

**S.C. ELECTROPUTERE S.A.  
FINANCIAL STATEMENTS  
AS OF SEPTEMBER 30, 2016**

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

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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**AS OF SEPTEMBER 30, 2016**  
(all amounts are expressed in RON, unless otherwise specified)

	<u>Note</u>	<u>Sept 30, 2016</u>	<u>Sept 30, 2015</u>
		<u>RON</u>	<u>RON</u>
		<u>unaudited</u>	<u>unaudited</u>
Revenue	4	68,835,853	109,183,658
Cost of sales	5	(63,127,214)	(88,989,531)
<b>Gross profit / (loss)</b>		<b><u>5,708,639</u></b>	<b><u>20,194,127</u></b>
Administrative expenses	9	(15,314,419)	(15,706,416)
Other operating expenses	7	(1,634,360)	2,823,681
Distribution expenses		(1,209,499)	(5,555,336)
Other gains or (losses)	6	5,647,894	5,034,952
Finance costs	8	(14,155,666)	(13,001,343)
Finance income	8	1,672	25,530
Loss before tax		(20,955,739)	(6,184,805)
Income tax credit	10		
<b>Loss for the year</b>		<b><u>(20,955,739)</u></b>	<b><u>(6,184,805)</u></b>
<b>Other comprehensive income, net of tax</b>			
Gain on revaluation of properties			
<b>Total comprehensive income</b>		<b><u>(20,955,739)</u></b>	<b><u>(6,184,805)</u></b>
<b>Loss per share</b>	<b>27</b>	<b><u>(0.02)</u></b>	<b><u>(0.01)</u></b>

**OSAMA M.T. AL-HALABI**  
President

**LAVINIA PETCU**  
Financial Manager

**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2016**  
(all amounts are expressed in RON, unless otherwise specified)

	Note	Sept 30, 2016 RON unaudited	December 31, 2015 RON audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	257,712,213	261,729,820
Intangible assets	12	1,346,513	1,699,094
Other assets	13	1,206,172	1,381,635
<b>Total non-current assets</b>		<b>260,264,898</b>	<b>264,810,549</b>
<b>Current assets</b>			
Inventories	14	8,233,405	15,094,781
Trade and other receivables	15	94,189,963	83,024,980
Other assets	13	12,520,205	9,251,814
Cash and cash equivalents	16	1,517,363	2,869,571
<b>Total current assets</b>		<b>116,460,936</b>	<b>110,241,146</b>
<b>Total assets</b>		<b>376,725,834</b>	<b>375,051,695</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Issued capital	17	103,760,291	103,760,291
Reserves	18	73,756,118	73,756,118
Accumulated deficit		(271,919,285)	(250,960,703)
<b>Total equity</b>		<b>(94,402,876)</b>	<b>(73,444,294)</b>
<b>Non-current liabilities</b>			
Borrowings	19	199,637,997	202,875,394
Other non-current liabilities		-	143,177
<b>Total non-current liabilities</b>		<b>199,637,997</b>	<b>203,018,571</b>

The notes attached are an integral part of these financial statements.  
This is a free translation from the original Romanian binding version.

**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF SEPTEMBER 30, 2016**  
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	Note	Sept 30, 2016 <u>RON</u> unaudited	December 31, 2015 <u>RON</u> audited
<b>Current liabilities</b>			
Trade and other payables	21	75,773,005	73,667,589
Borrowings	19	184,052,516	160,367,430
Provisions	20	7,890,589	8,773,459
Short term finance lease and other interest bearing obligations	23		-
Other current liabilities	22	3,774,603	2,668,940
<b>Total current liabilities</b>		<u><b>271,490,713</b></u>	<u><b>245,477,418</b></u>
<b>Total liabilities</b>		<u><b>471,128,710</b></u>	<u><b>448,495,989</b></u>
<b>Total equity and liabilities</b>		<u><b>376,725,834</b></u>	<u><b>375,051,695</b></u>

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**S.C. ELECTROPUTERE S.A.**  
**STATEMENT OF CASH FLOW**  
**AS OF SEPTEMBER 30, 2016**  
(all amounts are expressed in RON, unless otherwise specified)

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>RON</b>	<b>RON</b>
	<b>unaudited</b>	<b>unaudited</b>
<b>Cash flow from operating activities</b>		
<b>Net loss</b>	<b>(20,955,739)</b>	<b>(6,184,805)</b>
<i>Adjustments</i>		
Depreciation and amortization of non-current assets	4,591,400	4,496,517
Reversal of provisions for doubtful accounts receivable	732,797	1,763,376
Provisions for non-current assets	(4,388)	(739,088)
Charges to / (Reversal of) provisions for slow moving and obsolete inventories	1,027,974	(227,884)
(Reversal of) / Charges to provisions for risks and charges	(882,869)	(5,582,399)
Provisions for penalties and interests for VAT		(3,370,754)
Net gain/(loss) from sale/write off of fixed assets	(52,114)	-
Net interest expenses	14,153,995	12,975,813
Fixed assets from own production	(149,624)	(331,476)
Unrealized forex (gain) / loss differences	(4,609,603)	(3,946,630)
Debit and accessories regarding VAT		8,134,670
<b>Movements in working capital</b>		
Decrease in trade and other receivables	(14,849,099)	(1,522,128)
(Increase) of good execution guarantees granted to customers	175,463	(624,828)
(Increase)/ Decrease in inventories	5,833,402	(2,008,262)
(Increase) / Decrease in prepaid expenses	(312,684)	-
Decrease)/Increase in trade and other payables	3,065,058	7,585,791
<b>Cash generated by / (used in) operations</b>	<b>(12,236,031)</b>	<b>10,417,913</b>
Interest paid	(3,945,866)	(3,187,149)
Interest received	1,672	25,530
<b>Cash flows from operating activities</b>	<b>(16,180,226)</b>	<b>7,256,293</b>
<b>Cash flow from investing activities</b>		
Payments for acquisitions of property, plant and equipment and intangible assets	(71,588)	(720,430)
Proceeds from disposals of property, plant and equipment	52,114	
<b>Cash flows (used in) / generated by investing activities</b>	<b>(19,474)</b>	<b>(720,430)</b>

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**STATEMENT OF CASH FLOW**  
**AS OF SEPTEMBER 30, 2016**  
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	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>RON</b>	<b>RON</b>
	<b>unaudited</b>	<b>unaudited</b>
<b>Cash flow from financing activities</b>		
Increase in loans from shareholders		25,101,358
(Decrease) / Increase in loans from financial institutions	14,847,492	(33,042,341)
Payments for leasing		
<b>Cash generated by / (used in) financing activities</b>	<b>14,847,492</b>	<b>(7,940,983)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,352,208)</b>	<b>(1,405,119)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>2,869,571</b>	<b>3,201,052</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,517,363</b>	<b>1,795,933</b>

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**STATEMENT OF CHANGES IN EQUITY**  
**AS OF SEPTEMBER 30, 2016**  
(all amounts are expressed in RON, unless otherwise specified)

	<u>Share capital</u>	<u>Elements similar to share capital</u>	<u>Other reserves</u>	<u>Revaluation reserves</u>	<u>Accumulated deficit from the transition to IFRS</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance at January 1, 2015</b>	<b>103,760,291</b>	<b>952,227,570</b>	<b>60,918,636</b>	<b>12,837,481</b>	<b>(574,840,761)</b>	<b>(604,724,250)</b>	<b>(49,821,034)</b>
Loss for the year	-	-	-	-	-	(23,623,260)	(23,623,260)
Revaluation surplus	-	-	-	-	-	-	-
Elimination of share capital inflation adjustment	-	(952,227,570)	-	-	952,227,570	-	-
<b>Balance at December 31, 2015</b>	<b>103,760,291</b>	<b>-</b>	<b>60,918,636</b>	<b>12,837,481</b>	<b>377,386,808</b>	<b>(628,347,510)</b>	<b>(73,444,294)</b>

During the year ended December 31, 2015 the Company operated a reduction in share capital related to the hyperinflation adjustments recorded at the first time adoption of IFRS. On 28<sup>th</sup> April 2015 the Company approved the reversal of the inflation adjustment pertaining to share capital amounting to RON 952,227,570 against the retained earnings.

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	<u>Share capital</u>	<u>Elements similar to share capital</u>	<u>Other reserves</u>	<u>Revaluation reserves</u>	<u>Accumulated deficit from the transition to IFRS</u>	<u>Accumulated deficit</u>	<u>Total</u>
<b>Balance at January 1, 2016</b>	<b>103,760,291</b>	<b>-</b>	<b>60,918,636</b>	<b>12,837,481</b>	<b>377,386,808</b>	<b>(628,347,511)</b>	<b>(73,444,294)</b>
Increase in share capital Loss for the year						(20,955,739)	<b>(20,955,739)</b>
<b>Balance at Sept 30, 2016</b>	<b>103.760.291</b>	<b>-</b>	<b>60.918.636</b>	<b>12.837.481</b>	<b>377.386.808</b>	<b>(649,306,093)</b>	<b>(94,402,876)</b>

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**NOTES TO FINANCIAL STATEMENTS**  
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**1. GENERAL INFORMATION**

S.C. ELECTROPUTERE S.A. (the „Entity”) is an entity set up under the Romanian law. The Entity was initially established in 1949, having its main business purpose the manufacturing of electrotechnical equipment of high currents for energy sector and railway transport, and initially structured in four main production sectors: rotative motors, power transformers, electrical devices and locomotives.

Electroputere S.A. became a holding Company on August 17, 1994 and was privatized in October 2007, Al-Arrab Contracting Company Limited being the major shareholder.

The address of the registered office of the Company is: Craiova, Bucuresti street, no 80.

The main categories of products of the Entity are: power transformers, rotative electrical engines, repairs and upgrades to equipment and installations.

	<u>Sept 2016</u>	<u>2015</u>
Average number of employees	711	734

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS**

**Adoption of new and revised standards and interpretations**

***Standards and Interpretations effective in the current period***

The following standards and amendments to the existing standards issued by the International Accounting Standards Board (IASB) and adopted by the European Union (EU) are effective for the current period:

- Amendments to various standards “Improvements to IFRSs (cycle 2011-2013)” resulting from the annual improvement project of IFRS (IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),
- IFRIC 21 “Levies” adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Entity’s accounting policies

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

The adoption of these amendments to the existing standards has not led to any changes in the Entity’s accounting policies.

***Standards and Interpretations issued by IASB and adopted by the EU but not yet effective***

At the date of authorization of these financial statements the following amendments to the existing standards issued by IASB and adopted by the EU were in issue but not yet effective:

- Amendments to various standards “Improvements to IFRSs (cycle 2010-2012)” resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU

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on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- Amendments to IAS 19 “Employee Benefits” - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),
- Amendments to IFRS 11 “Joint Arrangements” – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 38 “Intangible Assets” - Clarification of Acceptable Methods of Depreciation and Amortization - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 16 “Property, Plant and Equipment” and IAS 41 “Agriculture” - Agriculture: Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to IAS 27 “Separate Financial Statements” - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),
- Amendments to various standards “Improvements to IFRSs (cycle 2012-2014)” resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Company has elected not to adopt these new standards and amendments to existing standards in advance of their effective dates.

**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

***Standards and Interpretations issued by IASB but not yet adopted by the EU***

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at the approval of these financial statements:

- IFRS 9 “Financial Instruments”, issued on July 24, 2014 replaces IAS 39 Financial Instruments, Recognition and Measurement, effective for annual periods beginning on or after 1 January 2018.

IFRS 9 includes requirements on financial instruments regarding recognition, classification and measurement, impairment losses, derecognition and hedge accounting:

Recognition and Measurement: IFRS 9 comes with a new approach regarding the classification of financial assets, determined by the characteristics of cash flows and the business model based on which an asset is held. Such unique principle-based approach replaces the rule-based requirements of IAS 39. The new model will also determine a single impairment model applicable to all financial instruments.

Impairment losses: IFRS 9 introduces a new model for impairment losses, based on expected loss, which will require the faster recognition of expected losses on the impairment of receivables. The standard provides that entities should register expected impairment losses on receivables upon the initial recognition of the financial instruments and also recognize much faster expected impairment losses throughout the entire useful life thereof.

Hedge accounting: IFRS 9 introduces a model which is significantly improved regarding hedge accounting, which comprises additional disclosure requirements regarding risk management. The new model is a significant update of hedge accounting, which enables the accounting treatment to be aligned to risk management activities.

Own credit: IFRS 9 eliminates the volatility in the profit or loss arising from the change in credit risk related to liabilities measured at fair value. The change in the accounting requirements related to such liabilities implies that revenues from the mitigation of an entity’s own credit risk will no longer be recognized through profit or loss.

- IFRS 14 “Regulatory Deferral Accounts” (effective for annual periods beginning on or after 1 January 2016) – the European Commission decided not to initiate the adoption of this interim standard, and to wait the issue of the final standard;
- IFRS 15 “Revenue from Contracts with Customers” with subsequent amendments (effective for annual periods beginning on or after 1 January 2018);
- IFRS 16 „Leasing” (effective for annual periods beginning on or after 1 January 2019);
- Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures” - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016);
- Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture with subsequent amendments (the effective date has been postponed indefinitely until the research project regarding the equity method is complete).

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**NOTES TO FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2016**  
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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)**

The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

- According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement", would not significantly impact the financial statements, if applied as at the balance sheet date.

The Entity anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

**3. SIGNIFICANT ACCOUNTING POLICIES**

***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU), as provided for by the Public Finance Minister no 1286/2012 and its subsequent amendments.

***Basis of preparation***

The financial statements have been prepared on the historical cost basis except for certain classes of property plant and equipment and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for assets

The principal accounting policies are set out below:

***Going concern***

The financial statements have been prepared on a going concern basis, under the historical cost convention adjusted for the effects of hyperinflation until 31 december 2004 for share capital and reserves, respectively equipments.

As at September 30, 2016, the Company recorded an accumulated loss in the amount of RON 271,919,285, negative net assets in the amount of RON 94,402,876, net current liabilities in amount of RON 155.029.777 and the loss of the period in amounts to RON 20,955,739 These matters indicate an uncertainty regarding the Company's ability to continue as a going concern and an increased liquidity risk. In addition, according to statutory commercial law 31/1990, revised, in the event where the administrators ascertain that, further to incurring losses, the net assets, calculated as the difference between total assets and total liabilities of the Company, are less than half the value of the share capital, the administrators shall convene the general meeting of shareholders to decide whether to increase the share capital or to reduce it to the remaining value or to dissolve the Company. Management believes that it is unlikely that the Company will be subject to dissolution procedures in the future. As a result, the Company's capacity to continue as a going concern depends on its ability to generate sufficient future income and on the financial support from its shareholders. Management believes that such a support will be available whenever necessary. These financial statements do not include adjustments that might arise from this uncertainty regarding the ability of the Company to continue as a going concern.

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**NOTES TO FINANCIAL STATEMENTS**  
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**The principal accounting policies are presented below:**

***Revenue recognition***

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

**Sale of goods**

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that economic benefits associated with the transaction will flow to the Entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenue from sale of goods is recognized when goods are delivered and legal title is passed. Revenues from the sale of power transformers are recognized using the principles of the construction contracts.

**Rendering of services**

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

**Interest income**

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

**Construction contracts (transformers factory)**

In accordance with the provisions of IAS 11, when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative for the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the Company records provisions for onerous contracts.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts, where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

**Leasing**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

**The Entity's as lessor**

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

**The Entity as lessee**

Assets held under finance leases are initially recognized as assets of the Entity at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

**Foreign currencies**

The Company's operations are in Romania and the functional currency is RON.

In preparing the financial statements of the Entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are

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denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

#### **Foreign currencies (continued)**

The official conversion rates used to convert foreign currency denominated balance sheet items at the end of the reporting periods were as follows:

- December 31<sup>st</sup>, 2015: 4.1477 RON/USD and 4.5245 RON/EUR;
- September 30<sup>nd</sup>, 2016: 3.9822 RON/USD si 4.4523 RON/EUR

#### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss account in the period in which they are incurred.

#### **Employee benefits**

The Entity, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss account in the same period as the related salary cost.

The Entity pays employees retirement benefits, benefits which are defined in the Collective Labor Agreement of the Entity.

#### **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

##### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

##### **Deferred tax**

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

**Taxation (continued)**

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in the profit or loss account, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Statutory income tax rate for the period ended June 30, 2016 was 16% (December 31, 2015:16%).

**Property, plant and equipment**

Each asset with an acquisition cost exceeding RON 2,500 and estimated useful life of over one year are capitalized. Fixed assets with an acquisition cost lower than RON 2,500 are recorded as an expense.

Cost

The Entity's land and buildings were presented at the date of the transition to International Financial Reporting Standards based on deemed cost, which is equal to the market value of these assets at the date of the transition determined based on a revaluation carried out by an independent appraiser. Subsequently the land and buildings held by the Company have been revalued and are carried in the financial statements at revalued cost.

The Entity's equipments were presented at the date of transition to International Financial Reporting Standards at initial cost on which general price indexes have been applied for the period 1990 – 2003, during which Romania was a hyperinflationary economy.

The expenses with the major improvements are capitalized, based on the criteria whereas they extend the operating life of asset or lead to a significant increase in its ability to generate revenue. Cost of maintenance, repair and minor improvements are shown on expenses when they are carried out.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss account, in which case the increase is credited to profit or loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recorded in profit or loss account to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at the value presented above, deducting any accumulated amortization and any subsequent impairment allowance.

**Property, plant and equipment (continued)**

Assets in course of construction to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the International Financial Reporting Standards. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continue use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Depreciation and amortization

Property, plant and equipment and intangible assets are depreciated/amortized on a straight line basis, according to their estimated useful lives since the date of put in function, so that the cost to be decreased to the estimated residual value at the end of their useful live. The main useful lives for the various categories of property, plant and equipment are:

	<u>Years</u>
Buildings and special constructions	30 – 60
Installations and equipment	10 – 25
Computers and electronic equipment	3 – 5
Vehicles	3 – 5

Land is not depreciated as it is assumed to have an unlimited service life.

Estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Assets held under finance leases are depreciated over the useful life on the same basis as owned assets or, where the period is shorter, over the term of the relevant lease contract.

An item of property is no longer recognized as a result of the disposal or when no future economic benefits are expected from continued use of the asset.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the initial component is canceled. Other subsequent expenditure is capitalized only when future economic benefits are expected through the use of such assets. All other expenditure is recognized in the profit or loss account as incurred.

**Intangible assets**

Intangible assets acquired separately

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

#### **Intangible assets (continued)**

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognized in the statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statement of comprehensive income when the asset is derecognised.

#### **Impairment of tangible and intangible assets other than goodwill**

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

**Impairment of tangible and intangible assets other than goodwill (continued)**

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**Inventories**

Inventories are stated at the lower of cost and net realisable value.

Inventories like raw materials, consumables, materials in the form of inventory items, goods and packages are valued at acquisition cost or the price in foreign currency at the exchange rate on the date of acquisition, plus custom duties, custom fees and travel expenses such as insurance.

Production in progress, semi-finished and finished goods are valued at the production cost.

Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

**Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Provisions (continued)**

##### Restructuring

A restructuring provision is recognized when the Entity has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

##### Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Entity's obligation.

#### **Financial instruments**

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument .

#### **Financial assets**

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

##### Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial assets is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial assets (continued)**

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "Net financial expenses" in the statement of comprehensive income.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

#### **Impairment of financial assets**

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Impairment of financial assets (continued)**

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

#### Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Entity retains control), the Entity allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

#### **Financial liabilities and equity instruments**

##### Classification as debt or equity

Debt and equity instruments issued by the Entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

##### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

##### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

### **3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Financial liabilities and equity instruments (continued)**

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial

Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial cost, net' line item in the statement of comprehensive income/income statement.

#### **Other financial liabilities**

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

#### **Derecognition of financial liabilities**

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss account.

#### **Related parties**

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

#### **Operating segments**

An operating segment is a component of the Entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment information is presented in respect of the Entity's business and geographical segments and is determined based on the Entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Use of estimates (continued)**

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Entity's premises) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

**Use of estimates**

In the application of the Entity's accounting policies, as described above, the directors are re required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that

are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on a ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**Critical accounting judgements**

The following are the critical judgements that the directors have made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

i) Impairment of tangible and intangible assets

At each balance sheet date, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

ii) Useful lives of property, plant and equipment

The Entity reviews for adequacy the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

iii) Restructuring provisions

iv) Deferred taxes

v) Provisions and contingent liabilities

vi) Allowances for bad and doubtful customers

vii) Allowances for obsolete inventory or for net realizable value adjustments

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

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**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Comparatives**

Certain amounts in the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the prior year have been reclassified to conform to the current year's presentation.

The Company corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery, in accordance with the provisions of IAS 8, by:

a. restating the comparative amounts for the prior period(s) presented in which the error occurred; or

b. if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

**4. REVENUES**

Below, is in analysis of the Company's revenues for the year.

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>unaudited</b>	<b>unaudited</b>
Revenues from sales of goods	67.310.299	107,004,853
Revenue from commodities	-	720,699
Revenue from rendering of services	185,540	99,852
Other revenues	1,340,014	1,358,254
<b>Total</b>	<b>68,835,853</b>	<b>109,183,658</b>

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**5. COST OF SALES**

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>unaudited</b>	<b>unaudited</b>
Raw materials	38,912,042	65,017,025
Consumables expenses	1,502,925	2,440,448
Packages expenses	1,314	8,550
Energy, water and gas	1,828,244	1,571,934
Repairs	463	8,694
Staff costs	14,477,084	12,875,574
Depreciation and amortization related to non-current assets	2,884,334	2,787,348
Others	9,994	
Third party services	2,683,741	2,875,301
Transportation expenses	-	639,073
Telecommunication expenses	646,271	619,065
Rent	39,769	40,366
Environmental expenses	69,748	45,607
Cost of goods sold	42,261	60,545
Entertainment, promotion and advertising	29,024	
<b>Total</b>	<b>63,127,214</b>	<b>88,989,531</b>

**6. OTHER GAINS AND LOSSES**

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>unaudited</b>	<b>unaudited</b>
Income from selling of fixed assets	52,114	
Expenses with disposal of property, plant and equipment		
Income/ (expense) net of exchange differences	5,595,780	5,034,952
<b>Total</b>	<b>5,647,894</b>	<b>5,034,952</b>

**7. OTHER OPERATING EXPENSES**

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>RON</b>	<b>RON</b>
	<b>unaudited</b>	<b>unaudited</b>
Other income	639,895	2,000,122
Reversal of provisions for current assets	(1,684,059)	4,622,801
Provisions for VAT receivable		(8,134,670)
(Expense) / Reversal of provision for risks and charges	754,809	4,335,428
Travel expenses, and transfer postings	(536,997)	
Other expenses	(808,008)	
<b>Total</b>	<b>(1,634,360)</b>	<b>2,823,681</b>

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**8. FINANCE COSTS, NET**

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>unaudited</b>	<b>unaudited</b>
Interest income	(1,672)	(25,530)
Interest expense from loans and leasing	14,155,666	13,001,343
<b>Total</b>	<b>14,153,994</b>	<b>12,975,813</b>

**9. ADMINISTRATIVE EXPENSES**

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
	<b>unaudited</b>	<b>unaudited</b>
Energy, water and gas	526,508	380,957
Repairs expenses	3,122	37,202
Insurance premiums	104,451	256,207
Staff costs	7,196,613	6,719,522
Fees and charges	32,034	12,456
Entertainment, promotion and advertising	55,010	68,591
Travel expenses		652,537
Communication expense		116,242
Other third party services	2,639,601	2,089,211
Other taxes, charges and similar expenses	1,119,312	1,001,359
Consumables expenses	649,092	632,841
Bank charges	1,063,047	1,962,415
Trade goods expenses		
Rents	206,548	104,859
Amortization expenses	1,719,081	1,672,017
<b>Total</b>	<b>15,314,419</b>	<b>15,706,416</b>

**10. INCOME TAX**

(Income) / expense for the current and deferred tax recognized in the income statement (-a) for 2016 and 2015 is detailed below.

	<b>Sept 30, 2016</b>	<b>Sept 30, 2015</b>
<b>Current tax</b>		
Current income tax expense	-	-
Deferred tax (income)	-	-

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**10. PROPERTY, PLANT AND EQUIPMENT**

<i><b>COST</b></i>	<b>Land</b>	<b>Buildings and other constructions</b>	<b>Plant and machinery</b>	<b>Equipment and vehicles</b>	<b>Advances for fixed assets and capital work in progress</b>	<b>Total</b>
<b>At December 31, 2015</b>	<b>198,086,512</b>	<b>64,440,145</b>	<b>243,813,918</b>	<b>107,291,882</b>	<b>5,044,312</b>	<b>618,676,768</b>
Additions	-	-			220,891	220,891
Transfers	-	522,166	17,039		(539,205)	-
Disposals	-	-	(295,091)	-		(295,091)
<b>At September 30, 2016</b>	<b>198,086,512</b>	<b>64,962,311</b>	<b>243,535,865</b>	<b>107,291,882</b>	<b>4,725,997</b>	<b>618,602,568</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>At December 31, 2015</b>	-	<b>(8,510,350)</b>	<b>(237,494,705)</b>	<b>(107,236,079)</b>	-	<b>(353,241,134)</b>
Depreciation expense	-	(3,212,865)	(1,012,207)	(13,424)		(4,238,497)
Eliminated on disposals of assets	-	-	(295,091)	-	-	(295,091)
<b>At September 30, 2016</b>	-	<b>(11,723,215)</b>	<b>(238,211,822)</b>	<b>(107,249,503)</b>		<b>(357,184,540)</b>

This is a free translation from the original Romanian binding version.

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

Impairment allowance	Land	Buildings and other constructions	Plant and machinery	Equipment and vehicles	Advances for fixed assets	Total
<b>At December 31 2015</b>	-	-	-	-	(3,705,815)	(3,705,815)
Impairment losses recognized in profit or loss account	-	-				
<b>At September 30 2016</b>	-	-	-	-	(3,705,815)	(3,705,815)
<b>Net book value</b>						
<b>At December 31 2015</b>	<b>198,086,512</b>	<b>55,929,794</b>	<b>6,319,212</b>	<b>55,803</b>	<b>1,338,498</b>	<b>261,729,820</b>
<b>At September 30 2016</b>	<b>198,086,512</b>	<b>53,239,096</b>	<b>5,324,044</b>	<b>42,379</b>	<b>1,020,183</b>	<b>257,712,213</b>

Advances granted for tangible assets included an amount of RON paid in 2008 to Mija Industrial Park S.A., an affiliated entity, under contract execution of construction works consisting of refurbishment of office building with a ground area of 820 sqm, and a built area of 3,280 sqm, owned by the Company. The total value of the agreement is estimated at EUR 2,000,000 without VAT, the final value being set to be determined based on the execution project.

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

**1. Pledged property, plant and equipment**

As at September 30, 2016 the net book value of the property, plant and equipment pledged in favour of banks, with regard to the loans of the Entity, is of RON 251.060.449 (December 31, 2015: RON 252,637,879).

**2. Property, plant and equipment purchased under finance lease**

As at September 30, 2016, the net book value of the property, plant and equipment purchased under finance leases was of RON 0 (December 31, 2015: RON 0).

**12. INTANGIBLE ASSETS**

	<u>Development expenses</u>	<u>Other intangibles</u>	<u>Advances for intangibles</u>	<u>Total</u>
<b>Cost</b>				
<b>At December 31, 2015</b>	<b>217,867</b>	<b>2,330,412</b>	<b>127,322</b>	<b>2,675,601</b>
Additions	-	608	323	931
Disposals	-		(608)	(608)
<b>At September 30, 2016</b>	<b>217,867</b>	<b>2,331,020</b>	<b>127,037</b>	<b>2,675,924</b>
<b>Accumulated amortisation</b>				
<b>At December 31, 2015</b>	<b>(217,867)</b>	<b>(758,640)</b>	<b>-</b>	<b>(976,507)</b>
Amortisation expense Eliminated on disposal of assets		(352,903)		(352,903)
<b>At September 30, 2016</b>	<b>(217,867)</b>	<b>(1,111,543)</b>		<b>(1,329,410)</b>

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**12. INTANGIBLE ASSETS (continued)**

Impairment allowance	Development expenses	Other intangibles	Advances for intangibles	Total
<b>At December 31, 2015</b>	-	-	-	-
Impairment losses of intangible assets in progress	-	-		
<b>At September 30, 2016</b>	-	-	-	-
<b>At December 31, 2015</b>	-	1,571,772	127,322	1,699,094
<b>At September 30, 2016</b>	-	1,219,477	127,037	1,346,513

**13. OTHER ASSETS**

	September 30, 2016	December 31, 2015
	unaudited	audited
Guarantees on long-term	1,206,172	1,381,635
Commercial guarantees paid	347,483	182,017
Provisions for guarantees	(339,806)	(344,418)
Other investments	1,818	1,818
Sundry debtors	360,903	332,322
Advance payments	549,781	48,219
VAT receivable	15,305,102	12,736,932
Less: Allowance for doubtful VAT receivable	(3,705,076)	(3,705,076)
<b>Total</b>	<b>13,726,377</b>	<b>10,633,449</b>

During the year ended December 31, 2014 the Company was subject to a VAT reimbursement control by the local tax authorities, covering prior periods December 2008 – February 2014. The VAT amount requested by the Company for reimbursement was RON 8,507,956. The VAT inspectors disallowed the amount requested for reimbursement by the Company and assessed additional VAT liabilities in amount of RON 8,404,943 and additional late payment interest and related penalties in the amount of RON 5,635,396. Based on management's best estimate related to the recoverability of these amounts as at December 31, 2014 an allowance for doubtful VAT receivable of RON 3,705,076 and a provision for risks and charges of RON 4,248,418 (see Note 7 and Note 20) for the penalties and interests requested by the fiscal authorities were recorded in the financial statements as of December 31, 2014. The management of the Company believes based on internal assessment that the additional amounts not provided for are defensible in court and a claim against the fiscal authorities was submitted in the court of law during April 2015. Until the approval of these financial statements for the year ended September 30, 2016 the case was not settled..

	September 30, 2016	December 31, 2015
	unaudited	audited
Guarantees on long-term	1,206,172	1,381,635
Other current assets	12,520,205	9,251,814
<b>Total</b>	<b>13,726,377</b>	<b>10,633,449</b>

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**14. INVENTORIES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Raw materials	8,976,874	13,141,512
Consumables	286,767	315,923
Materials in the form of inventory items	970,226	830,937
Packaging	162,472	528,006
Finished goods	2,418,685	2,418,685
Work in progress	1,755,424	3,157,769
Semi-finished goods	1,271,657	1,273,135
Residual products	7,654	17,194
Goods	47,369	47,369
Allowance for impairment of inventories	(7,663,723)	(6,635,749)
<b>Total</b>	<b>8,233,405</b>	<b>15,094,781</b>

The movement in the allowance for slow moving and obsolete inventory is presented below:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Balance at the beginning of the year	6,635,749	7,819,340
Charge/(Release) in the current year	1,027,974	(1,183,591)
<b>Balance at the end of the year</b>	<b>7,663,723</b>	<b>6,635,749</b>

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**15. TRADE AND OTHER RECEIVABLES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Trade receivables	85,155,072	84.841.064
Trade receivables recognised under IAS 11	15,529,149	4.317.709
Allowance for doubtful receivables	(7,225,459)	(6.492.662)
Advances paid for inventory	705,661	337.525
Advances paid for services	25,540	21.344
<b>Total</b>	<b>94,189,963</b>	<b>83.024.980</b>

In determining the recoverability of trade receivables, the Company takes into account changes in the creditworthiness of the customer from the date of credit to the reporting date. Concentration of credit risk is limited due to the existence of a large portfolio of clients unaffiliated. Thus, the Company's management believes that no additional adjustments are needed for trade receivables impairment than those recognized in these financial statements.

Aging of receivables that are older than 60 days:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
60-90 days	340,306	24.308
90-120 days	76,271	2.486.756
Over 120 days	10,897,243	7.212.035
<b>Total</b>	<b>11,313,820</b>	<b>9.723.099</b>

Movement in allowance for trade receivables is as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Balance at the beginning of the year	6,492,662	521.762
(Release) in the current year	732,797	5.970.900
<b>Balance at the end of the year</b>	<b>7,225,459</b>	<b>6.492.662</b>

Aging of receivables past due and impaired:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Over 120 days	3,178,457	7.212.035
<b>Total</b>	<b>3,178,457</b>	<b>7.212.035</b>

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**16. CASH AND CASH EQUIVALENTS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Bank accounts	1,410,575	2.845.557
Other	106,787	23.865
Cash equivalents	1	149
<b>Total</b>	<b>1,517,363</b>	<b>2.869.571</b>

**17. ISSUED CAPITAL**

Share capital is fully paid as at December 31, 2015

	<b>No. of shares</b>	<b>Share capital RON</b>
<b>Share capital at</b>		
September 30, 2016	1,037,602,913	103,760,291
Effect of inflation on capital		-
<b>Share capital at</b>		
<b>December 31, 2016</b>		<b>103,760,291</b>

	<b>No. of shares</b>	<b>Share capital RON</b>
<b>Share capital at</b>		
December 31, 2015	1,037,602,913	103,760,291
Effect of inflation on capital		
<b>Share capital at</b>		
<b>December 31, 2015</b>		<b>103.760.291</b>

**Shareholder structure September 30, 2016**

	<b>No of shares</b>	<b>Procent</b>
Al-Arrab Contracting Company Ltd	991,284,640	95.54%
Other shareholders	46,318,273	4.46%
<b>Total</b>	<b>1,037,602,913</b>	<b>100%</b>

**Shareholder structure December 31, 2015**

	<b>No of shares</b>	<b>Procent</b>
Al-Arrab Contracting Company Ltd	991,284,640	95.54%
Other shareholders	46,318,273	4.46%
<b>Total</b>	<b>1,037,602,913</b>	<b>100%</b>

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**18. RESERVES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Legal reserves	17.784.866	17,784,866
Revaluation reserves	12.837.480	12,837,480
Other	43.133.772	43,133,772
<b>Total</b>	<b>73.756.118</b>	<b>73,756,118</b>

**19. BORROWINGS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
<b><u>Loans guaranteed</u></b>		
Short term loans	93,781,055	78.933.563
Current portion of long term loans	90,271,461	81.433.867
<b><u>Loans guaranteed</u></b>		
Long term loans	199,637,997	202.875.394
<b>Total</b>	<b>383,690,513</b>	<b>363.242.824</b>

**a) Amounts due to credit institutions**

The Company contracted a credit facility amounting to 29,800,000 EUR from Blom Bank for the financing of working capital and for the payment of the outstanding debts towards state authorities. The credit facility comprises the following credit limits:

- An overdraft loan of EUR 3,750,000 for the current activity, that can be utilized up until October 31, 2016, with an attached interest rate of EURIBOR 1m plus 2.5% fix margin per annum, but no lower than 4.75% per annum;
- A revolving facility of EUR 19,050,000 EUR, for the financing contracts, that can be utilized up until October 31, 2016, with an attached interest rate of EURIBOR 1m plus 2.5% . per annum, but no lower than 4.75% per annum;
- A revolving facility of EUR 7,000,000 for issuance of warranty letters, that can be utilized up until October 31, 2016 (non cash) .

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**19. BORROWINGS (continued)**

The above mentioned agreement is pledged with:

- Real estate mortgage over the land located in Craiova, Calea Bucuresti Str., No. 80, Dolj county, with a surface of 468.862 sqm., property of SC Electroputere SA, as well as the related constructions.
- Pledge over the cash accounts of the debtor;
- Pledge over the receivables resulting from the agreement sealed by SC Electroputere SA with its clients. According to the addendum 1/30.08.2011 to the Real Warranty agreement, the company is unconditionally obliged to warrant the above mentioned credit through the of rights from the selling agreements between the company and its final clients;
- Guarantee contract entitled „Guarantee and Indemnity” signed by Mada Group For Industrial and Commercial Investment Company Limited, related party, for the amount of EUR 28,500,000.
- Real estate mortgage over the land located in Mogosoaia, Iflov county with a surface of 184.000 sqm, property of SC Electroputere SA

**b) Amounts due to shareholders**

As at September 30, 2016 the amounts owed to the shareholders, are long-term loans from the main shareholder of the Company, Al-Arrab Contracting Company Ltd, in the amount of EUR 44,839,296 equivalent of RON 199,637,997 (December 31, 2015: RON 202.875.394, equivalent of EUR 44,839,296), granted for financing of working capital, environment and development investments, according to the obligations assumed under the privatization agreement no. 67/30.10.2007.

Interest payable at September 30, 2016 on loans from shareholders amounts to RON 90,271,461, equivalent of EUR 20,275,242 (31 December 2015: RON 81.433.867 equivalent of 17.998.423 EUR), calculated at rates ranging between 0% and 6.5% per year.

The interest expense related to the shareholders loan for the year ended September 30, 2016 is in amount of RON 10.209.800 (for the year ended December 31, 2015: RON 13.188.802 ).

According to the loan agreement, Electroputere undertakes to establish in favour of Al-Arrab Contracting Company Ltd a pledge on movable assets (plant, machinery and equipment) required for the manufacture of transformers and electric motors, as well as a real estate mortgage on the land located in Craiova, with the following cadastral numbers: 10493/3 (mortgaged to Blom Bank France S.A.), 10493/4 (mortgaged to Blom Bank France S.A), 10493/5 (mortgaged to Blom Bank France S.A), 10493/6/1 (mortgaged to Blom Bank France S.A), 10493/7 (mortgaged to Blom Bank France S.A), 10493/8 (mortgaged to Blom Bank France S.A), 10493/9 (mortgaged to Blom Bank France S.A), 10493/10 (mortgaged to Blom Bank France S.A), 10493/11/2 (mortgaged to Blom Bank France S.A), 10493/11/3 (mortgaged to Blom Bank France S.A), 10493/12 (mortgaged to Blom Bank France S.A), 10493/13/1 (mortgaged to Blom Bank France S.A), 10493/13/3 (mortgaged to Blom Bank France S.A) and 11.042 (without mortgaged to Blom Bank France S.A).

As of the balance sheet date this pledges/mortgages have not been made.

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**20. PROVISIONS**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Provisions for guarantee to customers	1,411,319	1,411,319
Provisions for restructuring	85,433	-
Provisions for onerous contracts	-	128,059
Provisions for penalties and interest related to the VAT reimbursement control (Note 14)	-	4,248,418
Provision for environmental liabilities	-	660,826
Other provisions	6,393,837	2,324,837
<b>Total</b>	<b>7,890,589</b>	<b>8,773,459</b>

**21. TRADE AND OTHER PAYABLES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Trade payables	18,509,359	16,515,009
Invoices to be received	994,088	1,166,442
Advances from customers	3,617,544	4,576,908
Sundry creditors	1,848,422	314,810
Sundry creditors group related	50,803,592	51,094,420
<b>Total</b>	<b>75,773,005</b>	<b>73,667,590</b>

**22. OTHER CURRENT LIABILITIES**

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Wages	2,017,167	1,795,603
Social contributions	608,526	554,842
Other taxes	4,694	4,587
Tax on salaries	250,543	273,862
Other current liabilities	893,673	40,046
<b>Total</b>	<b>3,774,603</b>	<b>2,668,940</b>

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**23. FINANCIAL INSTRUMENTS**

**a) Capital risk management**

The Entity's objectives when managing capital are to safeguard the Entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Entity consists of debt, which includes the borrowings presented at note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, as presented in notes 17 and 18.

Consistent with others in the industry, the Entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'capital and reserves' as per the balance sheet plus net debt.

The gearing ratios as at September 30, 2016 and 2015 were as follows:

	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>unaudited</b>	<b>audited</b>
Total borrowings	383,690,513	363.242.824
Less: cash and cash equivalents	(1,517,363)	(2.869.571)
<b>Net debt</b>	<b>382.173.150</b>	<b>360.373.253</b>
Total capital and reserves	(94,402,876)	(73.444.294)
Gearing ratio	n/a	n/a

**b) Interest rate risk management**

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments bear interest at market rates, therefore it is considered that their fair values did not offer significantly from the carrying amounts.

***Interest rate sensitivity***

The sensitivity analysis presented below has been determined for existing interest bearing loans outstanding at the reporting date, and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

**c) Credit risk management**

The Company is subject to credit risk due to its trade receivables and other types of claims. The Company has policies to ensure that sales are made to customers with appropriate references on their creditworthiness. Date of maturity of debt is closely monitored and amounts due after exceeding it are pursued promptly. Trade receivables (customers) are presented net of adjustments for impairment of doubtful debts. The company develops policies that limit the amount of credit exposure to any financial institution.

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**23. FINANCIAL INSTRUMENTS (continued)**

**d) Fair value of the financial instruments**

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard term and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available using discounted cash flow analysis, based on the yield curve which do not include options models and valuation models for derivatives which have options pricing models.

The financial instruments from statement of financial position includes trade and other receivables, cash and cash equivalents, borrowings both short term and long term and other liabilities. Estimated fair values of these instruments approximate their carrying amounts. Carrying amounts represent the Company's maximum exposure to credit risk of existing claims.

**f) Liquidity risk management**

A prudent liquidity management involves maintaining sufficient cash and credit lines available, by a continuous monitoring of the estimated and real cash flow and by correlating the due dates of the financial assets and liabilities. Given the nature of its business, the Company aims at being flexible with regard to financing options, by maintaining credit lines available to finance the operating activities, as well as by the financial support from the majority shareholder.

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**25. RELATED PARTY TRANSACTIONS**

Balances and transactions with related parties are as follows:

	<b>Amounts receivable from Related Parties</b>		<b>Amounts payable to Related Parties</b>	
	<b>September 30, 2016</b>	<b>December 31, 2015</b>	<b>September 30, 2016</b>	<b>December 31, 2015</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>
Al -Arrab Contracting Company Ltd	152,998	195,451	289,909,458	284,309,261
Mada Group for Industrial and Commercial investment	2,850	2,850	5,001,629	5,077,891
Parc Industrial Mija SA- avansuri pentru imobilizari corporale	3,602,600	3,602,600		-
MIS Consulting		-		-
Griro SA		-		-
Cummins Generator Technologies Romania – sale of goods		-		-
Mabani Steel		-	11,031	-
Osama Al-Halabi	79,411	-	895,000	-
Mada Gypsum Company Ltd		-	291,684	255,343
Cladtech International		-	1,421	1,421
Al Rahji		-	44,599,428	45,759,764
Saudi Waterproofing		-	3,399	-
Tony Akiki	-	9,335		-
<b>Total</b>	<b>3,837,859</b>	<b>3,810,236</b>	<b>340,713,050</b>	<b>335,403,681</b>

**26. COMMITMENTS AND CONTINGENCIES**

**Litigations**

As at 30 September 2016 the Entity is subject to a number of lawsuits arising in the normal course of business. The Company's management believes that these actions will not have a material adverse effect on economic performance and financial position of the Company.

**Taxation**

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive. Although the actual tax due for a certain transaction can be minimal, penalties can be significant, as they can be calculated at the value of the transaction and at a minimum ratio of 0.1% per day starting with 2006, but can be significantly higher. In Romania, the fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Company change in the future the destination of the revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

**Environment**

The regulations regarding the environment are in a development phase in Romania and the Company did not record any liabilities as at September 30, 2016 and December 31, 2015 for any anticipated costs, including legal and consulting fees, design and implementation of remedial plans regarding the environment.

**S.C. ELECTROPUTERE S.A.**  
**NOTES TO FINANCIAL STATEMENTS**  
**AS OF SEPTEMBER 30, 2016**  
**(all amounts are expressed in RON, unless otherwise specified)**

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On February 24, 2010, the Regional Agency of Environment of Dolj County issued an environmental authorization valid until February 24, 2020. By this authorisation the Company was not required to adhere to any compliance program.

**27. RESULT PER SHARE**

	<u>Sept 30, 2016</u>	<u>Sept 30, 2015</u>
Loss of the year	(20,955,739)	(9,859,607)
No. of shares	<u>1,037,602,913</u>	<u>1,037,602,913</u>
<b>Loss per share</b>	<b><u>(0.02)</u></b>	<b><u>(0.01)</u></b>

**28. SUBSEQUENT EVENTS**

Craiova Court of Appeal has set a new deadline for the date of November 24, 2016 for Electroputere action against the tax authority filed during the month of April 2015.

At the date of the present financial statements, Blom Bank is analyzing our documents in order to renew all the facilities with 12 months. Until the completion of the analysis, credit limits are extended until December 29, 2016, on condition of reimbursing 50% from all amounts cashed, until decreasing the credit limits with 5 million euros.



# Electroputere

## STATEMENT OF RESPONSIBILITY

as per art.30 from the Accounting Law no.82/1991  
and CNVM Regulation no. 1/2006 art. 1121, par. 1, letter C

The financial statements for the 3<sup>rd</sup> quarter of 2016 have been drawn up for:

**Entity:** S.C. ELECTROPUTERE S.A.

**Headquarters:** CRAIOVA, 80 Calea Bucuresti Street, Dolj County

**Unique Identification Number at the Trade Register Office:** 6312800

**Registration no. in the Trade Register:** J 16/12/1991

**Subscribed and paid up capital:** 103.760.291,30 lei

**Regulated market where issued securities are traded:** Bucharest Stock Exchange – 2nd Category

The undersigned OSAMA AL HALABI, as President and member of the company Board of Directors, and LAVINIA PETCU, as Finance Manager, assume the responsibility for the financial statements for the 3<sup>rd</sup> quarter of 2016 and acknowledge that:

- the accounting policies used when drawing up the 3<sup>rd</sup> quarter financial statements are in compliance with the applicable accounting regulations;
- the 3<sup>rd</sup> quarter financial situations are a trustworthy reflection of the financial status and of the information related to the activity developed;
- the legal entity is running the activity uninterruptedly.

The financial statements on September. 30, 2016 have not been audited yet.

PRESIDENT

OSAMA AL HALABI

FINANCE MANAGER

LAVINIA PETCU

## Translation from Romanian

### **Report 3rd quarter of 2016 according to Regulation no. 1/2006**

Reporting date: Nov. 14, 2016

Name of the Trade Company: S.C. Electroputere S.A.

Headquarters: Craiova, 80 Calea București Street, Dolj County

Tel: 0251 / 437119; Fax: 0372003056

Tax Code: 6312800

Registration in the Trade Register: J16/12/1991

Subscribed and paid up capital: 103.760.291,30

Regulated market where issued securities are traded: Bucharest Stock Exchange

#### **1. The report on the main events occurred during the relevant period of time and their impact on the issuer's financial situation and its branches.**

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#### **2. Economical and financial indicators:**

Indicator	Calculation method	Result
Current liquidity ratio	Current assets/ debts	0.43
Indebtedness indicator	Loan capital / Equity *100 Loan capital / Capital employed *100	-
Rate of debit turnover - customers	Average balance client / Turnover*180	370 days
Rate of fixed assets turnover	Turnover / Fixed assets	0.27

#### **3. Economical and financial situation and analysis of S.C. Electroputere S.A. activity on September. 30, 2016.**

Synthetic comparative situation (3<sup>rd</sup> quarter, 2015 – 3<sup>rd</sup> quarter, 2016) are presented as follow: