

SC RETRASIB SA

ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3RD TERM, 2016

**Drafted according to the Order of the
Minister of Public Finance of Romania
no. 1286/2012 and 881/2012**

CONTENTS

Statement of financial position

Statement of global earnings

Statement of equity modifications

Notes to financial statements:

1. Fixed assets
2. Provisions
3. Profit allocation
4. Analysis of operating revenues
5. Statement of receivables and liabilities
6. Accounting principles, policies and methods
7. Participations and financing sources
8. Information regarding the personnel and the members of the administration bodies
9. Analysis of the main economic and financial ratios
10. Other information
11. Contingencies
12. Measures regarding risk management according to IFRS7
13. Corporate governance

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016STATEMENT OF FINANCIAL POSITION,
On September 30, 2016

	-lei-	
	01.01.2016	30.09.2016
ASSETS		
Tangible assets	34.205.770	31.300.231
Intangible assets	318.236	360.171
Financial assets		83.564
Fixed assets - total	34.524.006	31.743.966
Inventories	25.161.083	24.263.247
Accounts receivables and advance payments	33.388.681	15.513.268
Other receivables	1.598.028	1.872.819
Receivables from deferred tax dues		
Current financial assets		
Cash and bank balance	2.137.632	525.315
Accrued expenses	149.167	1.582.135
Current assets - total	62.434.591	43.756.784
TOTAL ASSETS	96.958.597	75.500.750
OWNERS' EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	10.001.205	10.001.205
Revaluation reserves	11.224.156	11.207.604
Reserves	4.730.542	4.730.542
Retained earnings application of IFRS	-165.285	-165.285
Retained earnings	-7.819.748	-8.767.955
Financial period earnings	-964.759	-21.494.567
Allocation of profit		-
Loss coverage		-
Owners' equity - total	17.006.111	-4.488.456
Current liabilities		
Commercial liabilities and collected advances	27.380.372	22.492.539
Other current liabilities	48.412.543	49.633.119
Debt from deferred tax dues		
Short-term provisions	2.035.572	7.318.711
Current liabilities - total	77.828.487	79.444.369
Long-term liabilities > 1 year	2.123.999	544.837
Other liabilities > 1 year	-	0
Long-term liabilities - total	2.123.999	544.837
Liabilities - total	79.952.486	79.989.206
TOTAL OWNERS' EQUITY AND LIABILITIES	96.958.597	75.500.750

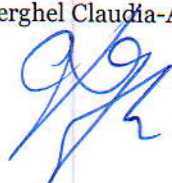
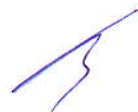
General Manager,
Gherghel Claudia-AdelaChief Financial Officer,
Bratu Roxana Meda

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016STATEMENT OF GLOBAL EARNINGS
On September 30, 2016

-lei-

	30.09.2015	30.09.2016
Sale revenues	28.190.519	39.155.485
Other operating revenues	44.814	5.651
Inventory variance for finished goods and for goods in progress	18.604.251	-141.217
Operating revenues	46.839.584	39.019.919
Materials and supplies	35.182.594	28.331.709
Energy and water	781.440	708.799
Personnel salaries and benefits	4.557.249	7.545.510
External services	6.406.237	10.506.130
Taxes and fees	389.931	288.490
Depreciation	1.315.790	1.765.643
Other expenses with provisions, net basis	915.171	10.114.512
Operating expenses	49.548.412	59.260.793
Operating revenues	-2.708.828	-20.240.874
Financial revenues	1.153.018	937.635
Financial expenses	2.099.172	2.191.328
Financial revenues	-946.154	-1.253.693
TOTAL REVENUES	47.992.602	39.957.554
TOTAL EXPENDITURE	51.647.584	61.452.121
EARNINGS BEFORE TAX DEDUCTION	-3.654.982	-21.494.567
Current income tax	-	-
NET EARNINGS OF THE YEAR	-3.654.982	-21.494.567
Other elements of the global result	-	-
TOTAL GLOBAL EARNINGS	-3.654.982	-21.494.567

General Manager,
Gherghel Claudia-Adela

Chief Financial Officer,
Bratu Roxana Meda


RETRASIB SA

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

STATEMENT OF EQUITY MODIFICATIONS

-lei-	Share Capital	Revaluation reserves	Legal reserves	Other reserves	Reported result applied for IFRS	Reported result	Result of the period	Allocation of profit	Total ownership equity
Balance on January 1, 2016	10.001.205	11.224.156	584.728	4.145.814	-165.285	-7.819.748	-964.759	0	17.006.111
Land and building revaluation		-16.552							-16.552
Transfer to other reserves						-948.207	964.759	0	16.552
Result of the period							-21.494.567		-21.494.567
Balance on September 30, 2016	10.001.205	11.207.604	584.728	4.145.814	-165.285	-8.767.955	-21.494.567	0	-4.488.456

General Manager,
Gherghel Claudia-Adela



Chief Financial Officer,
Bratu Roxana Meda

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RETRASIB SA
NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS
FOR 3rd TERM, 2016
REPORTING ENTITY

These term financial statements are presented by RETRASIB SA Sibiu.

1. FIXED ASSETS

-lei-	Intangible assets	Lands	Constructions	Technical installations and machines	Other installations, equipment and furniture	Tangible assets in progress	Total fixed assets
Balance on January 1, 2016	397.326	5.018.050	19.045.537	18.017.163	192.754	80.007	<u>42.750.837</u>
Inflow	139.934	0	408.186	1.137.911	49.105	655.072	<u>2.390.208</u>
Outflow		0	0	3.252.538	2.484	439.745	<u>3.694.767</u>
Balance on September 30, 2016	<u>537.260</u>	<u>5.018.050</u>	<u>19.453.723</u>	<u>15.902.536</u>	<u>239.375</u>	<u>295.334</u>	<u>41.446.278</u>
Accumulated depreciation							
Balance on January 1, 2016	79.090	0	821.909	7.238.001	87.832	0	<u>8.226.832</u>
Inflow	97.999		452.620	987.281	21.144		<u>1.559.044</u>
Outflow	0		0	0			<u>0</u>
Balance on September 30, 2016	<u>177.089</u>	<u>0</u>	<u>1.274.529</u>	<u>8.225.282</u>	<u>108.976</u>	<u>0</u>	<u>9.785.876</u>
Net book value							
September 30, 2016	<u>360.171</u>	<u>5.018.050</u>	<u>18.179.194</u>	<u>7.677.254</u>	<u>130.399</u>	<u>295.334</u>	<u>31.660.402</u>

Fixed assets represent 41.85 % of total assets. Land, constructions, as well as some pieces of equipment represent a guarantee for:

- medium and long-term bank loans,
- short-term bank loans,
- credit line,
- letters of bank guarantee for auction participation
- performance bonds.

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

Transactions with affiliates

Retrasib manufactures coils, in lohn production system, for Strakstrom Geratebau Regensburg. During this year, according to the investment budget, equipment will be purchased from companies within the group.

This equipment will serve to:

- increase the manufacturing capacity;
- diversify production items;
- reduce workforce expenses.

2. PROVISIONS

Provision name	Balance on <u>January 1,</u> <u>2016</u> (lei) 1	Transfers <u>in account</u> (lei) 2	<u>from</u> <u>account</u> (lei) 3	Balance on <u>Sept. 30, 2016</u> (lei) 4=1+2-3
Provisions for vacations	0	0	0	0
Provisions for litigations	0	0	0	0
Provisions for depreciation of inventories	2.035.572	5.283.139	0	7.318.711

3. PROFIT ALLOCATION (allocation of the global result, IAS 1.137)

The allocation presented below has been performed by the Company in accordance with the regulations in force regarding mandatory allocations that are made according to Company Law no. 31/1990

<u>Destination</u>	Financial year closed on <u>Sept. 30, 2015</u> (lei)	Financial year closed on <u>Sept. 30, 2016</u> (lei)
Allocated net income:	-3.654.982	-21.494.567
- legal reserve	-	-
- coverage of accounting loss	-	-
- dividends etc.	-	-
Unallocated profit	-3.654.982	-21.494.567

At the end of the third trimester of 2016, SC RETRASIB SA has recorded a loss amounting to 21.494.567 lei resulted from :

- the lack of orders related to the production capacity of the factory
- the allocation of additional costs on certain projects, costs which initially were estimated to be lower compared to the amount which has been actually contracted
- the fluctuation of exchange rates and loan costs
- the shift in turnover as a result of discussions had with final beneficiaries about the invoicing date
- the high indirect costs
- the increase of raw material prices.

According to the financial statements on September 30, 2016, the company has a loss both from the operating activity and from the financial one.

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

4. ANALYSIS OF OPERATING REVENUES

-lei-	Indicator	Current financial year 30.09.2015	Current financial year 30.09.2016
0		1	2
1. Net turnover		28.190.519	39.155.485
2. Cost of sold goods and supplied services (3 + 4 + 5 - 6 - 7)		19.548.026	45.772.028
3. Expenses with basic activities		23.287.754	27.852.573
4. Expenses with auxiliary activities		6.441.294	7.703.903
5. Indirect operating expenses		8.423.230	10.074.335
6. Revenues corresponding to the production in progress		18.604.251	-141.217
7. Finished and capitalized production		0	0
8. Gross earnings corresponding to net turnover (1-2)		8.642.493	-6.616.543
9. Selling expenses			-
10. General management expenses		11.396.135	13.629.982
11. Other operating revenues		44.814	5.651
12. Operating earnings (8-10+11)		-2.708.828	-20.240.874

The net turnover is composed of:

- sold products	36.799.457 lei
- performed repairs	1.974.611 lei
- revenues from rents	381.417 lei

- revenues corresponding to the production in progress	- 141.217 lei
- other operating revenues	5.651 lei

5. STATEMENT OF RECEIVABLES AND LIABILITIES

-lei-	30.09.2016	under 1 year	over 1 year
0	1	2	3
Total receivables – of which:	17.386.087	17.386.087	0
1. Commercial receivables	15.513.268	15.513.268	0
- internal clients	8.559.736	8.559.736	0
- external clients	6.953.532	6.953.532	0
- client guarantees	-	-	0
- invoices to be issued	-	-	0
- clients provisions	-	-	0
2. Other receivables	1.872.819	1.872.819	0
- budget receivables	1.872.819	1.872.819	0
- interest receivables	-	-	0
- other receivables	-	-	0

RETRASIB SA

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

Receivables represent 41.22% of the total of current assets. Clients represent 89,18 % from the total of receivables, and the issued but not cashed invoices for the months of August - September amount to 7.397.964 lei (47,71% of total clients).

- lei -

Liabilities	Balance on Sept. 30, 2016	maturity date			
		(col.2+3+4)	under 1 year	1-5 years	over 5 years
0	1	2	3	4	
Total liabilities - of which:	72.670.495	72.125.658	530.913	13.924	
1. Loans	37.009.931	36.479.018	530.913	0	
2. Creditor clients	6.732.384	6.732.384	0	0	
3. Commercial liabilities:	15.760.155	15.760.155	0	0	
- internal suppliers	3.137.385	3.137.385	0	0	
- external suppliers	11.103.615	11.103.615	0	0	
- suppliers – invoices to be received	1.519.155	1.519.155	0	0	
4. Other liabilities:	13.168.025	13.154.101	0	13.924	
- personnel obligations	309.947	309.947	0	0	
- social contributions	251.748	251.748	0	0	
- state budget and special funds	248.317	248.317	0	0	
- dividends	13.924	0	0	13.924	
- other liabilities	12.344.089	12.344.089	0	0	

The statement of loans present in the balance on September 30, 2016 granted by Transilvania Bank is presented as follows:

- credit line - 2.000.000 lei, out of which contracted on September 30, 2016 – 2.000.000 lei;
- short-term loans – 36.479.018 lei, will be reimbursed after the cashing out the invoices;
- long-term loans – 530.913 lei

During 2016 the company did not have outstanding debts to the budget and to third parties.

In the creditor clients section, are recorded the advances received for contracted transformers.

Moreover, on September 30, 2016, the company benefits from a financial support of 2.700.000 euro from the SGB Smit International GMBH group company.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

The main accounting policies adopted during the drafting of these financial statements are presented below.

A The basis for drafting financial statements

(1) General information

These financial statements have been drafted in accordance with:

- (i) Accounting Law no. 82/1991 republished in June 2008 („Law no. 82”)
- (ii) The accounting regulations drafted in accordance with European directives approved by Order of the Minister of Public Finance of Romania no. 1286/881/2012.
- (iii) Company Law no. 31
- (iv) Accounting Law no. 82/1991, republished, as subsequently amended and supplemented;
- (v) Order of the Minister of Public Finance of Romania no. 881/2012 on application by companies whose securities are admitted to trading on a regulated market;
- (vi) Order of the Minister of Public Finance of Romania no. 1286/2012 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market;
- (vii) International Financial Reporting Standards such as those adopted by the European Union and published in the Official Journal of the European Union according to the provisions of Regulation no. 1.606/2002 of the European Parliament and Council on the application of the Accounting International Standards.

6. ACCOUNTING PRINCIPLES, POLICIES AND METHODS (CONTINUED)**(1) Depreciation**

Depreciation is calculated based on the original value, using the straight line method over the entire estimated useful life of assets as follows:

<u>Asset</u>	<u>Years</u>
Buildings	5 - 54
Technical installations and machines	3 - 40
Other installations, equipment and furniture	3 - 19

Depreciation is calculated starting with the month following the one in which the asset is commissioned and is concluded when the original value of the asset is entirely recovered. Land is not depreciated, since it is considered to have an indefinite lifespan.

(2) Sale/decommissioning of tangible fixed assets

Tangible fixed assets that are decommissioned or sold are eliminated from the balance sheet, together with the corresponding cumulated depreciation. Any profit or loss resulted as a difference between the revenues generated by its derecognition and its undepreciated value, including the expenses with such an operation, is included in the profit and loss account, under the categories „Other operating revenues” or „Other operating expenses”, as appropriate.

When the Company recognizes in the book value of a tangible asset the cost of a partial replacement (the replacement of a part), the book value of the replaced part, with the corresponding depreciation, is derecognized.

B Depreciation of tangible and intangible fixed assets

At the closing of the financial year, the value of elements of tangible and intangible assets is harmonized with the results of the inventory. For this purpose, the net book value is compared with the value established based on the inventory, also called inventory valuation. The negative differences between the inventory valuation and the net book value of elements of tangible and intangible assets are recorded in accounting by means of an additional depreciation, in the case of depreciable assets for which the depreciation is irreversible, or by means of an adjusting entry for depreciation or loss of value, when the depreciation is reversible. The inventory valuation is established according to the utility of the goods, their state and the market price.

C Inventories (IAS2)

Recognition and measurement

Inventories are assets held by an entity for sale, assets in the production process for sale or as materials or other supplies that are consumed in production or for providing services.

Inventories are recorded at their least value between cost and net realizable value. The cost is determined based on the First In – First Out (FIFO) method, as well as for each order individually. The cost of finished goods and of the work in progress includes materials, workforce and corresponding indirect operating expenses. Where necessary, provisions are made for slow-moving inventories, for physically and morally depreciated inventories. The net realizable value is measured based on the sale price reduced by the operating costs and the sale expenses.

When the inventories are sold, the book value of these inventories must be recognized as an expense for the period in which the corresponding revenue is recognized.

The inventories used as components for a tangible fixed asset built internally are recognized as expenses for the entire useful life of such asset.

D Trade receivables

Trade receivables are recorded at the invoice value without the provision for the depreciation of these receivables. The provision for the depreciation of trade receivables is set aside for the case when there are objective proofs about the fact that the Company will no longer be able to collect all the debts at the initial deadlines.

E Cash and cash equivalents

Cash and cash equivalents are present in the balance sheet on the cost section. For the cash flow statement, the cash and cash equivalents include cash in hand, cash at bank, short-term financial investments, short-term and long-term bank loans, treasury advances.

F Share capital

Equity interests are classified in the ownership equity being divided in 100.012.054 shares with nominal value of 0.10 lei.

The analytic management is performed for shareholders by the Central Depository of Bucharest.

After the repurchase of Company shares/stock the paid amount will reduce the ownership equity. When these shares/stock are afterwards reissued, the received amount (net of transaction costs) is recognized in the ownership equity.

G Commercial debts

Commercial debts are recorded with the value of amounts which are to be paid for the goods or services received or for the payment of contracted loans.

H Provisions

Provisions for decommissioning, reorganization, litigations, as well as other provisions for risks and charges are recognized at the time when the Company has the legal or implicit obligation generated by a previous event when, for the settlement of the liability an output of resources is probably necessary and when a realistic assessment of the liability value can be performed. The reorganization provisions contain the direct expenses generated by the reorganization, namely the ones that are necessarily generated by the reorganization process and are not related to the continuous development of the company's activity. Provisions for future operational losses are recognized. The value of provisions for pensions is established by subject-matter experts (actuaries).

Amounts collected in the name of third parties, such as sale fees, fees for goods and services, and value added taxes are not economic benefits generated for the entity and do not result in increasing equity. Therefore, they are excluded from revenues.

Revenues refer to sold goods and rendered services as a result of ongoing contracts.

Revenue arising from the sale of goods should be recognized when the Company has transferred to the buyer the significant risks and rewards associated to the ownership of the goods.

Revenue arising from the rendering of services should be recognized by reference to the stage of completion as a percentage of total revenues corresponding to the contract for services, the percentage being determined by reference to the ratio of total rendered services and services rendered up to the balance sheet date.

Revenues from royalties are recognized on an accruals basis in accordance with the economic substance of the relevant agreements.

Revenues from interests are periodically and proportionately recognized, as the respective revenue is generated, on an accruals basis.

In these financial statements, revenues and expenses are presented at their gross value. In the balance sheet, liabilities and receivables from the same partners are presented at their net value at the time when there is a right to compensation.

I Turnover

The turnover represents invoiced and invoiceable amounts, net of VAT and commercial discounts for goods delivered or services rendered to third parties.

J Operating expenses

The operating expenses are recognized in the period they refer to.

Operating expenses also include expenses with commercial discounts received after invoicing and are recorded in the profit and loss account as part of the operating expenses, under the position „granted commercial discounts”.

7. PARTICIPATIONS AND FINANCING SOURCES

a) Participation certificates, securities, convertible bonds

The company did not issue participation certificates, bonds or other securities, beside the own shares existing at the moment based on the statements received from the Central Depository from Bucharest.

b) Share capital

On September 30, 2016 the value of the subscribed capital amounted to 10.001.205,40 lei being divided in 100.012.054 nominative shares with nominal value of 0.10 lei/share.

All shares have been subscribed and are paid up completely up to September 30, 2016.

- Share capital:	10.001.205,40 lei
- Number of shares:	100.012.054
- Value per share:	0,10 lei

The company's assets are nominative, ordinary, dematerialized, indivisible and are traded on the capital market – Bucharest Stock Exchange, RTRA ticker symbol.

The shareholding structure is presented as follows:

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

<u>Shareholder</u>	<u>No. of shares</u>	<u>Percentage</u> (%)
1. SGB SMIT International Gmbh	67.459.613 shares	67.45%
2. Scando Trading Srl	24.335.659 shares	24.33%
3. Shareholders physical persons	8.173.468 shares	8.18%
4. Shareholders legal entities	43.314 shares	0.04%
TOTAL	100.012.054 shares	100,00%

(According to IAS1.138)

8. INFORMATION REGARDING THE PERSONNEL AND THE MEMBERS OF THE ADMINISTRATION, MANAGEMENT AND MONITORING BODIES

According to art. 1, point 1.2 from the Company's Articles of Incorporation, the Company is organized as a joint-stock company, having a Board of Directors composed of 5 members out of whom is also elected the president of the Board of Directors.

The members of the Board of Directors are elected by vote by the General Assembly of Shareholders for a period of 2 years, with the possibility of being dismissed or reelected.

The Board of Directors delegates the management of the company to the General Manager.

Beside the General Manager, the Chief Financial Officer is also appointed.

The presented financial statements are subjected to financial auditing by the auditor appointed by the Ordinary General Assembly of the Shareholders.

During the Ordinary General Assembly of the Shareholders from April 2016, the KPMG Audit SRL Company has been elected as Financial Auditor.

The Board of Directors of SC Retrasib SA has the following members:

- The President of the Board of Directors mister Jan Ölscher
- Member of the Board of Directors mister Heinrich Uekermann
- Member of the Board of Directors mister Michael Amon
- Member of the Board of Directors mister Iulian Stancu
- Member of the Board of Directors mister Franz Schatzl

In the period 01.05.2016-31.10.2016 Mr. Gerald Kaiserseder was appointed as General Manager.

Starting with November 1, 2016 Mrs. Claudia-Adela Gherghel has been appointed as General Manager.

Starting with February 2, 2016 Mrs. Roxana Meda Bratu has been appointed as Chief Financial Officer.

No advances and loans have been granted to directors and managers.

Number of employees on September 30, 2016 - 194 persons, as follows

- Workers	119
- Foremen and department administrators	8
- Administrative personnel	67

Salaries	5.839.438 lei
Food vouchers	303.349 lei
Total personnel salaries	6.142.787 lei
Compensations c.a; financial a.; director	109.680 lei
Total salaries and compensations	6.252.467 lei
Insurances and social security	1.402.723 lei
Total personnel expenses	7.655.190 lei

9. ANALYSIS OF THE MAIN ECONOMIC AND FINANCIAL RATIOS

The previously presented indicators may be found under the form of table:

Indicator name	Calculation algorithm	30.09.2015	30.09.2016
1. Liquidity ratios			
a. Current liquidity ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{51677517}{62635742} = 0.83$	$\frac{42174649}{72125658} = 0.58$
b. Quick liquidity ratio	$\frac{(\text{Current assets} - \text{Inventory})}{\text{Current liabilities}}$	$\frac{51677517 - 31978274}{62635742} = 0.31$	$\frac{42174649 - 24263247}{72125658} = 0.25$
2. Risk ratios			
a. Debt ratio	$\frac{\text{Net debt}}{\text{Capital employed}} \times 100$	$\frac{2710523}{14315888} \times 100 = 18.93\%$	$\frac{544837}{-4488456} \times 100 = -12.14\%$
b. Debt-service coverage ratio	Profit before payment of debt and income tax/debt obligations	Not calculated	Not calculated
3. Activity ratios (management ratios)			
a. inventory rotation rate			
- inventory turnover in days	$\frac{\text{Average inventory}}{\text{Cost of goods sold}} \times 365$	$\frac{15989137}{28190519} \times 270 = 153.14 \text{ days}$	$\frac{24712165}{39155485} \times 270 = 170.40 \text{ days}$
- inventory turnover	$\frac{\text{Cost of goods sold}}{\text{Average inventory}}$	$\frac{28190519}{15989137} = 1.76$	$\frac{39155485}{24712165} = 1.58$
b. debtors' rotation rate - clients (acct.4111)	$\frac{\text{Medium balance of the clients}}{\text{Turnover}} \times 365$	$\frac{13461016}{28190519} \times 270 = 129 \text{ days}$	$\frac{23318969}{39155485} \times 270 = 160.80 \text{ days}$

RETRASIB SA**NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS****FOR 3rd TERM, 2016**

c. creditors' rotation rate - suppliers (accts. 401+404+408)	$\frac{\text{Medium balance of the suppliers}}{\text{Acquisitions of goods}} \times 365$	$\frac{13449285}{28190519} \times 270 = 128.81 \text{ days}$	$\frac{18778773}{39155485} \times 270 = 129.49 \text{ days}$
d. rotation rate of fixed assets	$\frac{\text{Turnover}}{\text{Fixed assets}}$	$\frac{28190519}{30238347} = 0.93$	$\frac{39155485}{31743966} = 1.23$
e. rotation rate of total assets	$\frac{\text{Turnover}}{\text{Total assets}}$	$\frac{28190519}{82120656} = 0,34$	$\frac{39155485}{75500750} = 0,52$
4. Profitability ratios			
a. Return on capital employed	$\frac{\text{Operating income}}{\text{Capital employed}}$	Not calculated	Not calculated
b. Gross profit margin	$\frac{\text{Gross profit}}{\text{Turnover}}$	Not calculated	Not calculated

10. OTHER INFORMATION**a) Information regarding the presentation of the Company (IAS1.138)**

RETRASIB SA is a joint-stock company, with private external and internal capital, registered at the Registry of Commerce under the registration number J 32/16/1993 and with the unique taxpayer reference RO 3906360. The lifespan of the Company is unlimited and the activity objective is the Manufacture and maintenance of products specific to the energy sector.

The Registered Office of the Company is located in Sibiu, 156 Stefan cel Mare street, postal code 550321, Sibiu county, telephone: 0269/253269, fax: 0269/ 253279.

The general accounting of the Company, the administration of personnel and calculation of salaries, the mandatory reports of the Company for the state institutions are performed in accordance with the law at the registered office. The management of resources and cash is performed separately.

b) Conversion bases used for expressing in national currency the assets and liabilities elements, revenues and expenses initially declared in a foreign currency

The main exchange rates used for the conversion into lei of balances expressed in foreign currency, on September 30, 2016 are the following:

<u>Foreign currency</u>	<u>Abbreviation</u>	<u>Exchange rate</u> <u>(lei for 1 unit of the foreign currency)</u> <u>Sept. 30 2016</u>
Swiss Franc	CHF	4.1041
Euro	EUR	4.4523

c) Transactions with affiliated parties

During 2016, the Company has made transactions with the following affiliated parties:

- SGB Smit. – raw materials supplier and agent who facilitates the purchase of raw materials;
- SC TRAFOPROIECT SRL – has offered design services for the transformers produced by RETRASIB SA.

11 CONTINGENCIES**a) Court actions**

Currently, the company is not involved in any court actions.

There have been some notifications and summons addressed to the clients who deferred their payments over the deadlines agreed upon by the parties in the contract.

Based on these official notifications, forwarded by the company's management or by the private legal practitioner, the recovery of receivables was settled amicably.

b) Financial crisis***Recent volatility of international and Romanian financial markets:***

The management cannot perform a reliable assessment of the effects on the financial position of the Company produced by a potential decrease of the liquidity of financial markets, an increase of the volatility of national currency exchange rates and a continuation of the recession. The management considers that it has taken all necessary measures for ensuring the continuity of the Company under the present conditions.

In order to meet the risks, in the company insurance policies have been drafted for:

- Members of the BD and directors,
- Life and accident insurance for the employees,
- Civil liability towards third parties, construction work and assembly,
- For production and inventories
- For buildings and a part of fixed equipment
- For the transport of finished goods from headquarters to the beneficiary in case when, according to the contract, this task falls under the responsibility of the company.

12. MEASURES REGARDING RISK MANAGEMENT ACCORDING TO IFRS 7

The risks identified by the company are:

- Liquidity risk
- Credit risk
- Operational risk
- Collection risk
- Exposure risk

Liquidity risk:

Liquidity is the ability of the Company to fund asset growth and / or meet its obligations when they become due, and liquidity management is an integral part of the management process of assets and liabilities.

This generated risk of loss leads to the failure to honor short-term payments without resorting to costly bank loans.

Credit risk: represents the actual or future risk of negative impact on profits and capital as a result of the debtor's failure to fulfill his contractual obligations or failure to meet the established obligations. Credit risk can also be correlated with the risk of increasing interest rates.

During 2016, Retrasib SA has accessed several loans for financing the current activity.

Accessed loans are caused by lack of liquidity and of the specific activity, by a production with long manufacturing cycle under the condition where the collection of receivables is performed after the period mentioned in the contracts.

Accessed loans have had as a main purpose the acquisition of raw materials and the coverage of the liquidity loss up to the collection for the delivered production.

Within the company, there is a global operating limit contracted with the financing bank. This global operating limit includes the loans for the current activity, those for investments, the current line of credit, as well as the letters of bank guarantee.

This limit is guaranteed by lien on the company's buildings or on some parts of the inventories, Moreover, there are all sort of insurances for:

- buildings
- inventories
- production
- construction works assembly
- personnel
- management
- other types of insurance.

NOTES TO THE ANNUAL SEPARATE FINANCIAL STATEMENTS

FOR 3rd TERM, 2016

Current loans are accessed based on the granting of commercial contracts, following an analysis performed by the bank.

Operational risk: represents the risk of recording losses or of not realizing the estimated profits, which is determined by internal factors (inappropriate flow of internal activities, the existence of inadequate personnel or systems etc.) or by external factors (economic conditions, changes in the bank environment, technological progresses).

a) external fraud: forging documents, breaking codes used for information systems.

b) conditions related to employment of personnel and safety at work: compensatory demands of the personnel, failure to observe the labor protection regulations.

c) faulty practices regarding clients, products and activities: inadequate use of confidential information with respect to clients and ongoing projects.

d) endangerment of tangible assets: fires, earthquakes, wrong use of equipment by the employed personnel, for this reason, different types of insurances have been concluded.

e) interruption of activity and faulty functioning of systems: malfunctions of the hardware and software components, problems related to telecommunications, faulty product design.

f) treatment applied to clients and commercial counterparties, as well as wrong processing of their personal information: wrong recording of input data, faulty management of security interests, incomplete legal documentation.

Client data are checked carefully especially when payment documents are issued, the unique taxpayer reference is checked on the website of the Ministry of Finance, the address of the beneficiary is checked by comparing the data from the contract and by receiving confirmation from the beneficiary that the electronic invoice is correct. The values written on documents are checked with the specifications corresponding to those services.

Collection risk: refers to the risk that a third party does not follow its contractual obligations, thus causing financial losses for the company due to the blockages that exist in the sector of energy industry regarding the settlement of projects and the complexity of the projects. In this respect, the company has signed contracts with two private legal practitioners in order to have support for the collection of the certain receivables in due time. Currently, there is no lawsuit pending regarding outstanding collections.

Our clients are companies of national interest or companies that invest in the Romanian industry sector having capital and financial power and that is why we consider that the collection risk is reduced and cannot influence the activity of the company, although sometimes there are some delays on collection.

Exposure risk: in the energy industry, because of the complexity of performed activities, consortium participation is necessary at auctions organized by different beneficiaries.

As a result of these adjudicated auctions, that may have a significant value, there is the possibility that any part of the consortium does not fulfill its contractual obligations, thus leading to delays and losses.

Due to the important contracts concluded with certain beneficiaries, the exposure towards them may be significant and may create certain pressures regarding delivery deadlines and collections.

Based on law no. 72/2013 there is a certain protection concerning the recovery of receivables.

In order to reduce the exposure risk before a new beneficiary and also to consolidate the position on the market, the company constantly looks for and participates in auctions, invitations to quote both on the domestic market and on the external market.

13. CORPORATE GOVERNANCE

SC RETRASIB SA Regulation of Corporate Governance is designed based on: Accounting Law no. 82/1991, as subsequently amended and supplemented, Law no. 297/2004 on the capital market, as subsequently amended and supplemented, the specifications of the Regulation no. 1/2006, as subsequently amended of the National Securities Commission (NSC), Regulation no. 6/2009, as subsequently amended and and the Instruction of measures no. 26/20.12.2012 issued by the NSC.

1.1. General Assembly of the Shareholders

The General Assembly of the Shareholders (G.A.S.) consists of all the shareholders and is conducted in ordinary meetings (O.G.A.S.) and in extraordinary meetings (E.G.A.S.), each having competences established through legal provisions. The convocation, organization and development of G.A.S. projects is done strictly in accordance with legal provisions, ensuring the presentation of materials, the recording of adopted projects and decisions.

1.2. Board of Directors

RETRASIB SA Company is managed by a Board of Directors, composed of 5 members elected by the General Assembly of the Shareholders for a period of 2 years and who faithfully carry out their mandate, in the best interest of the company, with the caution and diligence of a manager and who take all necessary and useful measures that are within their competence, for the realization of the company's activity under the best conditions. The Board of Directors is subordinated to the General Assembly of the Shareholders.

The Board of Directors is managed by a President, elected by vote among the directors by the Ordinary General Assembly. The President of the Board of Directors convenes the Board of Directors at least once a month, establishes the agenda, presides over the meeting and monitors the adequate information of the directors on the points from the agenda. The President of the Board of Directors coordinates the activity of the Board and issues reports of its activity to the General Assembly of the Shareholders. The Board of Directors has the obligation of monitoring, analyzing and evaluating the activity of the directors, as well as of ensuring a fair treatment of all shareholders. The Board of Directors delegates the management of the company to the general manager.

The most important responsibilities of the Board of Directors are the following:

- a) approval of the strategic, operational and financial plan of the company;
- b) evaluation of the organizational, administrative and accounting structure of the company;
- c) evaluation of the company's general performance and the periodic comparison of achieved results with the ones that were planned;
- d) examination and prior approval of the contracts signed by the company which have a significant impact on profitability, assets and liabilities or on the Company's financial statement, giving a great importance to transactions with involved parties (transactions with itself);
- e) assessing at least once a year the size, the structure and the performance of the Board of Directors.

1.3. Operative management

The operative management of RETRASIB SA is provided by a General Manager and a Chief Financial Officer. None of the managers is part of the Board of Directors.

RETRASIB SA is represented by the General Manager, who is delegated by the Board of Directors with the following attributions:

- a) establishing the remuneration, conclusion, modification and termination of individual employment contracts;
- b) rewarding and sanctioning the employees;
- c) establishing the tasks, competences and responsibilities of the staff;
- d) approving the organization and operating regulation, as well as other documents with normative character through the activity of Retrasib SA which is organized, under the provisions of the law;
- e) concluding the collective labour agreement;
- f) approving the collection and payment operations;
- g) approving the conclusion of lease contracts (renting or letting).

2. SHAREHOLDERS' RIGHTS

2.1. Rights of equity security holders

RETRASIB SA respects the rights of the equity security holders and ensures an equal treatment for all shareholders, providing them with all the relevant information so that they may exercise all their rights in a fair manner.

Equity security holders must exercise the rights they are entitled to in good faith, by observing the legal rights and interests of other holders and the priority interest of the company, otherwise they are responsible for the generated damages.

2.2. Treatment of shareholders

All holders of shares issued by RETRASIB SA will be treated fairly. All issued shares entitle their holders to equal rights; any modification of the rights conferred by these shares will be subject to approval of the holders that are influenced directly. RETRASIB SA facilitates and encourages the participation of shareholders in the activity of the General Assembly of the Shareholders (G.A.S.), as well as the full exercise of their rights.

For the shareholders who are not able to participate, RETRASIB SA offers the possibility of exercising their vote while absent, by special proxy, as well as of the vote by correspondence.

RETRASIB SA answers all questions addressed by shareholders regarding the points from the agenda of the General Assembly of the Shareholders, formulated in writing, transmitted by post, fax or e-mail, in accordance with the detailed information provided on the company's website www.retrasib.ro under the Press releases section.

3. SOCIAL RESPONSIBILITY

The company's strategy regarding social responsibility is based on a set of principles that define its relationship with its partners – employees, creditors, suppliers, clients, investors. The management team of RETRASIB SA considers that development is not possible without the contribution of every employee as well as of the company in its entirety.

The company strives to:

- support and respect human rights, and especially the rights of its own employees
- sustain the right to freedom of association
- contribute to the elimination of discrimination in occupying work positions, in exercising professions, in establishing and granting salaries
- fight any form of corruption
- sustain educational activities
- support different social categories through donations and sponsorship
- adopt an anticipatory approach to environment issues and to promote responsibility towards the environment. In this respect, RETRASIB SA has implemented and certified an integrated quality management system – environment – occupational health and security according to ISO 9001, ISO 14001 and OHSAS 18001 standards.

General Manager,
Gherghel Claudia-Adela



Chief Financial Officer,
Bratu Roxana Meda

