.076	-	49.862.076
Credite Europe Bank	Credit line	30/03.12.2015	feb.17	EUR	1.497.830	-	1.497.830
					135.063.001	**-**	**135.063.001**

9. DEFERRED INCOME

DEFERRED INCOME	Balance at 1 january 2017	Amounts as at 31 December 2015to be reversed in a period	
		Below 1 year	Above 1 year
Investment subsidies	891.520	151.194	740.326
Deferred income	181.347	181.347	-
Total	**1.072.867**	**332.541**	**740.326**

DEFERRED INCOME	Balance at 31 december 2017	Amounts as at 31 December 2015to be reversed in a period	
		Below 1 year	Above 1 year
Investment subsidies	740.326	151.194	589.132
Deferred income	111.854	111.854	-
Total	**852.180**	**263.048**	**589.132**

10. CAPITAL AND RESERVES

Share Capital

	31.12.2016	31.12.2017
Subscribed capital – ordinary shares	348.634.290	348.634.290
Subscribed capital - preferrential shares	-	-
Nominal value of the ordinary shares - RON	0,1	0,1
Nominal value of the preferrential shares - RON	-	-
Value of share capital - RON	34.863.429	34.863.429

The share capital of the Company was fully paid in at 31 december 2017
Evolution of shared capital from foundation until 31 december 2017:

Value of share capital	Date	Increase mode
208.604	Decembrie 1990	patrimony revaluation - HG* 945 / 1990
1.833.182	Decembrie 1993	revaluation incorporation HG* 26 / 1992
8.535.369	Decembrie 1994	revaluation incorporation HG* 500 / 1994
274.536	Decembrie 1995	obtaining property title land
284.368	Decembrie 1998	revaluation HG* 945 / 1990
9.537	Decembrie 1998	obtaining property title „normal railways"
(3.566.591)	Aprilie 1999	society division
1.431.570	Mai 1999	cash contribution
5.482.821	Iunie 2000	cash contribution
664.617	August 2000	cash contribution
19.705.416	Aprilie 2002	cash contribution
34.863.429		

** Government Decision*

10. CAPITAL AND RESERVES (CONTINUATION)

Shareholder structure

	Balance at the beginning of the year	%
CENERGY HOLDINGS SA	34.370.402	98,586
Other shareholders	493.027	1,414
Total share capital	**34.863.429**	**100**

	Balance at the end of the year	%
CENERGY HOLDINGS SA	34.370.402	98,586
Other shareholders	493.027	1,414
Total share capital	**34.863.429**	**100**

All shares are ordinary, subscribed and paid in full on December 31, 2017 and December 31, 2016. All shares are classified pari passu (they have the same voting right) and have a nominal value of 0.1 lei / share. In December 2016 the company's shareholding changed, Cenergy Holdings SA becoming a 98.589% shareholder. The change of the shareholding in the trade register was made in 2017.

11 TURNOVER

Sales by activity:

	2016	2017
Sales of finished products	472.434.232	518.065.959
Sales of goods	24.740.995	40.689.178
Sales of residual products	17.126.938	24.186.226
Others	7.529.691	6.759.069
	521.831.856	**589.700.432**

12. INFORMATION ABOUT SALARIES, ADMINISTRATORS AND DIRECTORS

Administrators and directors

During the years 2016 and 2015, the Company paid the following indemnities to the members of the Board of Directors ("C.A.") and to the executive management:

	2016	2017
Members of the Board of Directors / Administrators	915.015	1.425.681
Directors - executive management	2.919.515	2.249.538
Total	**3.834.570**	**3.675.219**

The social security costs of these allowances amount to 668,807 in 2017 (2016: 697,346).

As at 31 December 2017 and 2016, the Company had no obligation in relation to pension payments to the former members of the Board of Directors, executive management and supervisory board..

12. INFORMATION ABOUT SALARIES, ADMINISTRATORS AND DIRECTORS (CONTINUATION)

During the year 2017, the Company granted insignificant amounts to management as advances to settle for various business trips.

The directors and directors did not receive loans from the Company in 2017.

At the end of the financial year there are no future guarantees or obligations assumed by the Company on behalf of the directors or directors.

Personnel

The average number of employees in 2016 and 2017 is as follows::

	2016	2017
Administrative personnel	81	80
Production personnel	401	365
TOTAL	**482**	**445**

The salary expenses and related taxes are as follows:
:

	2016	2017
Salary expenses	24.659.224	26.673.499
Social security expenses	5.403.054	5.732.621
TOTAL	**30.062.278**	**32.406.120**

In the normal course of business, the Company makes payments to the institutions of the Romanian State for the pensions of its employees. All Company employees are members of the Romanian pension plan. The Company does not operate any other retirement or retirement benefit plans and therefore has no other pension obligations. Moreover, the Company is not obliged to provide additional benefits to employees after retirement.

13 OPERATING EXPENSES

External expenses	2016	2017
Maintenance and repair expenses	1.317.202	1.558.110
Royalties, rent and administrative locations expenses	1.497.305	1.539.044
Insurance premium expenses	1.438.592	1.363.748
Expenses with collaborators	2.933.959	3.105.648
Commissions and fees expenses	4.596.488	4.474.232
Protocol and advertising expenses	467.585	474.263
Personnel and goods transportation expenses	9.771.239	10.674.894
Travel expenses	1.010.817	911.527
Postal and telecommunication charges	251.809	205.404
Bank services expenses	1.024.612	759.541
Other third party services expenses	10.261.094	11.617.673
Total	**34.570.702**	**36.684.084**

14. OTHER INFORMATIONS

14.1 Distribution of profit

The distribution of the result of the financial years ended December 31, 2017 and December 31, 2016, was made in accordance with the regulations in force regarding the mandatory distributions made under Law 31/90 on commercial companies and the stipulations of OMF 1802/2014 with subsequent modifications respecting the priorities stated in orders.

The accounting records regarding the distribution of profit by destination, according to the GMS decision, shall be operated in the year following the year for which the financial statements are prepared, after the approval of the balance sheet. Thus, in 2017 according to GMS dated 29.05.2017, the loss of 2016 was transferred to the retained earnings.

As a result of the activity carried out in 2017, the Company made a gross loss of 10,565,641 lei. The way of recovering the accounting loss will be decided by the General Meeting of Shareholders.

14.2 Informations on income tax

	2016	2017
Profit or loss	(10.727.784)	(10.565.641)
Non-taxable incomes	2.176.606	684.740
Non-deductible expenses	3.215.231	7.674.216
Legal reserve	-	-
Loss from previous years	-	-
Taxable income /(Fiscal loss) of the year	(9.688.967)	(3.576.165)
Calculated tax @ 16%	-	-
Fiscal credit - sponsorship	-	-
Income tax for previous years	-	(347.606)
Payable income tax	**-**	**(347.606)**
Payable income tax/(to be recovered) at 1 january	**(922.445)**	**-**
		-
+Income tax	3.030.527	347.606
-Payed income tax	2.108.082	115.632
Fiscal credit	-	-
Income tax to be recovered at 31 December	**-**	**(463.238)**

The current tax rate is 16% (2016: 16%).

14. OTHER INFORMATIONS (continuation)

14.3 Main financial ratios

	2016	2017
1. Liquidity ratios		
Current liquidity indicators	0,91	0,90
Immediate liquidity indicators	0,43	0,44
2. Risk ratios		
Debt ratio	N/A	N/A
Interest coverage ratio	N/A	N/A
3. Activity ratios		
Inventory turnover	4.28	4.49
Inventory days	85 zile	81 zile
Inventory turnover receivables	59 zile	62 zile
Inventory turnover payables	54 zile	68 zile
Inventory turnover fixed assets	2.45	2.59
Inventory turnover total assets	1.20	1.219
4. Profitability ratios		
Return on capital employed	N/A	N/A
Gross margin on sales	3,48%	3,95%
5. Earnings per share ratio		
Result per share	Negative	Negative
Ratio between market price of share and earnings per share	-	-

The basic result per share is calculated by dividing the net profit attributable to shareholders to the average number of ordinary shares outstanding during the year, less the shares redeemed by the Company during the year. There were no potentially dilutive ordinary shares during the year.

ICME ECAB S.A. shares are not traded.

14. OTHER INFORMATIONS (CONTINUATION)

14.4. Related parties

The Company does not hold equity investments in other entities.
Details about other affiliated parties:

Society name	Relationship	Transaction type	Country of origin	Headquarters
Cenergy Holdings	Shareholder	Sales/ Purchases	Belgium	Belgium
Hellenic Cables SA	Related parties	Sales/ Purchases /Broker	Greece	Greece
Steelmet Romania SA	Related parties	Sales/ Purchases	Romania	Romania
Siderom Romania	Related parties	Sales	Romania	Romania
Halcor SA	Related parties	Purchases	Greece	Greece
Sidma (Sid-Pac)	Related parties	Sales/ Purchases	Romania	Romania
Sofia Med	Related parties	Sales	Bulgaria	Bulgaria
Teka Systems AE	Related parties	Purchases / Rendering services	Greece	Greece
Steel Met SA	Related parties	Sales/ Purchases	Bulgaria	Bulgaria
Cluj International Trade	Related parties	Sales/ Purchases	Romania	Romania
Metal Agencies	Related parties	Rendering services	Bulgaria	Bulgaria
Tepro Metal	Related parties	Broker	Germany	Germany
Lesco	Related parties	Sales/ Purchases	Romania	Romania
Fulgor	Related parties	Sales/ Purchases	Greece	Greece
Viehal	Related parties	Rendering services	Greece	Greece
Steelmet (Cyprus) LTD	Related parties	Rendering services	Cyprus	Cyprus
Erlikon	Related parties	Purchases	Greece	Greece
Ecoreset	Related parties	Sales	Greece	Greece
TECHOR PIPE SYSTEMS	Related parties	Sales/ Purchases	Romania	Romania
ETEM AE ROMANIA	Related parties	Sales/ Purchases	Romania	Romania
INTERNATIONAL TRADE	Related parties	Sales/ Purchases	Belgium	Belgium
Cooper Valius	Related parties	Sales	Bulgaria	Bulgaria

Hellenic Cables S.A.

Hellenic Cables S.A. was the main shareholder of ICME ECAB S.A. owning 98,586% of shares by December 2016. Also, Hellenic Cables S.A. owns Fulgor S.A., as well as a large number of companies dealing with the distribution of products both in Greece and in other countries. In December 2016, the main shareholder became Cenergy Holding Sa, with a 98.589% stake. Register Trade registration was made in 2017.

Hellenic Cables S.A. field of activity is the production of various types of cables (for example: industrial cables, power cables, copper and aluminum conductors, telecommunication cables, fiber optic cables, etc.).

14. OTHER INFORMATIONS (CONTINUATION)

14.5. Related parties (continuation)

The company is a subsidiary of Cenergy Holding SA. The consolidated annual financial statements are prepared at the parent company of Cenergy Holding SA. Also, the parent company Cenergy Holding SA is part of the Viohalco group.

Balances and transactions with related parties are as follows:

i) Balances with related parties:

Related parties receivables:

Customer receivables	31.12.2016	31.12.2017
Hellenic Cables SA Grecia	40.958.914	44.598.694
Steelmet Romania	193.431	245.034
ECORESET	692.012	-
TECHOR ROMANIA	-	431.670
Cluj International Trade	-	3.011
Cenergy Holdings	-	435.008
Techor Pipe System	-	-
Metal Agencies	829.204	436.765
Siderom	186.280	182.042
Etem Romania	7.950	7.950
International Trade	-	2.007.771
Fulgor	11.065.052	19.431.433
STEELMET BULGARIA	2.334	-
LESCO ROMANIA S.A.	-	12.485
ETEM SYSTEMS SRL	-	4.676
SOFIA MED AD	-	51.848
ETEM BULGARIA S.A.	-	50.949
Sidma	2.737	3.926
	53.937.914	**67.895.311**

Related parties payables:

Suppliers and other debts	31.12.2016	31.12.2017
Viohalco	23.500.193	24.009.104
Hellenic Cables SA Grecia	11.483.898	20.996.008
Halcor SA Metalworks SA	111.236	124.333
Lesco Romania	407.134	347.431
Erlikon	85.566	25.808
Viexal	316.330	132.725
SIDENOR S.A.	-	530.256
Fulgor	7.804.501	64.752.444
Steelmet Ramania	8.829.400	44.206
Teka Systems	74.247	315.914
Metal Agencies	84.134	8.685
Telecables	10.622	-
Sofia Med	(49)	-
Steelmet Bulgaria	2.802	-
Sidma	31.243	215.975
Tepro Metal	6.955	7.793
ETEM BULGARIA S.A.	-	2.876
	52.748.212	**111.513.555**

14. OTHER INFORMATIONS (CONTINUATION)

14.5. Related parties (continuation)
ii) Transactions with related parties

Transactions with related parties have taken place during the normal course of the Company's business.

The nature of the relationship with the related parties with which the Company has made significant transactions or which have significant outstanding balances at the balance sheet date are detailed below. The prices at which the transactions were made were those established on the market.
Transactions with related parties were made in the sense of selling-buying raw materials, fixed assets, as well as providing services. The Company carries out significant transactions with companies within the Group, as shown in the table below.
The following transactions with related parties took place during the year:

Sales of goods and services and / or fixed assets

	2016	2017
Hellenic Cables SA Grecia	108.793.066	80.859.404
Metal Agencies	1.885.464	1.313.131
Steelmet Romania	963.370	1.030.616
Lesco Romania	129.917	127.185
Fulgor	20.727.666	50.243.983
Cooper valius (Metalvalius)	2.923.304	949.610
Sidma	12.722	17.257
INTERNATIONAL TRADE		2.301.507
Siderom	2.049.771	1.954.286
Etem Romania	45.357	61.074
ETEM BULGARIA S.A.		47.795
Cluj International Trade		15.086
SOFIA MED AD		3.090.217
Techor Pipe Systems	2.258	431.670
Ecoreset	6.218.593	
	143.751.488	**142.442.822**

The turnover includes rental income for Lesco Romania, Steelmet and Etem Romania, re-invoices of services for Lesco Romania, Siderom, Etem Romania, sales of fixed assets for Fulgor and for Hellenic, Metal Agencies, Fulgor, Coopervalius, Ecoreset selling of goods.

Purchases of goods and services	2016	2017
Hellenic Cables SA Grecia	44.530.203	56.012.079
Metal Agencies	106.393	109.809
Tepro Metal	5.625	637
Steelmet Cyprus	149.822	-
Steelmet Romania	15.378.091	6.161.417
Halcor SA Metalworks SA	146.176	268.915
Lesco Romania	1.638.638	1.618.203
Teka Systems	696.983	1.160.235
Sofia Med	1.803.588	4.609.285
Fulgor	158.587.157	216.281.504
Viexal	727.890	724.870
SIDEROM S.A.	576	541
VIOHALCO S.A.	-	1.350.180
Sidma	885.242	553.349
Erlikon	300.254	175.755
ETEM SYSTEMS SRL	-	2.104
	224.956.638	**289.028.882**

14. OTHER INFORMATIONS (CONTINUATION)

14.5. Related parties (continuation)

ii) Transactions with related parties (continuation):

Purchases include: raw materials acquisitions from Hellenic, Fulgor, Sofia Med, Erlikon, Lesco; Sidma, Steelmet Romania; as well as services from: Hellenic, Fulgor, Halcor, Metal Agencies, Teka Systems, Steelmet Cyprus, Siderom, Viexal, Tepro Metal and Steelmet Romania.

iii) Loans from related parties:

In 2015, the Company received a loan from the Viohalco affiliate company worth 5m euros. The loan is short-term for 1 year. The loan has been received without collateral and is subject to interest under the contract.
In 2016 and 2017 the repayment of the loan was prolonged for another year, the other conditions remaining unchanged.

iii) Loans granted to related parties:

The Company does not have any loans granted to related parties.

14.6. Method of transforming assets, liabilities, income and expenses from currencies into local currency

Description in Note 2, paragraph B. " Foreign currency exchange ".

14.7 Rental expenses and operating leasing

On 31 December 2017 and 2016, the Company is party as a lessee in operating leasing contracts; the value of future rates is as follows:

	31.12.2016	31.12.2017
Below 1 year	665.161	700.516
Between 1-5 years	1.581.510	1.381.079
Total	**2.246.672**	**2.081.595**

14.8 Audit expenses

The contractual expenses for services provided by the statutory audit firm for the year ended at December 31, 2017 are in accordance with the contract concluded between the two parties.

14.9 Commercial effects (expected and not due)

There are no significant situations to be presented.

14.10 Amount received in excess against the amount to refund related to debts

There are no significant situations to be presented.

14. OTHER INFORMATIONS (CONTINUATION)

14.11 Contingents

1. Taxation

All amounts owed to the State for taxes have been paid or recorded at the balance sheet date. The tax system in Romania is undergoing consolidation and harmonization with European legislation, and there can be different interpretations by the tax authorities in connection with tax law that may give rise to additional taxes and penalties. In cases when the state authorities identify non-compliances with or violations of the Romanian laws, the following may occur: seizure of the amounts concerned, imposing additional tax liabilities, fines, penalties for delays (applied to the remaining amounts payable). Therefore, tax sanctions arising from violations of the law can lead to significant amounts payable to the State.

The Company considers that it has paid all fees, taxes, penalties and penalty interests on time and in full, to the extent it was applicable.

Romanian tax authorities conducted tax audits concerning the calculation of income tax for the period up to 5 years.

2. Financial instruments

The Company carries out derivative transactions to manage the fluctuation risk of metal prices in the company's operating business. Forward contracts (CU and AL) are used to cover the risk of firm contracts. These are presented as other income, or other operating expenses.

At 31.12.2017 and 31.12.2016 the Company has open futures, considered to cover the cash flow risk, for fluctuations in the metal price quotations for which the company has firm orders.

At 31.12.2017 and 31.12.2016 the Company has open forward contracts, considered to cover exchange rate risk. Closed contracts during the year are presented in the profit and loss statement as other financial expense and other financial income.

3. Transfer pricing

In accordance with relevant tax law, the tax treatment of a transaction carried out with related parties is based on the concept of the market price of that transaction. Based on this concept, transfer prices should be adjusted to reflect market prices that would be established between parties which are not affiliates or related parties and which act independently on the basis of "arm's length" principle.

Transfer pricing audits are likely to be performed in the future by the tax authorities to determine whether these prices follow the "arm's length" principle and that the Romanian taxpayer's taxable base is not distorted.

14. OTHER INFORMATIONS (CONTINUATION)

14.11 Contingents (continuation)

4. Legal claims (including estimated value)

At the balance sheet date, the Company has an open legal action with ANAF for the annulment of the administrative act issued on 30.09.2017 registered with the number 643/2/2017. At the balance sheet date, the file was not resolved.

5. Financial risks

Interest rate risk

The Company's risk exposure to the changes in interest rates relates primarily to the variable interest bearing loans that the Company has on the long-term. The Company's policy is to manage interest cost through a mix of loans with fixed interest and variable interest.

Foreign exchange risk

The Company has transactions and loans in a currency other than the functional currency (RON).

The company may be exposed to exchange rate fluctuations through debt generated by foreign currency loans or trade debts.

The currency used on the domestic market is the Romanian leu, and for external loans the financing costs are expressed in different foreign currencies. As a result, foreign currency loans are subsequently expressed in RON at the end of the year. The resulting differences are included in the income statement and do not affect the cash flow until the debt is cleared.

Credit risk

The company carries out business relationships only with recognized third parties, for which financing on credit is justified. The Company's policy is that all customers who intend to conduct business on credit terms are subject to credit check procedures. Moreover, receivable balances are monitored continuously, resulting in insignificant exposure of the Company to the risk of uncollectable receivables.

Environment risk

Romania is currently in a period of rapid harmonization of the environmental legislation with the legislation in force of the European Economic Community. At 31 December 2017, the Company did not record any debt related to expected costs, including legal fees and consultancy, studies, design and implementation of environmental remediation plans. The company does not consider the costs associated with environmental issues to be significant.

14. OTHER INFORMATION (CONTINUATION)

14.12 Commitments

1. Commitments of capital

At the closing date of the financial exercise, the Company does not have commitments for the acquisition of various tangible assets necessary for the normal performance of the activity.

2. Onerous contracts

An onerous contract is a contract in which the mandatory costs for the performance of contractual obligations exceed the economic benefits to be obtained as a result of it. These mandatory costs reflect at least the net cost of leaving the contract, which represents the minimum of the cost of fulfilling the contract and any compensation or penalties resulting from its non-fulfillment.

The Company does not have onerous contracts at 31 december 2017.

3. Other items about contingent debts

Environmental regulations are under development in Romania, and the Company has made no commitments on 31 December 2017 and 2016 for any expected costs, including legal and consultancy fees, site studies, design and implementation of plans remediation, regarding environmental elements. The Company's management does not consider the costs associated with potential environmental problems to be significant.

4. Claims related to product defects

On December 31, 2017 and 2016, the Company did not record any liability for any claim related to product defects. The Company's management does not consider the existence of such claims significant.

Guarantees

On December 31, 2017, the Company had bank guarantee letters in amount of 480,522.02 lei, 21,267.44 Euros and 28,710 USD. Bank guarantee letters are good execution letters issued in favor of some clients.

On December 31, 2016, the Company had opened letters of guarantee amounting to 1,157,547.69 lei, and 316,593.73 Euros. Bank guarantee letters are good execution letters issued in favor of some clients.

14.13 Assets held in custody

On 31 December 2017, ICME ECAB has assets held in custody under the custody record of 01.07.2010 from Techor SA. Their value is presented below:

a) Technological equipment: RON 102.853
b) Furniture, office equipment and other tangible assets : RON 3.325
c) Fixed assets in progress: RON 6.739.844
d) Raw materials: RON 200.611
e) Auxiliary materials: RON 15.941
f) Other consumables: RON 2.043
g) Finished products- tests: RON 19.069

15 SUBSEQUENT EVENTS

There are no significant subsequent events that require a change in the financial statements or a presentation in these notes.

The financial statements from page 3 to page 49 were authorized by the Board of Directors for GMS approval at 13.04.2018

Prepared by,

LAIOS KONSTANTINOS
Administrator

OLAN RAMONA
Economic Manager

Stamp