Annual report of the Board of Directors on the activity in 2016

In 2016 the Board of Directors and the executive management of the company continually faced the challenges resulting from the changes on the market of equipment for the energy industry, the fluctuating demand for the earthmoving and marine equipment. To cover the manufacturing capabilities with orders and contracts, and on the other hand, to maintain the results at the level of those in previous years, it was necessary to readjust the structure of production to the market requirements, which is in continuous movement and lack of stability.

In this context we had to accept contracts with tight delivery deadlines, demanding technical execution conditions at lower prices, imposed by competition partners with other manufacturers. However, besides the risks assumed, there were additional costs for manufacturing preparation, organizing new technological flows, provision of tools, devices, checkers, personnel training. Separately, during assimilation / qualification of new products, productivity is lower, requiring a period of time, depending on the type and complexity, until a good level is reached.

Despite the difficulties, the company has developed a profitable activity and its position on the market gets better and better. This was possible due to continuing with perseverance the modernization, refurbishment, the organization of production and labor on modern principles, the growth capability in adapting the structure of production to the market requirements, among which we mention:

a. Investments amounting to 1.588 thousand € of which 604 thousand € purchases of equipment and 984 thousand € for the repayment of investment credit committed to co-finance the project "Changing fundamental flows of production and introducing new technologies in order to increase productivity and competitiveness on domestic and foreign COMELF market " part of the POS-CCE program.

The constant investment effort resulted in major changes in the organization, modernization and technologization of the company, the objective being to reach the level of equipment and performance of western European producers. Machinery were purchased this year, they were installed and became operational, staff was trained, also, equipment important for production, allowing addressing new technologies, performing processing operations in terms of quality and accuracy, for a growing range of sorto-typo-dimensions, namely:

- CNC SKODA boring and milling machine is the most performant macjine in terms of metal construction rigidity and the shaft boring diameter;
- CNC COLOMNA carousel, having a diameter platen rotation that allows workpiece of maximum diameter of 5.000 mm and height under the cross of 3.800 mm ;

The two machines cover the range of metal cutting for medium big and big products, uncovered area, but with increasing requirements;

- Robotic welding cell with offline programming leading to increased added value timimngs and implicitly the production and productivity;
- Completing the sanding-painting line from FUET with a mechanized sanding station, ensuring substantial improvement in the quality of surfaces ready for painting, and

eliminating the use of manual labor;

Throughout the year there were continuous concerns for assuaring / completing the work points with tools, equipment or anything related to the small mechanization. There were with priority assigned amounts needed to improve the facilities with computers, software licenses acquisition, the expansion and modernization of the company's computer network.

b. The diversification of products and assimilation of new ones in 2016 represented a main concern especially in the market's conditions that is in constant motion. They increased the marketing actions, the direct contact with existing and potential partners , there were developed and submitted offers via Marketing-offer service of the Company for products and equipment totaling over 24,000 t, plus another 15,000 t from factories , which required a significant amount of work in the technical sectors. Separately, to the requests of various possible partners, were sent information on the company's capabilities.

There were assimilated and moved to the current production:

- New types of filters for Marini;
- Chimneys exhaust valves for power plants;
- New types of cases for high power engines;
- Combustion air filtration units, fully equipped for power plants;
- Base frames with welded profile base;
- TRS car for Tesmec;
- Performace skid for Hartl;
- Various types and components for earthmoving equipment;
- It was expanded the range of components and parts for various wind turbines for Siemens;

In 2016 more than one third of the manufactured products are new, many of them being found in the 2017 portfolio.

c. Improving the organization and management was a strong requirement given that the diversification of production and the requirements of the contracts impose the reconsideration of the activity and approaching modern programming systems, monitoring and control.

By setting in 2015 the Directorate for Integrated Management, it was ensured the necessary conditions for the implementation of computerized systems for management and organization, optimizing the organizational structure of the company and production tracking. It is finalizing the implementation mode of computer integrated production QAD 2008, ending the enforcement of the entire system according to the contract ontractului. At the same time, it was implemented the management barcode system, to be interconnected with QAD. In the third quarter of 2016 as a result of numerous recommendations and requests from the Komatsu company, to find solutions to reduce costs, it was signed a collaboration agreement with the Institute Kaizen Romania, a contract meant to offer staff training and providing consultancy in order to implement in COMELF the Kaizen techniques in organizational and process improvement, the immediate objective being increasing performance by reorganizing the production lines.

In the period August -December 2016 the first Kaizen sites were organised, most of them in Fuet, following during the year 2017 to be conducted a complex training program, on a monthly schedule, at all levels, for FCT and FPI, too. Parallelly, from the second trimester in 2017, using existing resources in COMELF, through the Kaizen structure from the center, will be conducted a training program for FFE so that the practical techniques dealt with the Institute to be strengthened and developed from the inside.

Considering that in COMELF the key to success in the timely completion of contracts, in compliance with the quality requirements of customers, is the preparation of production, it was decided that each factory to prepare the "Preparation plan of the activities for manufacturing contracts / accepted orders " with daily monitorization from the factory management. The Directorate of Integrated Management monitors, in addition to the factory, respecting the deadlines stipulated, intervening to eliminate deficiencies.

In the technical directorate was set up the Coordination, supervision and control of maintenance Office, which shows every month in the Management Committee, the maintenance report.

Updating the job descriptions in accordance with job requirements are being completed, existing procedures were reviewed and new procedures have been developed to cover all fields. We have to give a detailed description of tasks, even exaggerated, to ensure understanding by each holder of its obligations and to make them able, especially those with serious gaps in training, to act correlated with the system requirements of today's production. There was staff training organized in activity fields, ensuring conditions to improve the company's activity in all areas / sectors.

d) Concern regarding the constant quality improvement and raising the level of consciousness of the operators so that the customer requirements are met exactly on the level of acceptability of the delivered products has been a priority in 2016.

Since the establishment of the actions that are required in order to obtain a corresponding development of quality requires knowledge of the issues and the causes that led, a system is implemented to monitor daily both these complaints by customers and the internal nonconformity seized by the quality inspectors.

Monitoring includes the analysis of the main factors, types of nonconformities, their causes, but mostly, is implied by the establishment of operative measures leading to the elimination of repeting them.

However, inconstancy remains a major problem that has become more evident after eliminating in July the factories' directions, which overlapped with the retirement of some experienced employees in quality inspections. The influence of quality in the performance of all factories, besides the visible costs resulted from external complaints, led to a high volume of operations to correct the non-conformities detected in production, mainly welding and rework on the key machines, which have led to significant consumption of weldinf workmanship, fitting, machining, sanding, painting, precisely the critical areas in terms of capacity. There have been many quality problems in FFE, which decreased by at least 20% of production volume of the factory. It is to be mentioned as a negative aspect that the serial production of FUET has worsened in terms of quality, leading to deliveries of non-conforming products detected in some cases on the assembly lines from Komatsu, causing their stopping, an extremely serious fact.

Since in the operations / work conducted in COMELF, welding ranks first in terms of weight, certifications are needed, to counteract the effects of leaving of 50 welders in the last 2 years, through the Laboratory of welding were qualified and have been issued 53 qualification certificates (new authorisations). The existing welders were tested and trained in order to improve their performance and to obtain new certifications, the new welders candidates have been instructed and trained in the profession of welders and were organized training courses in the profession of welder. There have been issued 337 term qualification certificates / authorizations to the best welders, some of them having over 10 authorizations. Following the introduction of new products into production, with materials and types of joints that have never been used, the training of 30 new procedures for welding was necessary.

In order to eliminate the deficiencies noted as a result of the abolition in July of the quality directorates in the factories according to the Decision of the Board, in the context of increasingly higher demanding partners, the reorganization of the quality system was started, subordinated by the deputy general director, adapted to the current situation, in order to increase functionality and quality level, specified on the manufactured products, structured as follows:

- Reorganisation of the quality system;
- Streamlining the quality documentation for repeatable production;
- Expanding the activity related to the audit process;
- Improving the monthly analyzing method for nonconformity;
- Introducing the use of quality indicators;
- Conducting a training program coordinated by the Quality Management Department;

In 2016 the audit was held and the integrated system of quality-environment-healthwas recertified according to the new standards - ISO 9001/2015, ISO 14001/2015 and OHSAS 18001/2007.

d. Approaching the issue of workforce and ensuring qualified staff with priority, as a determining factor for the development and the results of the company.

In 2016 the human resources activity was focused on the following directions:

- maintain the labor as it is defined as a requirement in the POS CCE project, that took into account the creation of 188 new jobs;
- reducing fluctuations by creating opportunities to realize motivating earnings, fact reflected in the average income of 2016 increased by 6% compared to the previous year;
- qualification and further training of employees;
- rejuvenation of the workforce;
- training students from the partner school groups and students from the Technical University of Cluj-Napoca, in oredr to work at COMELF;

In the previous year, there were 221 people employed, mainly young people from the ranks of former students and students who carried out the internship in the company and on the labor market, too.

Within the context of workforce training in education at all levels, it has serious gaps, being totally unrelated to the realities and the current technical requirements, schools offering a product at the limit of technical illiteracy, plus the prospect of changing generations due to aging staff working currently in the industry, we estimate that we will be faced with major difficulties in securing qualified personnel. As a result, in 2016, through courses organized by COMELF there were 107 employees qualified by qualified trainers. Separately, in professional training programs were enrolled 295 employees.

To ensure the workforce on medium and long term, we continued partnerships with the Technical University of Cluj-Napoca and Bistrita extension and with 4 school groups (Technical College Grigore Moisil from Bistrita and the Technological High Schools from Lechinta, Tirlisua and Telciu) which qualify locksmiths metal construction , welders and CNC operators. We have arranged and provided a lecture hall with 100 seats and 4 laboratories for the students of Technical University Cluj-Napoca and we have students doing their internship in the company every year. Currently we have 26 employees who are also students, whom we support with a flexible schedule in order to prepare and attend college and who, will mostly work for the company after graduation.

Out of the 4 school groups partners, we provide work and protection equipment as well as a hot meal for 182 students. To increase the attractiveness of the company, during the summer holiday in 2016 we hired 112 pupils and students in direct productive activities. In this way, besides the real problems we solved with the students and pupils, they adapt and integrate in the industrial environment and in our team. This requires extra effort and costs related surveillance, equipment, practical coordination, but is a sure way to attract future employees and counteract the gaps in training.

Given the company's position in the international market, increasingly demanding requirements of our partners and poor preparation of the graduates, we consider for 2017 to qualify 49 workers and include 421 employees in various training courses. We mention in this regard that we are authorized as a provider of adult training for welders.

According to the obligations that result from the integrated Quality - Environment - SSM, concerns for the health and safety of employees and environmental protection in accordance with the legislation have amplified, taking into consideration some recommendations from external partners in relation to the companies attitudes towards their employees, employees in corporate responsibility.

Quarterly the "Health and safety committee ", analyzes the aspects of work and health conditions of the workers, as well as implementation of measures accordingly. As, such, besides arrangements / work conducted (lockers, social groups, changing of the floors etc) the work places were equipped with first aid kits, new personal protective equipment has been introduced which grants safety and comfort in use, trained personnel to apply first aid was nominated, the periodically way of practice has improved, including materials in electronic format, the procedures and operational instructions correlated with change of working conditions and assessment risk were revised, and the awareness of workers' related to work safety increased through visualization of new display elements. The monitoring program of employees’ health continued, separately from the compulsory medical examination and primary medical and dental assistance is free for employees.

The environmental issues, after the implementation of the program on cleaning and a selective waste collection, were included in the training manuals aspects on the responsibility of those involved in following the requirements and the obligations in case of fire, to prevent emergencies.

One of the concerns will be maintaining the fugitive emissions under 20%. Actions will be taken also to reduce the amount of waste resulting from activities

developed in anticorrosion protection workshops and continuous training for all employees on selective waste collection .
In 2016, the main indicators of BVC, where the share for export products represents 98.4% were conducted as follows:

No	Designation	U.M.	2016			R2016 / R2015 %
			BVC	Achievements	%	
1	Turnover	thousand lei	191.795	180.148	93,1	104
		thousand €	43.100	40.122		
2	Sold production	thousand lei	191.350	174.992	90,6	102,4
		thousand €	43.000	38.974		
3	Manufactured production	thousand lei	190.015	171.716	89,5	98,1
		thousand €	42.700	38.212		
4	Total income	thousand lei	198.470	184.218	92	97,5
		thousand €	44.600	41.028		
5	Gross profit	thousand lei	9.599	4.564	47,1	214
		thousand €	2.157	1.016		
6	Average number	om	1.165	1.125	96,6	97

Regarding the substantiating of BCV in 2016, the company had in mind a significant increase compared to the previous year based on contracting forecasts with key stakeholders. After a good start, obvious signs appeared of tightening the foreign market. Therefore, important partners, manufacturers of earthmoving, heavy transport, energy equipment suppliers have significantly reduced the volume of orders compared to those who were running normally and that were taken into account to substantiate the

BVC. Measures taken by the executive management of the company could only partially offset the effects of the downtrend needs of the beneficiaries.

The net profit in 2016, we intend to be distributed as follows:

Net profit to distribute Out of which :	4.014.685 lei
• Legal reserve (5% of gross profit minus non-taxable income)	147.238 lei
• Dividends	3.867.447 lei

So, the dividend to be granted in 2016 is 0.165 lei gross / share, the distribution will be made by the Central Depository through CEC units, as in the previous year, starting from 17 July 2017, the payment date.

On profit centers, the results are as follows:

		FUET	**FCT**	**FFE**	**FPI**
Turnover	BVC	13300	8700	7400	13300
Thousand €	Achieved	12975	7399	5394	12622
Production	BVC	13300	8700	7400	13300
Thousand €	Achieved	12796	7482	5044	12821
Gross profit	BVC	1000	317	444	396
Thousand €	Achieved	1029	-333	-147	134
Profitability to	BVC	7,52	364	6	2,98
production %	Achieved	8,04	-4,45	-2,91	1,05

The analysis indicates clearly that despite existing disturbances, FUET came close to fulfilling BVC, to production and turnover, and the scheduled profit was exceeded. It is also to be mentioned that FPI has achieved a monthly average production of over 1 million euros, more than the previous year, reflecting the concerns and work of this group.

Unfortunately, FCT and FFE besides the fact that they did not realize the scheduled production, they also recorded steady losses. This situation was due, in addition to external factors, to the failure to observe the delivery of certain contracts, exceeding labor costs due to the prolonged overuse of the manufacturing cycle and numerous qualitative nonconformities. The situation in the two factories was monitored and the necessary corrective measures were taken, including changing the two directors.

Since FUET met the conditions of the decision of the Board of Directors, on stimulating management to increase performance, achieving profitability in the production of at least 4%, it was created a prize pool amounting to 228.928 lei for the management of this factory, which was included in the provisions in 2016.

Statement of financial position, in thousands lei, is as follows:

	31.12. 2015	31.12. 2016	2016 / 2015	Diferente + / -
Fixed assets	107.356	103.660	96,6	3.696
Current assets	76.262	78.613	103,1	2.351
- Material stocks	7.211	8.826	122,4	1.615
- Receivables and advances (rd.7+9+10 +11)	58.896	64.451	109,4	5.555
- Available in accounts	10.155	5.336	52,5	-4.819
Total equity, of which:	75.948	71.863	94,6	-4.085
Capital according to Articles of Incorporation	13.580	13.580	100,0	-
Adjustments to capital according to IFRS	8.812	8.812	100,0	-
- Reserves(rd.18)	60.004	58.683	97,8	-1.321
- Reported result	-8.013	-7.617	95,1	396
- Year result	1.416	4.015	283,5	2.599
- Own shares	-	-2.529	-	-2.529
- Other elements of equity	149	-3.081	-	-3.230
Long-term liabilities	34.578	30.443	88,0	- 4.135
Current liabilities, of which:	73.093	79.967	109,4	6.874
- Bank loans	31.310	31.788	101,5	478
- The long-term borrowing share	4.273	4.273	100,0	-
- Commercial and other liabilities	31.606	37.861	119,8	6255
- Provisions (rd. 30)	3.474	2.042	58,8	-1.432
- Liabilities and deferred income	2.430	4.003	164,7	1.573
Total liabilities	107.671	110.411	102,6	2.740

Current assets decreased by 3.4% , because the amount of depreciation was lower to inflows of new facilities, since over 60% of the investment fund was intended to refund the investment loan committed in previous years.

Current assets show a slight increase of 3.1% from the previous year, the largest increase of 22.4% being registered at the material stock following the acquisition of materials needed for the execution of contracts in the first trimester of 2017, exceeding BVC- ul. The receivables are higher by 9.4%, all of that increase being registered in customer service.

Shareholders' equity decreased due to the redemption of its own shares amounting to 2.529 thousand lei as well as to the differences in deferred tax.

Long-term liabilities decreased by 1,135 thousand lei as a result of the credit reimbursements for investments. Current liabilities are higher by 6.882 thousand lei, mainly due to higher commercial liabilities.

The company has implemented a risk management system in relation to the financial reporting process, consisting of separate numbering of the documentation and registration , accounting for each acquisition / consumption. There are cross-match order / invoice checks,it is used an ERP management system and there are checkups while preparing the financial statements.

The board of Directors and Management Committee examine monthly the financial statements done by factories and company and take operative measures to improve the activity.

The Company has an employee with exclusive internal control tasks, who presents regular reports to the General Manager or the Board of Directors.

Regarding the status of compliance with the Code of Corporate Governance (CGC) of BVB, at the end of 2016, of the 41 provisions to be respected, 29 were met. It is to be mentioned that, out of the 12 provisions that appear unfulfilled, one does not refer to the company as COMELF is in the standard category, and 9 are in Section B that comply in substance , through the two companies of internal and external financial audit outside the company, as well as by the COMELF employee tasked exclusively with the "internal control". The unrealized provision in Section C is in fact regulated by internal requirements and the requirements in Section D (Investors’ Relations) is done by two employees nominated for this and by posting on the company's website in the "Updated information" section , information which interest the investors. There was no need to organize meetings with investors (D9) they being given the information they need in current and periodic reports published, which ensures a high degree of transparency that allows shareholders and potential investors to make informed choices. On the other hand the shareholding structure, where over 85% of the shares are owned by three shareholders, and the difference by more than 5,000 shareholders, lead to an offer for sale very low, as confirmed by the low volume of transactions.

It is strictly complied with all the provisions for convening general meetings, and reports on their conduct, decisions taken including those relating to the payment of dividends or other special events, are published through BVB reports in Romanian and English and posted on the COMELF website . Similarly is proceeded with reports quarterly, half-yearly and annually ones, under the Regulation No.1 / 2006 elaborated by the CNVM.

In 2016 the following transactions were carried out, which comply with the provisions of Art. 225 of Law no. 297/2007.

Related party	UM	Income	Purchases
UZINSIDER SA	Lei	-	905.672
	Equivalent €	-	201.709
UZINSIDER TECHNO SA	Lei	26.692.695	2.193.786
	Equivalent €	5.944.921	488.594
UZINSIDER GENERAL CONTRACTOR SA	Lei	260.310	-
	Equivalent €	57.976	-
PROMEX SA	Lei	43.950	-
	Equivalent €	9.788	-
24 IANUARIE SA	Lei	269.232	-
	Equivalent €	59.963	-

The transactions were conducted under the contracts and orders concluded between the parties. The evaluation in € was calculated with the average exchange rate achieved in 2016 respectively RON 4.49 / €.

The company management is exercised by the Board of Directors consisting of 5 engineers with great experience in the industry, which meets quarterly or when needed and act in accordance with the resolutions of general meetings of shareholders.

The Management Committee that ensures the current management of the company consists of nine members who are CEOs of COMELF and the 4 factory managers. It meets twice a month to analyze the activity and the results in various fields and establishes measures accordingly.

Obviously the economic results - and thus the evolution of financial were negatively infuenced, apart from some objective factors or internal factors before mentioned, and :

- doing the responsibilities superficially for strict adherence to contractual delivery dates of some employees, staff, even the management of the factories.
- Use of working time in a productive purpose to a very small extent.
- Low physical productivity.
- Inappropriate behavior and unqualified attitudes of some operators (stealing, drinking, ignoring the requirements of work etc).
- Understaffed attitude of employees, including leaders, in exercising their duties.
- Insufficient concern for increasing business profitability, FFE, FCT and FPI.

A synthetic feature of heritage evolution and the company's results is given by comparing some performance indicators, which are as follows:

	2015	2016
Rotation duration of stock material- days	14,8	16,75

Rotation duration of receivables- days	75	79,56
Current liquidity	1,04	0,98
Immediate liquidity	0,94	0,87

The speed of inventory decreased since in the last part of the year were purchased materials needed for manufacturing contracted in the first trimester 2017, whose volume is higher than 2016.

Slowing down the rotation of receivables was determined by deferring payment of invoices, in many cases imposed by business partners and the late payment obligations to the consolidated budget by VAT receivables to be recovered from ANAF.

At the two indicators of liquidity there is an insignificant decrease due to specific conjuncture causesin 2016.

From the 2 companies where COMELF has capital participations, dividends have not been charged because both TELESCAUN Tihuta and COMELF ENERGY have registered an insignificant profit, which was not distributed.

To those shown, we can say that in 2016, the resources were well managed, which allowed the company to be constantly in financial balance, although the conditions and the economic context were difficult and unpredictable. The company functioned normally and paying in time their payment obligations due to suppliers, banks, consolidated budget and staff.

Given the indicators provided in the BVC in 2017 showing an increase compared to 2016, and on the other hand the economic context that remains as difficult as before, in addition to the actions referred to in the report, a program of measures was drawn up to improve efficiency effectiveness in 2017, so that to realize the BVC. The program designed for factories and responsible people, will be analyzed monthly with the involved factors and will lead to increased faster results.

To those shown, we propose that AGOA approves the management report, audit reports, the financial statement on 31.12.2016, Statement of profit or loss and other comprehensive income as on 31.12.2016 and the net profit allocation for the year 2016, according to the documents submitted which were examined and approved in principle by the Board. We also discharge the Board of Directors, its president and general manager and economic director of the Company for the year 2016.

Board President

eng. Savu Constantin

General manager, Economic director,

eng. Stoian Dorin ec. Pop Stefan

COMELF SA
Registru comertului No.J/06/02/31.01.91
Cont bancar: (Lei) RO 12INGB0024000040598911
(Euro) RO 58INGB0024000040590711
Deschise la: ING BANK BISTRITA
Societate cotata la Bursa de Valori Bucuresti

Annual Report according to CNVM Rule no. 1 / 2006 - appendix 32
for financial year 2016

Issued on: **21.04.2017**
Company Name**: COMELF SA**
Head Office: **no.4, Industriei str., Bistrita,**
Telephone / fax nos.: **0263234462 / 0263238092**
Tax Identification Number: **568656**
Registry of Commerce no.: **J06 /2/ 30.01.1991**
Regulated Market on which the securities are transacted: **B.V.B, under the symbol CMF**
Subscribed and paid-up share capital: **13.579.505,20 lei**
Main Characteristics of the Securities issued by COMELF:
No. of shares: **23.412.940**
Nominal value: **0,58 lei / share**
Trading Information for the last 52 weeks:

Transactions	-	425	
Volume	-	92.419	shares
Value	-	210.567,14	lei
Minimum Price	-	1,9	lei / share
Maximum Price	-	2,55	lei / share

Shareholding Structure:

- UZINSIDER SA 77,611 %
- SIF Banat – Crisana 5,176 %
- COMELF SA 4 %
- LEO OVERSEAS Limited – Cyprus 1,185 %
- The remaining 12,028 % is owned by 5.240 shareholders, individuals or legal entities, who own less than 1% each.

1. Analysis of the company's activity

1.1. ***Basic Activity***

a) The Company's Core Business according to NACE rev.2.
2811 - Manufacture of engines and turbines (except aircraft, vehicle and cycle engines).
The Company's activity also includes manufacturing of installations, assemblies and parts for Power Plants and Environment Protection, items of equipment for earth-moving machinery, handling and lifting equipment, including sub-assemblies for such equipment, steel structures.
b) COMELF has been founded in 1991, as a result of the reorganization of the activity of the old Enterprise for Industrial Machinery founded in 1971. There were no changes in the organisational set-up and no assets have been alienated during 2016.
c) **COMELF** has four operating divisions (factories) in the city of Bistrita, at its Head Office, none of the four have a distinct legal person, however they do have their own management and bank accounts. These four factories are:

- the Factory for Bag Filters and Electrostatic Precipitators - FFE
- the Factory for Earth-Moving Machinery Parts - FCT - TERRA
- the Factory for Stainless Steel Products - FPI
- the Factory for Earth-Moving Machinery and Parts - FUET

d) The main results following the assessment of the Company's Activity:

1.1.1. <u>*Main assessment criteria*</u>:

- Gross Profit 4.564.248 lei
- Total revenue 184.218.632 lei
- Operating Revenue 181.268.060 lei
- Total expenses (operating + financial) 174.772.167 lei

• We do not have information regarding the market share COMELF currently has, since 98,4 % of our products have been sold to foreign customers during 2016.

• On December 31st, 2016, our company had available in cash and cash equivalents the amount of 5.335.529 lei.

During 2016, the Managing Board and the executive management of the Company have faced continuous challenges caused by the changes that occurred on the market of Power Generating Equipment, the ups and downs in the request for earth-moving machinery and offshore equipment. To ensure the workload for our manufacturing capabilities, and also to maintain the financial results at a level no lower than that of the last previous years, it was necessary to readjust our manufacturing structure to suit the requests of a continuously changing and unstable market.

In such a context, we were constrained to accept Purchase Orders with very tight deadlines, highly demanding technical requirements and ever lower prices imposed by our partners and to cope with competing manufacturers. All these factors, in addition to the risks undertaken, have incurred additional costs for manufacturing preparation, organizing new manufacturing flows, providing the required tools, devices, inspection and tests equipment, personnel training. Moreover, during the assimilation / first-piece-qualification period for new products, the level of productivity is low, a certain amount of time being required, depending on the type and complexity of the new products, to reach a certain performance level.

Despite the difficulties, the Company has had a lucrative activity and thus its position on the market is improving. This has been possible as a result of continuous modernization, retrofitting actions, of adjusting the manufacturing stream and working according to modern principles, increasing capabilities while adapting the manufacturing structure to the demands of the market.

The target values for the indicators listed in the Income and Expenses Budget have not been achieved since such values had envisaged a significant increase as to the previous year, based on the ordering forecasts from the main customers. After the year had started with good results, there were obvious signs the foreign markets were shrinking. Thus, some of our partners, manufacturers of earth-moving machinery, of heavy dumpers and of power-generating equipment have significantly lowered the order volume as to those normally awarded and that were taken into consideration when preparing the Income and Expenses Budget. However, the executive management took the appropriate steps to compensate, though only in part, the effects of the descending trend of the Customers' demand.

Under these circumstances, in 2016, the profit forecasted in the Income and Expenses Budget has not been achieved, still the profit level has been twice that of the previous year.

1.1.2. *Evaluation of the technical level of the Company*.

Our company manufactures, based on the design provided by our partners, equipment, machinery, sub-assemblies and components for power-generating plants, earth-moving machinery, environment protection plants, handling and lifting equipment etc.

The manufacturing structure has evolved following the request on the market, in the last 3 years, the share of the main groups of products is the following:

	2014	**2015**	**2016**
Equipment and components for Power Plants	56,6 %	54,7 %	56,6 %
Earth-moving machinery and parts	34,4 %	33,1 %	34 %
Environment protection equipment	0,1 %	2,3 %	2,7 %
Handling and lifting equipment	5 %	8,6 %	5,5 %
Industrial machinery	1,6 %	0,5 %	0,8 %
Other types	2,3 %	0,8 %	0,4 %

Through our policy regarding contract acceptance we have avoided being significantly dependent on one Customer. Our Customers are Companies with a worldwide reputation, our policy being the development of businesses with powerful companies that give us the basis of a secure and long-term cooperation. Among such customers they are worth mentioning: **GENERAL ELECTRIC, SIEMENS, BOMAG - MARINI, KOMATSU, TESMEC, DOOSAN INFRACORE, DONALDSON, AAF International .**

COMELF manufactures products with low degree of repeatability, and the manufacturing is performed according to the design of our Customers.

Apart from the so-called „traditional" products, in the year 2016 we have approached new types of products but especially new fields that we considered they have a perspective.

We have assimilated and included in the current manufacturing:

- new types of filters for Marini;
- dampers for exhaust stacks for power plants;
- new types of casings for high-power motors;
- combustion-air filtering units, completely fitted, for power plants;
- base-frames built out of welded steel sections;
- the TRS machine for Tesmec;
- performance skid for Hartl;
- various types and various sub-assemblies for earth-moving machinery;
- the range of components and sub-assemblies for Siemens wind-power turbines has been extended to include new products;

In 2016 more than a third of the products we have manufactured have been newly introduced and they are included among the products to be also manufactured during 2017 .

Our objective was to develop business relationships with powerful companies for the manufacturing of power generating equipment for standard systems, but also for non-conventional plants, especially for Wind Power Plants. For this purpose, we have not only diversified the range of components we manufacture for such equipment but we have also increased the share of components manufactured in stainless steel, as the request for such components increased.

1.1.3. *Assessment of the procurement activity*.

Procurement of 70 % of the raw materials is made from Romanian manufacturers or distributors, while the outstanding 30 % are imported (IPE Beams, pipes, special plates, painting materials etc.). Our main suppliers in Romania are: ARCELOR MITTAL Galati, DUCTIL Buzau, THYSSENKRUPP FERROGLOBUS Timisoara, MAIRON Galati, MEDIATOR –Braila, LINDE GAZ Timisoara, ZOTUN Cluj-Napoca .

There are nor have there been no issues in procuring the materials required for manufacturing.

During last year, the metal purchase price has been fluctuating, with a slight tendency of decrease during the first half of the year. During the last quarter, however a significant increase has been seen, thus the price in December 2016 was 67 % higher as to that of September 2016.

1.1.4. *Assessment of the sales activity*.

The production figures for the last three years, in thousand-euro equivalent is as follows:

	2014	2015	2016
Overall	40.494	38.948	38.212
Domestic	532	489	617
Export	39.962	38.459	37.595

The slight decrease in 2015 is due to the decrease of orders from our foreign customers.

COMELF SA does not manufacture products on stock, but only based on contracts / purchase orders.

We do not have information regarding our competitors, the goods we manufacture are mainly exported and are delivered to countries within the European Community.

COMELF SA has a good position on the market, an actual fact taking into account the name and the reputation of our partners.

As we have previously indicated at paragraph 1.1.2., COMELF SA does not depend significantly upon one customer, the loss of which would impact us seriously. Aside from this our company has a high degree of flexibility and adaptation to the diversified requests of the market.

A production increase of 7,6% is forecasted for 2017.

1.1.5. *Review of the Activity Related to the Company's Personnel*.

During 2016 the average number of employees on record has been 1.125 people, thus ensuring a good cover of all the work-areas depending on the volume of Purchase Orders and Contracts. 99.99% of the Company's employees are also members of the Company's Trade Union.

There have been no labour disputes, as COMELF SA is concerned with providing its employees with the optimum working conditions and raising their income. In the year 2016, the average income has been 6 % higher than the previous year. Consequently, the relationship between the management and the employees is optimum.

1.1.6. *Evaluation of the impact of our activity on the environment*.

The processes performed during our manufacturing activities have no major impact on the environment.

In view of the obligations undertaken when the Quality-Environment Integrated System - HSE has been adopted and certified in 2013, we have become more and more preoccupied with work health and security risks for our personnel, and with the environment protection according to the requirements of the laws in force, taking thus into account various recommendations from our foreign partners regarding our company's attitude towards its employees.

The Work Health and Security Committee reunites and various aspects are discussed regarding the improvement of work conditions for workers and regarding their health, and also adequate steps are taken. Consequently, aside from the improvements / the works being performed (locker rooms, water closets, exhaust systems, pavements renewed etc.), the various work-places have been provided with first-aid kits, new types of personal protection equipment that are more comfortable and more safe during use, the personnel assigned to administering the first aid assistance has been trained, the way periodical training is performed has been improved, electronic materials have been made available, operational procedures and instructions have been reviewed to reflect the change of the work conditions and the assessment of the risks. Moreover, the degree of awareness of the workers regarding work safety has been increased by displaying new Precautionary Signs. The Employee Health Monitoring Programme has been continued, apart from the compulsory medical checks of all the employees and free general medical assistance and basic dental care are provided.

One of the basic preoccupations will be maintaining the fugitive emissions under the legal threshold of 20%. Furthermore, actions will be taken to reduce the quantities of waste resulted from the activities performed in the corrosion-protection shops and for the continuous training of all the employees regarding the waste management.

During 2016, the quality-environment-health integrated system has been audited and recertified by TÜV-SÜD, according to the new standards.

1.1.7. *Assessment of the research and development activities*.

The research activity within our Company focuses on engineering design for the products manufactured in our workshops, as well as on designing of products. During 2016, 74 of our employees have been involved in this type of activity.

The design activity has developed by the setting-up of a Product-Engineering Workshop that prepares the documentation by using 3D design software. This way the documentation prepared takes careful consideration of the machine-tools/equipment available in our workshops.

1.1.8. *Assessment regarding the risk of management*.

During contract negotiations, we take care to include clauses which allow for a renegotiation of the sale price for the products delivered by COMELF taking into account the evolution of the material price.

COMELF does not undertake loans beyond the optimum debt-to-equity ratio.

Cash-flow has been the permanent instrument for the control of the financial equilibrium and of the cash receipts and payments. Each month during the meeting of the steering group and each quarter during the meeting of the Managing Board the financial status is analysed and appropriate measures are taken. Such preoccupations are reflected in the optimum evolution of the indicators of liquidity and debt-to-equity ratio.

1.1.9. *Future perspective regarding the activity*.

One of the main concerns has been modernizing and bringing COMELF SA technical capabilities up to date in order to be able to meet the requirements and expectations and to be competitive on the foreign market. This ensures a base for maintaining the good position that the company has on the market and enables our company to have a great flexibility when adapting the manufacturing flow according to the demands of our customers.

At present, we have been awarded Purchase Orders that cover 55 % of the Income and Expenditure Budget and the, the volume of business covered by Purchase Orders is superior of that of the similar period of previous year. The signals coming from the market we estimate that the parameters forecasted in the Income and Expenses Budget for 2017 will be achieved and we will register growth as to 2016. Therefore, we believe that there are no factors that might affect the company's liquidity.

We did have capital expenditures in 2016 and we did not plan any capital expenditures for 2017.

The list of events for 2016, includes 2 general assemblies of the shareholders, that have taken place as follows:

- April 21st, 2016, OGMS has approved the Managing Board Report, the Auditors Reports, Financial Position Status and Profit and Loss Statement and other elements of the global result for 2016, discharge of Administration of the Managing Board, of its Chairman, its General Manager and of the Financial Manager of the Company for the year 2015. Approval has been given to the Decision of the Managing Board to distribute as dividends for 2015 the amount of 2.341.294 lei of the unassigned profit of previous years, that is 0,10 lei gross/share and payment would be made on July 15th, 2016. Additionally, the net profit for 2015 has been assigned for the legal reserve, and the outstanding amount has been assigned as reinvested profit according to G.E.O. 19/2014.

- November 10th, 2016 EGMS that has approved the decision to give the Managing Board the power to carry out the programme regarding the free distribution of shares, to Company employees and management according to the EGMS Decision no. 49/23.04.2015 and no.51/24.11.2015 and to take all the steps required for the cancellation or sale of unsubscribed shares from the programme approved by the a.m. decisions.

2. COMELF SA Tangible Assets

All production capacities are located on the premises at no. 4, Industriei Street.

The manufacturing activities are performed in 6 manufacturing halls with a total surface of 87,763 square meters, provided with items of equipment, machinery, utilities network (oxygen, carbon dioxide, methane gas, corgon, nitrogen).

COMELF SA also owns the required auxiliary facilities, i.e. 9.017 square meters office space, 1,852 square meters covered storage areas, 20,102 square meters open-air storage areas, 58,535 square meters access roads, alleys, green areas

The Degree of Wear of the estate is approximately 40 % .

There are no pending issues regarding the ownership of the tangible assets of the Company.

3. Market for the Securities issued by the Company

COMELF shares have been transacted at the Bucharest Stock Exchange since 1995.

In the last three years, the evolution of the gross dividends has been the following:

2014 – 0,191 lei gross / share

2015 – 0,10 lei gross/share

The situation of the dividends owed /paid /accumulated in the last 3 years is as follows:

		2014	2015	Accumulated	2016
Owed Dividends	– lei	4.473.568	2.341.294	6.814.862	3.867.447
Paid Dividends	- lei	4.122.539	2.035.991	6.158.530	
Accumulated Div. As of 31.12.2016	– lei	351.029	305.303	656.332	

The dividends balance also includes the amount of 324.045 lei, pertaining to the years 2012 & 2013.

Since 2015 the dividends have been paid through Depozitarul Central.

COMELF has acquired a number of 936.517 of its own shares, according to EGMS decision, for the purpose of free distribution to Company's employees and management, as part of an incentives and loyalty scheme. COMELF SA does not have any subsidiaries and has not issued any bonds and/or other debentures.

4. COMELF SA Management

The current Managing Board has been reconfirmed by the OGMS of November 12th, 2015 for a period of 4 years and is composed of 5 members:

- **Savu Constantin**, chairman, 73 years old, engineer, with over 48 years of experience, president and general manager of UZINSIDER Group since 1992. Shares owned 0,16 %.

- **Babici Emanuel**, 73 years old, engineer with 48 years of experience, vice-president of UZINSIDER Group since 1992. Shares owned 0,008 %.

- **Mustata Costica**, 61 years old, engineer with 35 years of experience, general manager of UZINSIDER TECHNO for 12 years.

- **Maistru Ion**, 47 years old, engineer with 20 years of experience, general manager of PROMEX SA Braila since 2013.

- **Parvan Cristian Nicolae**, 69 years old, engineer with 45 years of experience, General Secretary-General of Romania Romanian Businesspersons Association (AOAR). Shares owned 0,003 %.

COMELF has no persons affiliated to the Company.

The Executive Management of the Company is provided by:

STOIAN RADU DORIN – general manager, residing in Bistrita, no. 1 Independentei Bvd., entrance B, apt.24, Romanian Citizen, 64 years, engineer specialized in machine building industry.

His 41 years of professional experience has been spent all as a COMELF SA employee as follows: 11 years of design engineer and head of engineering design workshop, 2 years as chief engineer, 2 years as a commercial manager, since 1991 general manager of the company. Shares owned 0.015%.

CENUSA GHEORGHE - deputy general-manager, residing in Bistrita, no. 303E, Drumul Cetatii street, Romanian Citizen, 58 years old, engineer specialized in machine building industry.

His 33 years of experience has been spent all as a COMELF SA employee, as follows: 7 years as a junior engineer, 2 years as a workshop manager, 5 years as a factory manager, 2 years as a chief technology officer, 1 year AQ Manager, 8 years manager of FUET and, as of July 2007, deputy general manager, technical and business-development manager. Shares owned 0.02 %.

POP STEFAN - Financial Manager, residing in Bistrita, no. 43, Constantin Roman Vivu street, Romanian Citizen, 66 years old, economist.

His 31 years of experience has been spent all as a COMELF SA employee, as follows: 2 years Chief Accountant, 2 years as an economist, 1 year as a head of department, 7 years as a chief financial officer and, as of January 1st, 1998, Financial Manager.

CUDREC ADRIAN – integrated management manager, residing in Bistrita, no. 14, Cerbului street, Romanian Citizen, 62 years old, engineer specialized in machine building industry.

His professional experience of which 34 years have been spent in COMELF as follows: 4 years as engineer, 2 years as shop foreman, 2 years as Head of Manufacturing Office, 11 years as shop manager, 2 years as Production Manager, 1 year as AQ Manager, 9 years as FFE Manager, 2 years as chief engineer for Manufacturing Preparation, and since 2015 Manager of the Integrated Management Department. Shares owned 0,015%.

POP MIRCEA VIOREL - FPI Manager, residing in Bistrita, no. 2, Crinilor Street, Entrance A, Apartment 13, Romanian Citizen, 52 years old, engineer specialized in machine building industry.

29 years professional experience in COMELF, of which: 5 years as engineer, 3 years as shop foreman, 5 years as a workshop manager, 1 year as a production coordinator, 5 years as a deputy factory manager, as of 2007 FPI Manager.

OPREA PAUL CRISTIAN – FUET Manager, residing in Bistrita, no. 2, Aleea Pandurilor, Entrance C, apt. 33, 38 years, engineer specialized in industrial robots.

15 years of professional experience as a COMELF SA employee, of which: 4 years as an engineer, 2 years as a Shop Foreman, 3 years as a technical manager, as of 2011 as FUET Manager.

JURJE VALERIU IOAN – FCT Manager, residing in Bistrita, no. 19B, Ghinzii street, Romanian Citizen, 56 years old, engineer specialized in machine building industry.

Professional experience of which 14 years have been spent in COMELF as follows: 7 years technologist engineer, 6 years commercial advisor, 1 year workshop manager, since August 5th, 2016 FCT Manager.

TIMOFTE ANTONIU – FFE manager, residing in Bistrita, Unirea no. 23, Gh. Matheiu street, 56 years old, Bachelor of Economics.

Professional Experience of which 33 years have been spent in COMELF, i.e. 10 years functional services, 23 years as project manager, since December 15th, 2016 as FFE Manager.

The persons nominated for a position in the executive management of the Company receive such an assignment for an undetermined period.

The members of the Company´s Management and of the Executive Management are not involved in any disputes or administrative proceedings, except for the general manager who is involved in a dispute at law regarding the interpretation and enforcement of tax law regarding the deductibility of some elements that the wages of the previous years, as well as the creation of loyalty bonuses schemes for the Company's employees. However, such dispute will not hinder his ability to exercise any of his attributions in the Company.

5. Financial statement

The financial results in 2016, in thousands of lei, according to IFRS, and compared with the previous years, 2014 and 2015 are listed below:

Indicators	2014	2015	2016
Total Income	197.610	186.789	184.218
Total Expenses	188.878	184.680	179.654
Gross comprehensive income – profit	8.732	2.109	4.564
Income tax	534	693	549
Net comprehensive income	8.198	1.416	4.015
Operating Income	194.674	183.207	181.268
Operating Expenses	184.393	178.600	174.772
Operating Profit	10.281	4.607	6.496

The evolution of the results in 2016 has been influenced by the decrease of the request (POs), as previously shown. As far as profit is concerned, it has increased substantially as to the previous year. This fact confirms the preoccupation and the results obtained by our company through efforts to cut down expenses by improving the metal use coefficient, reducing the utilities consumption (technical gases for welding, methane, water), of electricity and cutting down the labour costs. The aim has been to optimize the sourcing – consumption cycle and the quality / price ratio by reviewing quotations from several suppliers before deciding to place the orders. Aside from that, a better correlation was made between raw material input and product manufacturing stages. Each month utilities and energy consumption have been reviewed, appropriate operative steps have been taken to eliminate loss and reduce consumption.

The financial position status, in thousands lei, is listed below:

	31.12. 2015	31.12. 2016	2016/2015 %	Differences + / -
Fixed assets	107.356	103.660	96,6	3.696
Current assets	76.262	78.613	103,1	2.351
- Material Stocks	7.211	8.826	122,4	1.615
- Receivables (rows 7+9+10 +11)	58.896	64.451	109,4	5.555
- Amounts available - bank accounts	10.155	5.336	52,5	-4.819
Owners' Equity:	75.948	71.863	94,6	-4.085
- Registered capital according to articles of assoc.	13.580	13.580	100,0	-
- Reg. capital adjustments acc. IFRS	8.812	8.812	100,0	-
- Reserves (row 18)	60.004	58.683	97,8	-1.321
- Retained Earnings	-8.013	-7.617	95,1	396
- Outturn of the fiscal year	1.416	4.015	283,5	2.599
- Own Shares	-	-2.529	-	-2.529
-Other elements of Owners' Equity	149	-3.081	-	-3.230
Non-current liabilities	34.578	30.443	88,0	-4.135
Current liabilities, of which:	73.093	79.967	109,4	6.874
- Bank loan	31.310	31.788	101,5	478
- Part pertaining to long term bank loan	4.273	4.273	100,0	-
- Trade and other receivables	31.606	37.861	119,8	6255
- Provisions (row 30)	3.474	2.042	58,8	-1.432
- Accruals and deferred income	2.430	4.003	164,7	1.573
Total liabilities	107.671	110.411	102,6	2.740

The Fixed Assets have dropped by 3,4 % because the value of the depreciation, that leads to the decrease of the net value of the assets, has been greater than the inflow for new equipment, since more than 60 % of the investments fund has been directed towards paying off the Investments Loan contracted in the previous years.

Current Assets show a slight increase of 3,1 % as to the previous year, the most significant increase of 22,4 % is for Material Stock as material purchases have been made as part of sourcing operations for contracts of first quarter of 2017 and these surpass the Income and Expenses Budget. The liabilities are 9.4% higher, the growth is entirely due to customer relationship.

The Owners' Equity has dropped due to buying back our own shares in the amount of 2.529 thousand lei as well as to differences in deferred taxes.

The Non-Current Liabilities have decreased by 4.135 thousand lei due to the reimbursements made for the Investments Loan. Current liabilities have increased by 6.882 thousand lei, due mainly to the increase of trade debts.

COMELF SA has implemented a risk management system regarding the financial reporting process, by assigning reference numbers to the financial documents and recording each sourcing (purchase)/usage operation individually. Cross-checks are made using Purchase Order /Invoice; an ERP Management System is used and checks are made during the preparation of the Financial Reports.

The Managing Board and the Executive Board review each month the financial reports prepared by the factories and the Company and appropriate steps are taken for activity improvement.

The Company has assigned an employee to perform internal checks and to prepare periodical reports to the General Manager or the Managing Board.

6. About the status of compliance with the Corporate Governance Guidelines of BSE, at the end of year 2016 of the 41 requirements that have to be followed, COMELF SA complies with 29 of them. It is worth mentioning that of the 12 requirements that appear as not complied with, one is not applicable to us since COMELF is in the standard category and 9 other requirements are from Section B and are actually complied with, by having the 2 external and internal financial audit companies from outside our company, as well as by having a COMELF employee assigned to the exclusive task of " internal financial inspection". The requirement stated in Section C not complied with is in fact regulated by internal rules, and the requirements in Section D (Relationship with Investors) is complied with by assigning two employees for just such a task and by publishing on our website in Section "Informatii la zi" ("Up-to-date Information") the information of interest for the investors. It has not been considered necessary to organize meetings with the investors (D_9) since may consult the required information from the published Current Reports and the Periodical Reports, that provide a high level of transparency that allow the shareholders and potential investors to take documented decisions. On the other hand the ownership structure where more than 88 % of the shares is owned by 4 shareholders, while the outstanding amount of shares is divided between 5.240 shareholders, leads to a very small sale offer, a fact that is confirmed by the reduced transaction volume.

The requirements regarding the summoning of the General Meetings of the Shareholders are strictly followed, and the Reports regarding such meetings, the adopted decisions including those referring to the payment of dividends or other special events, are published through Reports to the BVB (BSE) in Romanian and English and are published also on COMELF website. A similar procedure is in place also for the Quarterly Reports, the Bi-annual and the Yearly Report according to the Rules no.1/2006 prepared by the CNVM.

7. In the year 2016 the following transactions have been made that fulfil the requirements of art. 225 of Law no. 297 / 2007.

Affiliated Entity	UM	Income	Purchases
UZINSIDER SA	Lei	-	905.672
	€ Equivalent	-	201.709
UZINSIDER TECHNO SA	Lei	26.692.695	2.193.786
	€ Equivalent	5.944.921	488.594
UZINSIDER GENERAL CONTRACTOR SA	Lei	260.310	-
	€ Equivalent	57.976	-
PROMEX SA	Lei	43.950	-
	€ Equivalent	9.788	-
24 IANUARIE SA	Lei	269.232	-
	€ Equivalent	59.963	-

The transactions have been made based on Contracts / Purchase Orders the parties have entered into. The EURO Equivalent has been calculated at an average exchange rate for 2016 amounting to of 4,49lei/€ .

MB Chairman,
eng. Savu Constantin

General Manager,
eng.Stoian Dorin

Financial Manager,
ec. Pop Stefan

ANNUAL FINANCIAL STATEMENTS IFRS ON 31st DECEMBER 2016

COMELF S.A.

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

STATEMENT OF FINANCIAL SITUATION ON 31st DECEMBER

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

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

Stoian Dorin
General Manager

Pop Stefan
Economic Manager

PROFIT OR LOSS ACCOUNT STATEMENT AND OTHER ELEMENTS OF GLOBAL INCOME

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

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

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

Stoian Dorin
General Manager

Pop Stefan
Economic Manager

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

To be continued on the next page

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

CASH FLOW STATEMENT

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

To be continued on the next page

CASH FLOW STATEMENT

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

Stoian Dorin
General Manager

Pop Stefan
Economic Manager

OPIS NOTE

NOTES TO THE FINANCIAL INDIVIDUAL STATEMENTS IN COMPLIANCE WITH IFRS

1. The reporting entity

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

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

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

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

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

2. Basis of preparation

a. Declaration of Conformity

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

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

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

b. Basis of evaluation

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

c. The Functional and Presentation Currency

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

d. Use of estimations and professional judgments

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

e. Changes in the accounting policies
Overview

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

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

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

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

IAS 26	Accounting and reporting the pension plans	Defining assessment and information on retirement funds, distinguishing defined-contribution schemes and those with definite benefits.
IAS 27	Consolidated and individual financial statements	Principles referring to the presentation of consolidated accounts, defining the duty to strengthen the notion of control, the convergence of accounting rules within the group, other principles.
IAS 31	Interests in associating in partnerships	Principles and policies of the joint venture accounting, operations or assets or shareholdings made in a joint venture.
IAS 32	Financial tools	Rules of presentation (classification debt / equity, expenses or income / equity).
IAS 33	Result per share	Principles of determination and representation in earnings per share.
IAS 36	Impairment of actives/assets	Key definitions (recoverable amount, the fair value minus sales costs, utility value, cash-generating units), the time of testing for impairment, accounting for the impairment, the case of commercial fund.
IAS 37	Provisions, contingent liabilities and contingent assets	Defining provisions and arrangements for estimating individual cases analyzed (of which restructuring issue).
IAS 38	Intangible assets	Definition and processing of accounting for intangible assets, recognition and measurement policies on the processing costs of research and development etc.
IAS 39	Financial tools: identification and evaluation, except for some dispositions on the risk covering accounting	Recognition and measurement principles regarding financial assets and liabilities, the definition of derivative financial instruments, accounting for hedging operations, the issue of fair value etc.
IAS 40	Real estate investments	Choosing between the two valuation methods: fair value or amortized cost transfers between different categories of assets etc.
IFRS 1	First-time Adoption of International Financial Reporting Standards	The procedures for financial statements under IAS / IFRS optional exemptions and mandatory exceptions to retrospective application of IAS / IFRS.

IFRS 5	Assets held for sale and discontinued activity	Defining an asset for trading and abandonment activities, valuation of these items.
IFRS 7	Financial tools: Disclosures	Financial information related to financial instruments relates mainly to: (i) informing about the significance of financial instruments; and (ii) information about the nature and extent of risks arising from financial instruments.
IFRS 13	Fair value evaluation	Application of fair value in case of non-financial assets, disclosing information on the fair value.

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

(ii) Future demands

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

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

Starting with 1st January 2018 will come into force some new requirements on:
- Changes related to IFRS 9 Financial instruments - financial instruments that are subject to changes, represent a small percentage of total company assets.

3. Significant accounting policies

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

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

Transactions in foreign currency

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

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

The exchange rates of major foreign currencies were:

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

Accounting for the effect of hyperinflation

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

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

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

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

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

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

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

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

Stocks

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

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

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

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

Loans and receivables

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

Financial assets available for sale

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

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

(ii) Recognition

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

(*iii*) Valuation at amortized cost

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

(iv) Fair value measurement

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

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

(v) Identification and measurement of impairment

Financial assets measured at amortized cost

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

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

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

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

Financial assets available for sale

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

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

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

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

(vi) Derecognition

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

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

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

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

Other financial assets and liabilities

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

Tangible and intangible assets

(i) Recognition and measurement

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

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

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

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

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

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

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

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

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

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

(ii) Depreciation

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

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

Land is not depreciated.

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

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

(iii) Sale / scrapping of tangible and intangible assets

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

Impairment of assets other than financial

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

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

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

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

Investment subsidies

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

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

Capital

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

Revaluation reserves

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

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

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

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

Legal reserves

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

Dividends to be distributed

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

Provisions for risks and charges

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

Revenue from construction contracts

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

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

Interest income

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

Dividends income

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

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

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

Employees' benefits
(i) Short-term Benefits

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

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

(i) Defined contribution plans

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

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

(ii) Long-term employee benefits

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

Gains and losses from exchange rate differences

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

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

Tax profit

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

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

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

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

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

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

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

Earnings per share

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

Leasing payments

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

Segment reporting

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

4. Significant Risk management

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

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

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

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

(a) Market Risk

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

(i) Price risk

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

	31st December 2016		**31st December 2015**	
	Book value	**Fair value**	**Book value**	**Fair value**
Current tax receivables	-	-	-	-
Receivables from construction contracts	61.548.607	61.548.607	56.084.820	56.084.820
Trade and other receivables	2.902.749	2.902.749	2.616.404	2.616.404

Advance payments for tangible assets	148.200	148.200	194.590	194.590
Cash and cash equivalents	5.335.529	5.335.529	10.154.997	10.154.997
Short-term bank credit	(31.787.700)	(31.787.700)	(31.310.481)	(31.310.481)
The current part of long-term loans	(4.272.642)	(4.272.642)	(4.272.642)	(4.272.642)
Trade and other liabilities	(37.861.532)	(37.861.532)	(31.605.605)	(31.605.605)
Total	**-4.134.989**	**-4.134.989**	**1.862.083**	**1.862.083**

(ii) Interest rate risk

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

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

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

Currency risk

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

(b) Credit risk

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

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

Different debtors and trade receivables

The situation of older claims to the financial data was:

Different debtors and trade receivables

The situation of older claims to the financial data was:

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

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

(c) Economic environment risk

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

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

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

(d) Operational risk

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

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

(e) Capital adequacy

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

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

(f) Determination of fair value

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

5. Tangible and intangible assets

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

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

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

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

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

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

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

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

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

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

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

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

6. Financial assets available to sell

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

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

Secondary activities:

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

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

Reclassification of financial instruments in 2016:

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

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

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

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

The financial details of Comelf Energy are presented below:

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

7. Stocks

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

	31st December 2016	**31st December 2015**
Raw materials	7.504.034	6.693.833
Auxiliar materials	40.315	74.360
Fuel	14.715	38.462
Inventory items	340.711	132.181

Others	1.017.297	272.582
Adjustments for impairment of raw materials	-90.822	-
Total	**8.826.250**	**7.211.418**

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

No inventories were pledged for loans.

8. Receivables from construction contracts

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

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

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

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

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

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

31st December 2016

Receivables	**Total**	**On time**	**Residual < 30 days**	**Residual 30-90 days**	**Residual > 90 days**

Receivables from construction contracts	**61.548.607**	27.499.801	12.973.272	12.198.175	8.877.359
Commercial account and other types of receivables	**2.902.749**	1.058.745	1.244.422	536.350	63.232
TOTAL	**64.451.356**	**28.558.546**	**14.217.694**	**12.734.525**	**8.940.591**

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

9. Commercial account and other types of receivables

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

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

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

10. Value adjustments for impairment of current assets

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

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

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

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

11. Cash and cash equivalents

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

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

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

Liquidity / cash management

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

31st December 2016

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

31st December 2016

Debts	**Total**	**< 1 month**	**1 - 3 months**	**3 months – 1 year**	**> 1 year**
Commercial and other debts	**37.861.532**	25.046.692	6.385.939	5.715.714	713.187
Bank loans (other than overdrafts)	**8.623.288**			4.272.642	4.350.646

Overdtafts (annually extended)	**31.787.700**			31.787.700	
TOTAL	**78.272.520**	**25.046.692**	**6.385.939**	**41.776.056**	**5.063.833**

31st December 2015

Receivables	**Total**	**< 1 month**	**1 - 3 months**	**3 months – 1 year**	**> 1 year**
Construction contracts receivables	**56.084.820**	26.920.857	15.120.559	12.246.619	1.796.785
other receivables	**2.616.404**	1.402.680	352.962	797.530	63.232
Receivables related to current tax	**0**		0		
Cash and cash equivalents	**10.154.997**	10.154.997			
TOTAL	**68.856.221**	**38.478.534**	**15.473.521**	**13.044.149**	**1.860.017**

31st December 2015

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

12. Equity

(a) Capital

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

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

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

The restated capital contains the following components:

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

Capital	13.579.505	13.579.505
Adjustments to capital- IAS 29	8.812.271	8.812.271
Restated capital	**22.391.776**	**22.391.776**

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

b) Reserves and retained result

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

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

Capital Management

(a) Legal reserves

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

(b) Reserves out of revaluation

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

(c.) Dividends

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

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

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

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

13.Loans

a) Credit line

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

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

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

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

b) Investment credit

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

The terms of the loan's repayment are the following: the loan is repayable in equal monthly installments starting 31.08.2015.

The monthly credit amount due is worth 79.122,60 EUR.

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

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

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

• Land area of 581 sqm and buildings of 572.93 sqm ground built area, with the topographical number 6628/2/2/1/2, registered in Bistrita Land Registry 8697 and topographical number 6628/2/2/1/2 / I, registered in Bistrita Land Registry 8697 / I, inventory value = 1,217,062 RON.

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

14. Commercial and other types of debts

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

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

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

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

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

15. Income from construction contracts

	31st December 2016	31st December 2015
Income from work performed on projects and invoiced to the customer (ct 701)	169.771.958	164.586.547
Income from work performed on projects and not invoiced - the cost share (711500+711540)	-2.435.193	4.898.814

	31st December 2016	31st December 2015
Income from work performed on projects and not invoiced - estimated (71150A + 71154A)	398.557	1.161.683
Variation of unfinished production	-2.036.636	6.060.497
TOTAL	**167.735.322**	**170.647.044**

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

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

16a. Other income related to turover

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

16b. Other income

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

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

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

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

17. Staff costs

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

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

The staff costs are as follows:

	2016	2015
Expenses on staff salaries	40.112.914	39.420.921
Expenses with meal vouchers	2.894.791	2.419.139
Expenses on insurances and social security	10.001.664	10.102.808
Total	**53.009.369**	**51.942.868**

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

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

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

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

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

• Members of the Board of Directors of the Company:

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

- Members of the Executive Management of the Company:

Stoian Dorin	General Manager
Cenusa Gheorghe	Deputy General Manager

Pop Stefan	Economic Manager
Souca Nicoleta	Manager AQM
Jurje Valeriu	Factory General Manager
Timofte Antoniu	Factory General Manager
Pop Mircea	Factory General Manager
Oprea Paul	Factory General Manager

On 31st December 2015, COMELF S.A. company management had the following structure:

• Members of the Board of Directors of the Company:

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

- Members of the Executive Management of the Company:

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

18. Transport costs

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

19a. Other expenses related to income

	2016	2015
Expenses on maintenance and repairs	761.629	745.907
Rent costs	1.301.337	1.199.890
Insurance costs	644.070	647.450
Expenses on commissions and fees	2.665.975	2.005.560
Protocol expenses	148.250	167.049
Travel and transfers costs	476.361	523.130
Postal and telecommunication fee costs	113.864	119.295

	2016	2015
Bank services costs	202.236	223.337
Other costs generated by third parties services	11.664.580	12.158.741
Tax costs	1.317.966	535.606
Total	**19.296.268**	**18.328.965**

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

19b. Other expenses

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

The position includes mostly donations / sponsorships.

20. Income tax

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

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

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

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

Reconciliation of corporate tax	**2016**	**2015**
Profit of the period	4.014.685	1.416.474
Total expense on corporate tax	549.563	692.621
Profit before tax	**4.564.248**	**2.109.095**
The local tax rate of the entity	16%	16%
	730.280	**337.455**
Corporate tax calculated using the local tax rate of the entity		
The influence of the legal deductible reserve established during the period	-23.558	-6.143

The influence of reserves establised based on tax free reinvested profit	-	-780.680
The influence of tax free income	-259.117	-214.587
The influence of similar elements to income: Influenta elementelor similare veniturilor: Revaluation differences become taxable	279.629	94.813
The influence of non-deductible expenses	309.256	1.553.434
Minus amount representing sponsorship	-207.298	-196.859
The calculation of corporate tax for the period, of which::	**829.192**	**787.434**
Corporate tax recorded directly in equity, related to revaluation differences become taxable	279.629	94.813
Income taxes recorded on charges	549.563	692.621

21. **Provisions for risks and expenses**

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

	Provision for garantees	Pensions provision	Litigation Provision	**Other provisions**	**Total**
Balance on 1st January 2016	**0**	**462.549**	**0**	**8.979.199**	**9.441.748**
Constituted during the period	0	0		933.709	933.709
Used during the period	0	0	0	0	0
Value adjustment receivables (ct 2968)	0				0
Resumed during the period	0	38.124	0	1.476.021	1.514.145
Balance on 31st December 2016	**0**	**424.425**	**0**	**8.436.887**	**8.861.312**
In the long term	0	424.425	0	6.394.405	6.818.830
In the short term	0	0	0	2.042.482	2.042.482

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

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

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

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

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

22. Debts for postponed/deferred tax

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

	31st December 2016	**31st December 2015**
Deferred tax receivables	-	-
Deferred tax liabilities related to reserves from reinvested profit	(1.132.973)	(1.132.973)
Deferred tax liabilities for revaluation tangible assets differences	(9.799.307)	(6.868.388)
Net deffered tax	**(10.932.280)**	**(8.001.361)**

23. Deferred/ Postponed income

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

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

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

24. Earnings per share

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

	31 December 2016	**31 December 2015**
Profit attributable to ordinary shareholders	4.014.685	1.416.474
Weighted average number of ordinary shares	23.412.940	23.412.940

Earnings per share	**0,17**	**0,06**

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

25. Financial elements

The financial elements are the following:

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

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

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

26. Commitments and contingent liabilities

(a) Contingencies related to the environment

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

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

(b) The transfer price

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

27. Transactions and balances with related parties

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

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

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

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

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

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

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

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

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

Debts to	**31st December 2015**	**31st December 2014**
Uzinsider SA	408.576	212.784
Uzinsider Techo SA	2.373.567	215.725

Uzinsider General Contractor SA	18.910	-
Promex SA	-	-
24 Ianuarie SA	-	-
Uzinsider Engineering SA	-	-
Total	**2.801.053**	**428.509**

b) **Transactions with related parties**

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

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

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

Acquisitions in the year completed on:	**31st December 2016**	**31st December 2015**
Uzinsider SA	905.672	1.029.600
Uzinsider Techo SA	2.193.786	3.134.638
Uzinsider Engineering Galati	-	5.130
Promex SA	13.982	77.478
24 Ianuarie SA	-	5.000
Total	**3.099.458**	**4.251.846**

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

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

28. Capital Commitments

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

29. Operating Segment Reporting

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

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

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

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

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

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

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

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

Reporting on operating segment

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

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

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

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

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

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

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

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

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

30. Subsequent events to the date of the balance

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

31.Approval of financial statements

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

Stoian Dorin — Executive Manager

Pop Stefan — Economic Manager

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

Translator,

Magda I. Roxana

INTERPRET-TRADUCĂTOR
ENGLEZĂ
NORVEGIANĂ
MAGDA
I. ROXANA
Aut. Ministerul Justiției
Nr. 24666/04.10.2012
Bistrița-România

COMELF SA
Registru comertului No.J/06/02/31.01.91
Cont bancar: (Lei) RO 12INGB0024000040598911
(Euro) RO 58INGB0024000040590711
Deschise la: ING BANK BISTRITA
Societate cotata la Bursa de Valori Bucuresti

1100 /30 / 21.04.2017

Declaration

We, the writers of this Declaration Mr. Dorin Stoian –general manager and Mr. Stefan Pop – financial manager, declare that the financial reports for 2016 have been prepared according to the applicable accounting standards, they offer an accurate and true image regarding the assets, liabilities, financial position and the comprehensive income.

The Report of COMELF SA Managing Board presents an accurate review of the Company's development and performance, as well as an outline of the main risks and uncertainties specific to the activities we perform.

General manager,
eng. Dorin Stoian

Financial manager,
ec. Stefan Pop

COMELF SA
BISTRITA

INDEPENDENT AUDITOR'S REPORT

AT DECEMBER 31st 2016

G5 CONSULTING (LTD)

Registered at the Financial Auditors Chamber of Romania

Authorization no. 223/02.07.2002

THE INDEPENDENT FINANCIAL AUDITOR'S REPORT

TO:COMELF S.A. Shareholders

Independent Auditor's Report over the financial situations

The opinion: "NO RESERVES"

We audited the financial statements of the company COMELF SA, which comprise the statement of financial position at December 31st2016 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, and notes to the financial statements, including a summary of significant accounting policies.

Separate financial statements mentioned reffer to:

Total equity	71,862,676 lei
Profit and other comprehensive income	3,995,482 lei
Total revenues including other income	180,426,501 lei

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company COMELF S.A. as at December 31st2016 and its financial performance and its cash flows for the year ended on that date, in accordance with Order no. 2844 of December 12, 2016 for approval of accounting regulations in accordance with International Financial Reporting Standards (IFRS) applicable to companies whose securities are admitted to trading on a regulated market and the requirements of the Law. 82/1991.

Opinion grounds

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in the section *Auditor's Responsibilities in an audit of financial statements* in our report. We are independent of the Company under the *Code of Ethics for Professional Accountants* (IESBA Code) issued by the Council for International Ethics Standards for Accountants in conjunction with the ethical requirements relevant to the audit of financial statements in Romania and we met other ethical responsibilities under these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit key aspects

Key audit aspects are those issues that, in our professional reasoning, had the highest importance for audits of financial statements of the current period. These issues were addressed in the context of the overall financial statement audit and in forming our opinion and we do not offer a separate opinion on these issues.

In accordance with ISA 701, at least one key issue must be identified in an audit of annual financial statements of a listed company. Within our audit for the company COMELF S.A. for the year ended 31.12.2016 we considered key issues, those situations that presented an increased risk of significant errors:

- → Buying back own shares;
- → Situation of property revaluations and deferred tax calculation;
- → Adjustments of inventory of raw materials;
- → In-process inventory and its accounting registration

The above mentioned items do not represent all the risks we identified.

In the following we have established also how we have adapted our audit to address these specific areas in order to provide an opinion on the financial statements as a whole.

Buying back own shares	*We have considered legal formalities and evaluated the impact on the financial statements.* In our audit we found that the legal formalities were completed to buy back own shares. The purpose of this redemption being to distribute to employees. Distribution did not occur until the financial statements for the year ended 31.12.2016. The impact for 2016 in the company's capital is 2,528,596 lei. With this amount the equity of the company was reduced in 2016.
Situation of property revaluations and deferred tax calculation	*We considered the identification of amounts to be amortized, resulting from revaluation, we verified the application of IAS 12 Income Taxes, we verified the application of IFRS 13, IAS 16 and IAS 38 regarding the revaluation of property to fair value.* We requested a clear highlight for depreciation of revaluation of property. The Company applies the revaluation at fair value as stated in Note 5 to the financial statements. The last revaluation was conducted in 2015. The evaluator's report demonstrates fair value measurement. IAS 16 and IAS 38 indicate that revaluations must be achieved every three or five years for assets that have high value fluctuations. The Company recorded deferred income tax in 2016 for revaluations at the end of 2015. We determined that the recognition of deferred tax amounting to 3,210,548 lei, for the period, is consistent and fairly presented in Note 22.
Adjustments of inventory of raw materials	*We verified the apposition of IAS 2 "Inventories" for stock assessment on inventory.* The Company set in 2016 adjustments on stocks of raw materials amounting to 90,822 lei (Note 7). Inventory was found at a net realizable value lower than the carrying amount, the carrying

	amount of this reduction was recognized as an expense in the period in accordance with IAS 2.
In-process inventory and its accounting registration	*Identification of the evaluation procedures on inventory of work in progress and registration under IAS 11 "Revenue from construction contracts", account 711.* Following the inventory, we identified the procedure by which the Company evaluates its work in progress. At the end of each month, performing an algorithm based on already performed costs, work in progress is determined. The same algorithm is applied for the progress of construction contracts according to IAS 11 and the revenue recognition in the accounts, presented in Note 15 to the financial statements.

We treated these key audit aspects through appropriate testing and extending investigations on topics presented through discussion with management and accounting department.

Other information

Management is responsible for other information. Thesereffer to information on developments in the industry, short- and medium-term strategy of the company in terms of diversification, quality of products and to ensure a qualified workforce.

Our opinion on financial statements do not cover these other information and do not offer any type of conclusion or insurance over these aspects.

In respect of the audit of financial statements, our responsibility is to read the other information and, in doing so, to consider whether the other information show significant inconsistencies with the financial statements or the knowledge that we have obtained during the audit, or if they seem to be materially misstated. If, on the work performed, we conclude that there is a material misstatement of the other information, we are required to report this fact. In this respect, we have nothing to report.

The responsibilities of management and persons responsible for governance of financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order no. 2844 of December 12, 2016 for approval of accounting regulations in accordance with International Financial Reporting Standards (IFRS) applicable to companies whose securities are admitted to trading on a regulated market and the requirements of the Law. 82/1991 and for that internal control the management considers necessary to ensure the preparation of financial statements free of material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing the ability of the Company to continue its activity, presenting, if any, aspects of business continuity and using the accounts on a continuous activity basis, unless management either intends to liquidate the Company or shut down operations, or has no realistic alternative.

Persons responsible with governance are responsible for overseeing the financial reporting of the Company.

The Auditor's Responsibilities in an Audit of Financial Statements

Our objectives consist of reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as issuing an auditor's report which includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement, whether it exists. The distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or in aggregate, will influence the economic decisions of users taken on the basis of these financial statements.

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

- ✓ We identify and assess the risks of material misstatement of the financial statements, either due to fraud or error, we design and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. Non-detection risk that a material misstatement due to fraud is higher than the non-detection of a material misstatement due to error, because fraud may involve collusion, forgery, deliberate omission, misrepresentation and avoidance of internal control.
- ✓ We understand internal control as being relevant to the audit, in order to design audit procedures appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company.
- ✓ We assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ✓ We draw a conclusion on the appropriateness of the management's use of the accounts on a continuous activity basis and determine, based on audit evidence obtained, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of the Company to continue its activity.If we conclude that a material uncertainty exists, we should draw attention in the auditor's report on related financial statement presentations or, if such disclosures are inadequate, to change our opinion. Our conclusions are based on the audit evidence obtained until the auditor's report. However, future events or circumstances may cause the Company to no longer operate by the continuous activityprinciple.
- ✓ We evaluate the presentation, structure and overall content of the financial statements, including disclosures, and the extent to which financial statements reflect transactions and basic in a manner that ensure fair presentation.

We communicate to those responsible for governance, among other things, the planned scope and timing of the audit, and the main audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide to those responsible for governance, a statement that we, as auditors, comply with ethical requirements relevant to independence and that we've communicated all relationships and other matters which might assume, reasonably, that affects our independence and, where appropriate, related protection measures.

Among the issues communicated to the persons responsible for governance, we establish what are the most important for audits of financial statements for the current period and is therefore key audit issues. We describe these issues in the auditor's report, unless there are laws or regulations prohibiting public disclosure of appearance, or where, in extremely rare circumstances, we consider that it should not be communicated in our report because it is reasonably expected that public interest benefits may be overcome by the negative consequences of this communication.

Report on other legal and regulatory

The administrators are responsible for preparing and presenting the management report in accordance with the requirements of Order 2844/2016 approving the Accounting Regulations compliant with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Section 3, Chapter 6 paragraphs 34-36, which does not contain material misstatements and for that internal control the management considers necessary to enable the preparation of a management report free from material misstatement, whether due to fraud or error.

Administrators' Report is presented in pages 1 through 12 and is not part of the individual financial statements.

Our opinion on the individual financial statements do not cover administrators' report.

In connection to our audit of the financial statements, we have read the administrators' report attached to individual financial and presented on pages 1-12 and we report that:

a) The administrators' report did not identify information that is not consistent in all material respects with the information presented in the accompanying individual financial statements. We note, however, that the differences between reported income through the income or loss account and other comprehensive income and reported in the administrator's report is due to Order 2844/2016 requirements, as financial statements to offset the revenue amounts related to the production of property to expenses. The administrator's report presented this revenue is not offset.

b) Administrators' report identified above include, in all material respects, the information required by the Order 2844/2016, Section 3, Chapter 6, paragraphs 34-37.

c) Based on our knowledge and understanding acquired during the audit of financial statements for the year ended December 31st 2016 on COMELF S.A. and its environment, we have not identified information in the management report to be significantly altered.

Audit engagement partner having completed the independent auditor's report is:

Mr. POPA Ioan, financial auditor

Registered at the Financial Auditors Chamber of Romania under no.1014/2001

for and on behalf of S.C. G5 CONSULTING SRL

Registered at the Financial Auditors Chamber of Romania, authorization no. 223/02.07.2002

Auditor's address:

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COMELF SA

Appendix: Status of Compliance with the Requirements of the New Code of Corporate Governance (CCG) of the Bucharest Stock Exchange (BSE) as of December 31st, 2016

	Provisions to comply with:	Complied Y / N	Explanations
SECTION A - Responsibilities			
A.1.	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	Yes	The Managing Board operates according to law requirements and internal regulation for the Board, which includes and applies the requirements (provisions) of the Code of Corporate Governance.
A.2.	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Yes	Conflicts of interest are managed according to the requirements of the Board Regulation regarding this subject.
A.3.	The Board of Directors or the Supervisory Board should have at least five members.	Yes	The Managing Board has 5 members, one of which has been appointed chairman by the OGMS.
A.4.	The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement.	Yes	COMELF is a Standard Tier company. No member of the Managing Board has an executive position in COMELF. Information regarding the members of the Managing Board has been published on COMELF website.
A.5.	A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Yes	The members of the Managing Board have no executive or non-executive Board positions in any company or not-for-profit institutions.
A.6.	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	Yes	This requirement is complied with in our current activities.
A.7.	The company should appoint a Board secretary responsible for supporting the work of the Board.	Yes	Mr. Coltea Traian Lucian - legal counsellor is appointed as Board Secretary.
A.8.	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Yes	The evaluation of the Managing Board's Activity for 2016 is made in April 2017 during the OGMS when the activity, the measures taken and the results obtained are reviewed and the discharge of administration of the Managing Board takes place.
A.9.	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	Yes	In 2016, the Managing Board has met 9 times, the majority of the managers have been present for 7 of those meetings and the full Board has met during the other 2 of those meetings. In the OGMS held in April 2017 the Managing Board Report for 2016 will be presented for the approval of its activities.
A.10.	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	Yes	All members of the Managing Board are independent.

Appendix: Status of Compliance with the Requirements of the New Code of Corporate Governance (CCG) of the Bucharest Stock Exchange (BSE) as of December 31st, 2016

	Provisions to comply with:	Complied Y / N	Explanations
A.11.	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.	Not applicable	COMELF is a Standard Tier Company.
SECTION B - RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM			
B.1.	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	No	The OGMS has appointed 2 specialized companies as independent financial auditor and internal financial auditor. These two companies have the required qualification and expertise. Apart from these two companies, one person from our company has been appointed exclusively for "internal control". COMELF is a Standard Tier Company.
B.2.	The audit committee should be chaired by an independent non-executive member.	No	There is no Audit Committee, its attributes are carried out by the two audit companies.
B.3.	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	No	The appointed Auditors present relevant reports once a year or at the Managing Board request.
B.4.	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	No	The features described by this requirement are presented by the financial auditors employed by our company.
B.5.	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	No	This requirement is fulfilled by the financial auditors employed by our company.
B.6.	The audit committee should evaluate the efficiency of the internal control system and risk management system.	No	This requirement is fulfilled by the financial auditors employed by our company.
B.7.	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	No	This requirement is fulfilled by the financial auditors employed by our company.
B.8.	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	No	This requirement is fulfilled by the financial auditors employed by our company.
B.9.	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	Yes	Transactions are made considering strictly the commercial principles, there is no preferential treatment for anybody.
B.10.	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	No	This requirement is fulfilled based on the opinions expressed by our financial auditors.
B.11.	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	Yes	We have contracted the services of 2 specialized auditing companies outside our companies.
B.12.	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	Da	This requirement is complied with through the external financial auditors and the employee appointed for "internal control" who report both to the Managing Board and to the General Manager.

Appendix: Status of Compliance with the Requirements of the New Code of Corporate Governance (CCG) of the Bucharest Stock Exchange (BSE) as of December 31st, 2016

	Provisions to comply with:	Complied Y / N	Explanations
SECTION C - FAIR REWARDS AND MOTIVATION			
C.1.	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	No	The remuneration of the members of the Managing Board complies with the decision of the OGMS. Our company has defined, through internal regulation the criteria for the payment of wages and bonuses based on performance. Additionally, two new performance criteria have added for performance evaluation i.e. the observance of delivery deadlines and achieving the assigned quality parameters. The employment contract for the general manager and the other executive managers is continuous and includes clauses for cancellation.
SECTION D - BUILDING VALUE THROUGH INVESTORS' RELATIONS			
D.1.	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	Yes	Investor Relations are managed by two employees: Budelecan Ana and Trisca Maria. The activities related to this domain are limited and do not justify the need to organize a separate department. Information required by the legal procedures are published on our webpage in the "Informatii la zi" ("Up-to-Date Information") Section.
D.1.1	Principal corporate regulations: the articles of association, general shareholders' meeting procedures;	Yes	The Articles of Association and the procedures regarding the General Meetings of Shareholders are published on our company's website.
D.1.2	Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;	Yes	Published on our company's website.
D.1.3	Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	Yes	Published on our company's website and sent to B.S.E and R.F.S.A.
D.1.4	Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	Yes	Published on our company's website and sent to B.S.E and R.F.S.A.
D.1.5.	Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	Yes	The Official Statement regarding the payment of Dividends for 2015 has been published on our company's website and it has also been sent to B.S.E. and R.F.S.A. A similar procedure will be followed for the dividends paid for 2016, and with any other corporate events.

Appendix: Status of Compliance with the Requirements of the New Code of Corporate Governance (CCG) of the Bucharest Stock Exchange (BSE) as of December 31st, 2016

	Provisions to comply with:	Complied Y / N	Explanations
D.1.6.	The name and contact data of a person who should be able to provide knowledgeable information on request;	Yes	The name of the Contact Person is included in each report or released otherwise.
D.1.7.	Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.	Yes	Such information is published on our company's website in both Romanian and English. Our general presentation is published on our company's website in Romanian, English and German.
D.2.	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	Yes	The Dividends Distribution Policy proposed by our Managing Board is published on our company's website, the policy for 2016 will be subjected to the approval of the OGMS along with the approval of the financial statements for 2016. Payments will be made by Depozitarul Central through all branches of CEC Bank.
D.3.	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Yes	
D.4.	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	Yes	
D.5.	The external auditors should attend the shareholders' meetings when their reports are presented there.	Yes	
D.6.	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Yes	
D.7.	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Yes	
D.8.	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	Yes	The financial reports prepared according to relevant requirements are published on our company's website in both Romanian and English.

Appendix: Status of Compliance with the Requirements of the New Code of Corporate Governance (CCG) of the Bucharest Stock Exchange (BSE)
as of December 31st, 2016

	Provisions to comply with:	Complied Y / N	Explanations
D.9.	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/ conference calls.	No	During 2016 the company has not organized any meeting with the investors. We believe that the information published with the Current and Periodical Reports provides a high level of transparency that allow the existing and potential investors to take well documented investments decisions. On the other hand, the ownership structure where more than 85 % of the shares is owned by just 3 shareholders, and the outstanding number of shares is divided between more than 5.000 shareholders, leads to a very small share sale offer, as shown by the small volume of transactions.
D.10.	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	Yes	Our company grants financial support as far as possible and as far as the law allows, to sport, tourism and cultural events for employees and it also offers humanitarian aid.

General Manager,
eng. Dorin Stoian