Activity report of the Management Board Semester I 2017

ACTIVITY REPORT
OF THE MANAGEMENT BOARD SEMESTER I 2017
(drafted according to the provisions of NSC[1] Regulations no. 1/2006)

1. ECONOMICAL AND FINANCIAL SITUATION

The separate financial statements for semester I 2017 were drafted and submitted in accordance with Order 2844 of 2016 for the approval of the Accounting rules pursuant to the International Financial Reporting Standards and Order no. 895 of 16th June 2017 for the approval of the Accounting reporting system on 30th June 2016 of the economic operators.

The reporting currency of the financial statements semester I 2017 is the Romanian leu.

The separate financial statements on 30th June 2017 were not revised by a statutory financial auditor.

1.1 Situation of assets, liabilities and equity

Elements (lei)	30 June 2017	1st January 2017
Fixed assets		
Tangible assets	**24,046,484**	**21,778,510**
Intangible assets	**545,411**	**571,122**
Real estate investments	**535,218**	**465,631**
Total Fixed assets	**25,127,113**	**22,815,263**
Current assets		
Stocks out of which:	**15,275,422**	**14,789,473**
- Finished products	9,574,087	9,423,228
- Goods (goods for distribution)	2,223,265	2,044,870
- Raw materials and materials	1,820,751	1,392,372
- Others (work in progress, semi-finished goods)	1,657,319	1.929,003
Trade receivables and other receivables	15,762,372	12,994,022
Accrued expenses	258,376	41,779
Financial assets at fair value (fund units)	3,125,979	3,046,521
Cash and cash equivalents	4,234,415	5,003,004
Total Current Assets	**38,656,564**	**35,874,799**
Total Assets	**63,783,677**	**58,690,062**
Equity		
Share capital	23,990,846	23,990,846
Reserves	19,843,566	19,095,975
Outturn for the financial year	1,800,447	2,105,150
Outturn reported	9,172,647	9,117,566
Other elements of equity	-2,690,379	-2,826,120
Total Equity	**52,117,127**	**51,483,417**
Liabilities		
Long-term liabilities		
Long-term loans	1,670,061	253,913
Provision for pensions	199,117	226,364
Liabilities concerning the deferred tax	2,439,505	2,353,763
Total Long-term liabilities	**4,308,683**	**2,834,040**
Current liabilities		
Short-term loans	283,621	117,557
Trade and other payables	6,969,387	3,675,390

[1] National Securities Commission

Deferred income	1,139	2,277
Provisions	103,721	577,381
Total Current liabilities	**7,357,867**	**4,372,605**
Total liabilities	**11,666,550**	**7,206,645**
Total Equity and Liabilities	**63,783,677**	**58,690,062**

The equity increased to the amount of lei 52,117,127 (1st January 2017:lei 51,073,895) mainly by the registration of the net profit for the period of lei 1,800,447 and the reserves built-up during the previous year.

The current assets in the amount of lei 38,656,564 (1st January 2016: lei 35.874.799) increased with 8% compared with 1st January cu 2017 and are made up of:

- ***Overall stocks*** are in the gross amount of lei 15.916.835 lei up with 3 % compared with the stocks from the beginning of 2017 because of:
  - purchase of benchmarks and sub-assemblies from external suppliers from whom we obtained quality and favorable prices (Ofas Italy, Hydrobest Poland, Bondioli germany, Aumena Poland)
  - goods for distribution during sem. I 2017 amount to lei 4,502,621 (semester I 2016: lei 3,508,835).

	30th June 2017	**1st January 2017**	**%**
Raw materials and materials	1,829,137	1,392,372	131
Work in progress	1,593,387	1,944,527	82
Semi-finished goods	63,932	64,112	99
Finished goods	10,178,224	10,424,079	98
Goods (goods for distribution)	2,252,154	2,044,870	110
Adjustments and price differences	641,412	1,080,487	
Stocks at net value	**15,275,422**	**14,789,473**	**103**

- ***Net trade receivables*** in the amount of lei 15,424,883 (1st January 2017: lei 12,380,596) increased by 25%
  and are entirely considered efficient, are generated by the increase of the turnover recorded in semester I 2017 compared with the same period of the previous year.
  The net trade receivables are made up of:
  - trade receivables and disbursements in relation to internal and external clients for products, goods sold, serviced provided based on invoices in the amount of lei 16,921,859;
  - uncertain or clients at issue in the amount of lei 1,496,976. As regards the cover of the risk of non recovery of the amounts representing bad debts, the company recorded adjustments for the depreciation of the uncertain clients, based on their integral value.

On 30th June 2017, the company has received from clients in the form of guarantees, promissory notes and cheques pursuant to the contractual provisions.

The provisions *in the amount of lei 302,838 decreased by* 38% compared with 1st January 2017 and are made of:

- Provisions for employees' retirement benefits = lei 119,117
- Provisions for distributors' commissions not granted pursuant to contracts concluded = lei 41,831

- Provisions for rights not granted according to the contracts concluded = lei 9,338
- Marketing campaign provision = lei 52,552

The long-term debts increased by contracting a long-term investment credit in the amount of lei 1,917,789 necessary for the completion of our own sources in order to carry out the investments in new production technologies in the amount of 2,463,549.

The current debts *compared with 1st January* 2017 increased by 68%, the largest rate pertaining to the commercial debts and other debts of 90%, which are made up of:

	30th June 2017	**1st January 2017**	**%**
Commercial debts – current suppliers	3,758,616	1.360,445	276
Commercial debts – distribution suppliers	940,170	1,110,594	85
Other debts, including tax debts and social insurances	985,585	933,330	106
Suppliers – invoices to be received	112,558	78,638	143
Performance guarantee works and tenants	10,131	14,177	71
Dividends	87,078	60,628	144
Other creditors	1,075,249	117,578	914
Total commercial debts and other debts	**6,969,387**	**3,675,390**	**190**

- ***Commercial debt current suppliers*** has risen by the outsourcing policy of a significant number of sub-assemblies and benchmarks, leading to the increase of the number of contracts with suppliers, for which favorable payment terms and a high quality of products were obtained (Ofas Italy, Hydrobest Poland, Bondioli Germany, Aumena Poland);
- ***Commercial debts distribution suppliers*** are for the products we distribute (Steyr, Projet, Stoll), their balance reaching to 85% compared with the prior year.
- ***Other debts, including tax debts and debts implied by the social insurances*** of 985,585 include mainly the current debts related to staff, budget of social insurances and state budget.

On 30th June 2017, the company has no outstanding debts.

Active elements of balance sheet
which represent at least 10% of the total assets: cash and other liquid assets; reinvested profits; total current assets; company's debt situation; total current liabilities

Assets exceeding 10% of the total assets

	Analytical indicators of financial position situation exceeding 10% of the total assets	**30.06.2017**	**01.01.2017**	**% in total assets 30.06.2017**
	TOTAL ASSETS	**63,783,677**	**58,690,062**	
1.	Lands and buildings	17,552,403	17,630,080	28
2.	Finished products and goods	11,797,354	11,468,098	18
3.	Trade receivables and other receivables	15,762,372	12,994,022	25

Liabilities exceeding 10% of total liabilities

	Analytical indicators of financial position situation exceeding 10% of total liabilities	30.06.2017	01.01.2017	% in total liabilities 30.06.2017
	TOTAL LIABILITIES	**63,783,677**	**58,690,062**	
1.	Reserves	19,843,566	19,095,975	31
2.	Paid-up subscribed capital	23,990,846	23,990,846	38
3.	Retained earnings	9,172,647	9,117,566	14

Revaluation reserve on 30th June 2017 related to the revaluations is in the amount of lei 12,541,737. The last revaluation of the tangible assets was performed in 2013 for the tangible assets pertaining to "Buildings" group.

Company's share capital was not modified, i.e. it was not increased or decreased. The share capital recorded on 30th June 2017 is of lei 23,990,846.

The dividends, the company allocated dividends to shareholders from the profit of 2016 in the amount of lei 1,175,551.45 by the Central Depositary, payment agent BCR Branch of Piatra Neamt.
In compliance with the reports of the central depositary, the amounts actually allocated are of lei 1,149,102. The balance, at the end of semester I 2017, comprises undistributed dividends of the current year and prior years in the amount of lei 87,077.92 (semester I 2016: lei 60,628.47)

1.2. Profit and loss account

Elements (lei)	30th June 2017	% Of the turnover	30th June 2016	% Of the turnover
Continuing activities				
Revenues from current activity(Turnover)	20,509,141	100	17,131,785	100
Other revenues	93,064		80,944	
Revenues from stock variations	53,132		1,155,047	
Total operating revenues	**20,655,337**		**18,367,776**	
Expenditure concerning the stocks	**9,101,524**	44	**8,083,280**	47
- Production cost	5,292,006	26	5,147,889	30
- Cost of goods sold in distribution	3,809,518	19	2,935,391	17
Expenditure implying the utilities	374,186	2	344,640	2
Expenditure with salaries, contributions and other benefits	3,750,379	18	3,272,868	19
Expenditure with asset amortization and depreciation	892,893	4	777,959	4
Earnings / Losses from disposal of assets	-		650	
Adjustment of current assets value	497		2,438	
Adjustments concerning provisions	500,907	2	681,745	4
Other expenses (commissions of distributors and marketing expenditure)	4,601,394	22	4,088,083	24
Total Operational Expenditure	**18,218,972**		**15,881,997**	
Outturn of Operational Activities	**2,436,365**		**2,485,779**	

Financial revenues	65,941		36,279	
Profit/loss concerning the financial assets at a fair value	34,457		35,216	
Financial revenues	357,101		510,249	
Net financial outturn	**- 256,703**		**- 438,754**	
Outturn before taxation	**2,179,662**		**2,047,025**	
Expenditure with the current corporate tax	284,659		226,558	
Expenditure with the deferred corporate tax	134,799		163,523	
Earnings pertaining the deferred corporate tax	40,244		47,497	
Outturn of continuing activities	**1,800,448**		**1,704,441**	

The turnover registered in semester I 2017 is 20% higher than the turnover of the same period of the prior year, an increase owed both to sales of products manufactured by the company (an increase with 18%) and to the sales of goods to be distributed (an increase with 28%).

Turnover

	30th June 2017	30th June 2016	%
Sales of production	15,809,173	13,431,939	118
Sales of goods to be distributed	4,502,621	3,508,834	128
Service delivery	75,130	74,362	101
Revenues from renting the real estate investments	122,217	116,650	104
Total revenues	**20,509,141**	**17,131,785**	**119**

Operational expenditure

The expenditure from the current activity reaching the amount of lei 18,218,972, 15% higher compared with the proper period of time of the prior year, was necessary to support the increase of the turnover by 20%.

The structure of the costs for semester I 2017 related to the turnover is a lot improved compared with the structure of the costs of semester I 2016. Thus, we got reductions to costs concerning the production with 4% (from 30% to 26%), the costs with the salaries are decreased by 1%, we also registered reductions by 2% to the expenditure with the commissions and other expenditure (from 24% to 22%).

The operational expenditure include:

	30th June 2017	30th June 2016	%
Expenditure with raw materials and consumables for production	5,292,006	5,147,889	102
Cost of goods sold in distribution	3,809,518	2,935,391	129
Expenditure concerning the stocks	**9,101,524**	**8,083,280**	**112**

1. The expenditure with the goods to be distributed registered an increase compared with the prior year in order to support the sales of the goods to be distributed by 34 higher compared with the same period of the previous year, as the sales margin was preserved;
2. The expenditure with the employees' salaries and contributions records an increase by 15%, thanks to the increase of the minimum wage with a 9% influence and registration of the managers' bonuses for 2016, from the provision with the establishment of the appropriate revenue;
3. The expenditure concerning the external services was 13% higher due to the commissions of the distributors directly correlated with the turnover increase;

	30th June 2017	30th June 2016	%
Expenditure concerning external services	4,363,407	3,904,595	112
Expenditure with taxes, duties and payments	64,647	76,877	84

assimilated			
Other operating expenditure	173,340	106,611	163
Total other expenses	**4,601,394**	**4,088,083**	**113**

4. Logistic costs, higher compared with sem I 2016 (from lei 228,705 to lei 255,082) thanks to the increase of sales (turnover) by 20% compared to the prior year

The **financial revenues** include most of the revenues pertaining to the evaluation of the fund units held by the company on 30th June 2017 at a fair value and the revenues from the revaluation of receivables and debts in foreign currency at the end of the period of time.

The financial costs include the discounts granted, the interests and the exchange differences on 30th June 2017. In order to stimulate the cash receipts from clients, Mecanica Ceahlau continued to cooperate with financial institutions and promoted financing offers for its end clients with 0% interest, being actually supported/subsidized by Mecanica Ceahlau.
This strategy led to the increase by 15% of the receipts from the clients compared with the prior year.

Loss and profit account
net sales; gross revenues; elements of costs and expenditure of at least 20% in the net sales or in the gross revenues; risk provisions and for various expenses; reference to any sale or cessation of an activity segment performed during the last 6 months or which is about to be performed during the following 6 months; dividends declared and paid;

Profit / (loss)

On 30th June 2017 the company registered a gross profit of lei 2,179,662 and an operational profit of lei 2,436,365.

	Analytical indicators from the loss and profit account di exceeding 20% of the turnover	**30th June 2017**	**30th June 2016**	**% in total turnover 30th June 2017**
	Net turnover	**20,509,141**	**17,131,785**	100,00
1	Sold production	15,715,606	13,320,178	76.62
2	Expenditure with raw materials and consumables	5,191,763	5,054,895	25.30
3	Other operating expenses	4,601,394	4,088,083	22.43

The sales volume (turnover) achieved during January-June 2017 was of lei 20,509,141, by 20% higher than the one registered during the same period of the last year.
In its structure, the turnover mainly consisted of the sales of the production manufactured, i.e. 77%, sales of goods of 22%, revenues from other activities (waste sales, renting real estate investments, service deliveries) – 1%.
The turnover achieved in semester I 2017 was 9% higher than the revenue and expenditure budget of semester I 2017.

Market percentage

The company possesses an important market segment for the goods seeders for hoeing plants and for seeders for strawy plants. The market share evaluated for these products is situated between 20% and 30% as regards the number of the fund units sold.

1.3. Cash flows: all changes registered at cash level during the basic activity, the investments and the financial activity, the cash level at the beginning and end of the period of time:

The structure of cash flow on 30th June 2017, compared with the same period of the previous year:

For the year ended on :	30th June 2017	30th June 2016
Cash receipts from clients	21.273.741	18.574.381
Payments made to suppliers and employees	- 19.984.334	- 18.995.653
Cash generated from the operating activity	**1.289.407**	**-421.272**
Interests paid	0	-1.119
Corporate tax paid	-237.483	-68.857
Operating net cash	**1.051.924**	**-491.248**
Cash flow from investment activities		
Interests collected	2.364	558
Dividends paid	-1.149.102	-1.147.886
Purchases of tangible assets	-2.463.549	-107.285
Net cash generated from investments	**-3.610.287**	**-1.254.613**
Cash flow from financing activities		
Long-term cash receipts	1.917.789	-
Loan repayment	20.496	-
Payment of debts from financial leasing	81.406	-82.846
Net cash (used for) funding activities	**1.836.383**	**1.065.040**
Net decrease of cash and cash equivalents	**-721.980**	**-680.821**
Cash and cash equivalents on 1st January	5.003.004	2.343.920
Effect of exchange variation upon cash	-1.609	-10.840
Cash and cash equivalents on 30th June 2017	**4.279.415**	**1.652.259**

The cash increased in semester I 2017 compared with the similar period of time of the prior year by 260%

From its own sources, the company paid dividends from profit 2016 in the amount of lei 1,149,102 and made investments, in new production technologies in the amount of 2,463,549 for which it was contracted a long-term credit in the amount of lei 1,917,789.

The company has on 30th June 2017 investments in fund units, at fair value, as follows:

Type of fund	Fund managing company	Number of fund units	Value of fund units
Open-end investment fund BT OBLIGATIUNI	BT Asset Management	144,993	2,556,952
Open-end investment fund SIMFONIA 1	SG Asset Management - BRD	13,063	542,027

1.4. Economical and financial indicators

Name of indicator	Method of calculation	30th June 2017	30th June 2016
Liquidity indicators (number of times)			
Current liquidity indicator	Current assets /Current liabilities	5.25	6,36
Immediate liquidity indicator	(Current assets-Stocks)/Current liabilities	3,18	3,43
Activity indicators (number of times)			
Turnover rate of fixed assets	Turnover/Fixed assets	0.82	0,77
Turnover rate of total assets	Turnover/ Total asset	0.32	0,29
Debit-clients turnover rate (no. days)	Average balance of receivables/Turnover x 181	136	132
Debt level indicator	Capital borrowed/Own capital x 100	3.75	5,33
Profitability indicators			
Profitability of committed capital	Profit before paying the interest and the corporate tax / Committed capital *100 (%)	4,03	4,31
Outturn per basic share (lei/share)	Net Profit /No. of shares	0,0075	0,0071

2. ANALYSIS OF COMPANY'S ACTIVITY

2.1. Presentation and analysis of trends, elements, events or uncertainty factors affecting or which could affect the liquidity of the trading company compared with the previous year

The company's liquidity depends of the investors' liquidity in agricultural machines. The latter is influenced by a series of factors depending of the governmental policies focused on this field of economy, a sector which needs support in order to be efficient. From this point of view compared with the same period of time of the previous year, the situation is unchanged.

2.2. Presentation and analysis of the effects of current or prepaid capital expenditures on the financial situation of the trading company compared with the prior year

The value of the forecast investments to be made in 2017 is of RON 4,480,425 for which there will be allocated money from the company's own sources and from loans.

The goals established by the Investment programs are the following:

- update and a new technological upgrade of the productions flows in order to increase the quality of products and to reduce the production costs, by upgrade of machine tools, installations and new purchases in the field of technological development.
- development investments specific to IT field, by purchasing software and hardware;
- investments for making more efficient the fire protection and prevention activity.

During semester I 2017, there were made total investment of lei 2,835,852 (VAT excluded) for the goals comprised by the Investment Programs, as follows:

- development and making more efficient the production activity: new equipment for cutting the plate with laser and upgrade of transformer in order to optimize the electric power supply;

- development and upgrade of the logistics and sales activity;

- preparation of the plant for new products, by providing devices;

- real estate procurement, namely land within the built-up area – courtyard for constructions with the surface of 5278 m^2 in Braila county.

- IT procurement: software for Windows, license for SOLIDWORKS design program;

In semester II 2017, there will be made investments in the approx. amount of lei 1.644.573 (VAT excluded) for the goals established by the Investment Program, as follows:

- upgrade of the production equipment: upgrade of the laser cutting workshop, upgrade of painting workshop, upgrade of Trumph laser, purchase of a new furnace for heat treatment and of a lathe for mechanical processing;

- making efficient the fire protection and prevention activity by purchasing a new smoke sensors and alarm system;

- preparing the plant for new products, by providing devices;

- investments in the IT field, namely EBS software development and purchase of new computers;

2.3. Presentation and analysis of events, transactions, economic changes affecting significantly the revenues from the basic activity

The market of agricultural machines and the agricultural field, in general, are permanently influenced by the lack of financing and from this point of view, the farmers are very exposed to internal or external shocks.
The turnover obtained in semester I 2017 is of lei 20,655,337, 20% higher compared with the level established by the Revenues and Expenditure Budget for semester I 2017.

3. CHANGES AFFECTING THE COMPANY'S CAPITAL AND MANAGEMENT

3.1. The development of the Ordinary/Extraordinary General Assembly of Shareholders

The Ordinary General Assembly of Shareholders took place on 26th April 2017, on this occasion the following materials of the agenda being approved:

- Activity report of the Management Board for 2016;
- Separate financial statements for 2016, accompanied by the opinion of the independent financial auditor;
- Allocation according to purposes of the net profit obtained in 2016;
- managers' discharge for 2016;
- main activity directions, revenues and expenditure budget and investment goals for 2017;
- managers' participation to profit;
- general remuneration limits in 2016 for company's managers and directors, in compliance with art. 153^{18} of Act no. 31/1990 republished and updated.

By the quarterly report for quarter I 2017, released pursuant to the regulations in force, the Management Board listed the priority actions taken into consideration for the relevant period of time, ongoing actions. Among the actions initiated by the Management Board starting with quarter II 2017, we particularly mention:

1. The analysis made on the progress of meeting the goals of the Revenues and Expenditure Budget and of the measures adopted for the development and upgrade of the logistics and sales activity;
2. The analysis made upon the proposals to provide equipment and approve the maximum budgets for the re-equipment and redevelopment of Mecanica Ceahlau;
In compliance with the rules in force and the corporate governance, in semester I 2017, the Management Board met during 12 sessions, on that occasion it also discussed and adopted 17 decisions regarding the company's current activity. As concerns the preparation and development of the Management Board meetings, an important contribution had the members of the advisory committees and executive management.

3.2. Description of cases when the company could not observe the financial obligations during the semester I 2017
During the period of time analyzed, the company met its financial obligations.

3.3. Description of any changes regarding the rights of the holders of securities issued by the company
All holders of securities issued by the company benefitted from equal rights.

3. SIGNIFICANT TRANSACTIONS

As for the issuers of shares, information concerning the major transactions concluded by the issuer with the persons acting in a concerted way or in which these persons were involved during this relevant period of time.

In semester I 2017, the company did not conclude major transactions with the persons acting in a concerted way or in which these persons were involved.

PRESIDENT OF THE MANAGEMENT BOARD,
Trifa Aurelian Mircea Radu

GENERAL DIRECTOR,
Laura Serban Arghirescu

FINANCIAL DIRECTOR,
Gabriela Marian

MECANICA CEAHLĂU S.A.

INDIVIDUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON
JUNE 30, 2017

DRAFTED ACCORDING TO ORDER 2844 FROM 2016
FOR APPROVAL OF THE ACCOUNTING REGULATIONS ACCORDING TO
THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The individual financial statements ended June 30, 2017 were not audited

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REPORT OF THE ADMINISTRATOR

INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION

On June 30,	**Note**	**2017**	**2016**
Assets			
Fixed assets			
Tangible assets	**12**	**24,046,484**	**21,778,510**
Lands and design of lands		12,250,463	12,082,199
Constructions		5,301,940	5,547,881
Technical installations and means of transport		6,105,676	4,116,666
Furniture, office equipment		26,044	31,765
Tangible assets under execution		362,361	-
Intangible assets	**13**	**545,411**	**571,122**
Other intangible assets		141,620	122,464
Concessions, patents, licenses, trademarks, rights and similar assets		403,791	448,658
Real Estate Investments	**14**	**535,218**	**465,631**
Total fixed assets		**25,127,113**	**22,815,263**
Current assets			
Stocks	**15**	15,275,422	14,789,473
Commercial claims and other assets	**16**	15,762,372	12,994,022
Expenses registered in advance	**16**	258,376	41,779
Financial assets at fair value (fond units)		3,080,979	3,046,521
Cash and cash equivalents	**17**	4,279,415	5,003,004
Total current assets		**38,656,564**	**35,874,799**
TOTAL ASSETS		**63,783,677**	**58,690,062**
Equities			
Share capital	**18**	23,990,846	23,990,846
Reserves	**18**	19,843,566	19,095,975
Result of the exercise	**19**	1,800,447	2,105,150
Reported result		9,172,647	9,117,566
Other elements of equity		(2,690,379)	(2,826,120)
Total equities		**52,117,127**	**51,483,417**

INDIVIDUAL STATEMENT OF THE FINANCIAL POSITION (cont.)

On June 30,	**Note**	**2017**	**2016**
Debts			
Long-term debts			
Long term loans	**20**	1,670,061	253,913
Provisions for pensions:	**22**	199,117	226,364
Debts on deferred tax	**11**	2,439,505	2,353,763
Total long-term debts		**4,308,683**	**2,834,040**
Current debts			
Short term loans	**20**	283,621	117,557
Commercial debts and other debts	**23**	6,969,387	3,675,390
Incomes registered in advance	**21**	1,139	2,277
Provisions	**22**	103,721	577,381
Total current debts		**7,357,867**	**4,372,605**
Total debts:		**11,666,550**	**7,206,645**
Total equities and debts		**63,783,677**	**58,690,062**

The individual financial statements were approved by the Board of Directors on 31.07.2017 and were signed on its behalf by:

Arghirescu Laura,
General manager

Marian Gabriela,
Financial manager

INDIVIDUAL STATEMENT OF THE GLOBAL RESULT

For the financial year ended on June 30 **Continues activities**	**Note**	**2017**	**2016**
Incomes	5	20,509,141	17,131,785
Other incomes	6	93,064	80,944
Stock variation		53,132	1,155,047
Total operational incomes		**20,655,337**	**18,367,776**
Expenses with stocks (including cost of the goods sold)		(9,101,524)	(8,083,280)
Expenses with utilities		(374,186)	(344,640)
Expenses with salaries, contributions and other benefits	8	(3,750,379)	(3,272,868)
Expenses with amortization and impairment of assets	12.13	(892,893)	(777,959)
Gains/losses from leasing of fixed assets		0	650
Gains/losses from real estate investments	14		-
Adjustment of the value of current assets		497	2,438
Adjustments on provisions	22	500,907	681,745
Other expenses	7	(4,601,394)	(4,088,083)
Total operational expenses		**(18,218,972)**	**(15,881,997)**
Result of the operational activities		**2,436,365**	**2,485,779**
Financial income		100,398	71,495
Financial expenses		(357,101)	(510,249)
Financial net result	**9**	**(256,703)**	**(438,754)**
Result before taxes		**2,179,662**	**2,047,025**
Expenses with current income tax	10	(284,659)	(226,558)
Expenses with deferred income tax	10	(134,799)	(163,523)
Gains associated to the deferred income tax	10	40,244	47,497
Result from Continuous Activities		**1,800,448**	**1,704,441**

INDIVIDUAL STATEMENT OF THE GLOBAL RESULT (CONTINUATION)

For the financial year ended on June 30	**Note**	**2017**	**2016**
Continues activities	**19**		
Other elements of the Global Result			
Reserves from the reassessment of growths		-	-
Capital deferred tax		-	-
Reserves from the reassessment of decreases		(55,080)	(56,426)
Other elements of the global results, after tax		**(55,080)**	**(56,426)**
Total global result of the period		**1,745,368**	**1,648,015**
Attributable profit		**1,800,448**	**1,704,441**
Result per base share		0.0075	0.0071

The individual financial statements were approved by the Board of Directors on 31.07.2017 and were signed on its behalf by:

Arghirescu Laura,
General manager

Marian Gabriela,
Financial manager

INDIVIDUAL STATEMENT OF AMENDMENTS OF EQUITIES

	Attributable to the shareholders of the Company							
	Capital Capital	**Legal reserves**	**Reserves from reassessment**	**Other reserves**	**Reported result**	**Current result**	**Other elements of equity**	**Total own equities**
Balance on January 1, 2017	**23,990,846**	**2,099,928**	**12,596,818**	**4,272,302**	**9,117,566**	**2,105,150**	**(2,699,192)**	**51,483,418**
Transfer resulted year 2016 to the reported result	-	-	-	-	2,105,150	-2,105,150	-	-
Transfer resulted reported to the legal reserve	-	-	-	-	-	-	-	-
Transfer resulted reported 2016 to other reserves	-	-	-	-	-	-	-	-
Transfer legal reserves from profit to other reserves	-	-	-	802,671	-802,671	-	-	-
Net profit of the year	-	-	-	-	-	1,800,447	-	1,800,447
Legal reserve 2016	-	126,928		-	-126,928	-	-	-
Other elements of the Global Result	-	-	-	-	-	-	-	-
Capital deferred tax	-	-	-	-	-	-	8,813	8,813
Transfer to the result reported associated to the surplus achieved from reserves from reassessment	-		-55,081	-	55,081	-	-	-
Dividends distributed to shareholders	-	-		-	-1,175,551	-	-	-1,175,551
Profit-sharing	-	-	-	-	-	-	-	-
Balance on JUNE 30, 2017	**23,990,846**	**2,226,856**	**12,541,736**	**5,074,973**	**9,172,647**	**1,800,447**	**(2,690,379)**	**52,117,127**

The individual financial statements were approved by the Board of Directors on 31.07.2017 and were signed on its behalf by:

Arghirescu Laura,
General manager

Marian Gabriela,
Financial manager

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

1. ENTITY THAT REPORTS

Mecanica Ceahlău SA is a company headquartered in Romania. The company has its registered office in Piatra Neamț, strada Dumbravei, nr. 6, Neamț county, Romania.

The individual financial statements according to the International Financial Reporting Standards were drafted for the year ended on June 31, 2017.

The main activity of the company is the manufacture of the machineries and equipment for agriculture and logging.

2. BASIS OF DRAFTING

a. Declaration of Conformity

The individual financial statements were drafted according to:

- International Financial Reporting Standards (IFRS), adopted by the European Union;
- Accounting Law 82 from 1991, republished and updated;
- Order of the Ministry of Public Finances no. 2844/2016 for the approval of the Accounting Regulations according to the International Financing Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market.
- ORDER no. 895 from June 16, 2017 for the approval of the accounting reporting System on June 30, 2017 of the economic operators, as well as for the regulation of certain aspects regarding accounting.

The individual financial statements were authorized for issuance by the Board of Directors on 31.07.2017.

b. Basis of the assessment

The individual financial statements were drafted according to the historical cost, excepting building that are held at the reassessed value and of real estate investments that are held at fair value.
These individual financial statements were drafted for general purposes, for the use of persons that know the provisions of the International Financing Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, approved by the Order of the Ministry of Public Finances 2844/2016.
In consequence, these individual financial statements shall not be considered as the unique source of information by a potential investor or by another user.

c. Functional and presentation currency

These individual financial statements are presented in RON, this being the functional currency of the Company as well. All financial information is presented in RON, rounded, without decimals. Transactions in foreign currencies are expressed in RON, applying the exchange rate at the date of transaction. Assets and monetary debts expressed in foreign currency at the end of the year are expressed in RON at the exchange rate of that date. Gains and losses from differences of the exchange rate, achieved or not achieved, are registered in the Individual Statement of the global result of that respective year.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

c. Functional and presentation currency (cont.)

Exchange rates on June 30, 2017 and January 1, 2017 are as follows:

	June 30, 2017	January 1, 2017
EUR	4.5539	4.5411
USD	3.9915	4.3033

Non-monetary assets and debts are expressed in the foreign currency that are assessed at fair value are converted in the functional currency at the exchange rate of the date in which the fair value was determined. The non-monetary elements that are assessed at historical cost in a foreign currency are converted using the exchange rate of the date in which the transaction was made.

d. Use of estimations and professional reasoning

Drafting of the individual financial statements according to the Order no. 2844/2016, as further amended, proposes the use by the management of certain professional reasonings, estimations and hypotheses that affect the application of the accounting policies and the reported value of the assets, debts, incomes and expenses. The effective results may differ from the estimated values.

Estimations and hypotheses that are the base of these are periodically reviewed. The reviews of the accounting estimations are recognized in the period in which the estimation was reviewed and in the future affected periods.

Information on the uncertainties due to hypotheses and estimations that involve a significant risk regarding the need of certain adjustments in the current and previous financial year are included in the following notes:

- Note 8 - Expenses with salaries and social contributions;
- Note 11 - Receivables and debts regarding deferred tax;
- Note 22 - Provisions;
- Note 23 - Commercial debts and other debts;
- Note 25 - Commitments and contingents

The estimations and assumptions associated to these estimations are based on the historical experience, as well as other factors considered reasonable in the context of these estimations. The results of these estimations and hypotheses form the base of judgments regarding the accounting values of assets and debts that may not be obtained from other sources of information.

Estimations and critical judgments that the management made during the process of applying the accounting policies and which have a significant impact upon the values recognized in the financial statements are presented next.

Not taken leaves
The management estimates at the end of each reporting period the value of not taken leaves by the employees of the Company.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

D. Use of estimations and professional reasoning (cont.)

Receivables and debts relating to the deferred tax

Assets and debts of deferred tax are determined based on the temporary differences between the accounting value of the assets and debts from the financial statements and their fiscal value. Recognition of assets on deferred tax shall be made to the extent in which it is probable that a taxable benefit, upon which these deductible temporary differences could be imputed, is available.

Receivables and invoices to be drafted

The management estimates at the end of each reporting period the probability of collection of receivables and constitutes value adjustments for the part considered unrecoverable. Adjustments are made based on the specific analysis of the invoices in balance.

Also, the management estimates the value of the invoices that are to be drafted based on the existent contracts.

Provisions and contingent debts

The management makes estimations and uses professional reasonings in the process of measurement and recognition of provisions, when determining the exposure to contingent debts resulted from disputes in which the Company is involved or from other disputes that are the object of negotiation, arbitration or regulation. The professional reasoning is used to determine the probability that a certain dispute will be lost and a debt will appear and to quantify the value of this debt. Following the uncertainty involved in this assessment process, the actual debts may differ from the provisions initially estimated.

Lifetime of the tangible assets

The management reviews the adequacy of the useful lifetime of the tangible assets at the end of each reporting period.

Invoices to be received

The value of the invoices to be received is estimated by the management based on the contracts concluded with the suppliers and by the comparative analysis of these with the previous periods.

Deferred tax

Assets and debts of deferred tax are determined based on the temporary differences between the accounting value of the assets and debts from the financial statements and their fiscal value. Recognition of assets on deferred tax shall be made to the extent in which it is probable that a taxable benefit, upon which these deductible temporary differences could be imputed, is available.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

D. Use of estimations and professional reasoning (cont.)

Provisions and contingent debts

The management makes estimations and uses professional reasonings in the process of measurement and recognition of provisions, when determining the exposure to contingent debts resulted from disputes in which the Company is involved or from other disputes that are the object of negotiation, arbitration or regulation. The professional reasoning is used to determine the probability that a certain dispute will be lost and a debt will appear and to quantify the value of this debt. Following the uncertainty involved in this assessment process, the actual debts may differ from the provisions initially estimated.

Estimations and critical judgments that the management made during the process of applying the accounting policies and which have a significant impact upon the values recognized in the financial statements are presented next.

Estimations and hypotheses that are the base of these are periodically reviewed. The reviews of the accounting estimations are recognized in the period in which the estimations are reviewed, if the review affects only that period, as well as in the future affected periods.

e. Applicable accounting policies

Standards and interpretations in force in the current period

The following standards and amendments of the existing standards and construction issued by the Accountancy International Standards Committee (IASB) and adopted by the European Union are valid in the current period of time:

- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Presentation of information on the interests in other entities" and IAS 28 "Investments in affiliated entities and joint ventures" –** Investment companies: application of consolidation exception (applicable for the yearly periods of time starting on or after January 1, 2016),

- **Amendments la IFRS 11 "Joint Ventures"** –bookkeeping method of interests in jointly controlled entities "Joint Ventures" – adopted by EU on November 24, 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);

- **Amendments to IAS 1 "Presentation of Financial Statements"** – initiative regarding the presentation requirements – adopted by EU on 18th of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);

- **Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible assets"** – Clarification regarding the acceptable amortization methods – adopted by EU on 2nd of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);

- **Amendments to IAS 16 "Tangible assets" and IAS 41 "Agriculture"** – Reproduction plants – adopted by EU on November 23, 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

e. Applicable accounting policies (cont.)

Standards and interpretations in force in the current period

- **Amendments to IAS 19 "Employee Benefits"** – plans of defined benefits: contributions of employees, adopted by EU on 17th of December 2014 (applicable for the yearly periods of time starting on or after February 1, 2015);

- **Amendments to IAS 27 "Individual financial statements" –** equity method within the individual financial statements – adopted by EU on December 18, 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);

- **Amendments of different standards "IFRS Improvements (2011-2013 cycle)"** resulting from the yearly project for IFRS improvement (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the main purpose of eliminating the inconsistencies and clarifying some formulations – adopted by EU on 18th of December 2014 (applicable for the yearly periods of time starting on or after January 1, 2016);

- **Amendments to various standards "IFRS Improvements (2012-2014 cycle)"** resulting from the yearly project for IFRS improvement (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistencies and clarifying some formulations – adopted by EU on 15th of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016).

The adoption of these completions to the existing standards did not change the accountancy policies of the Company.

Standards and amendments to existent standards issued by IASB, which are not yet in force

At the date of reporting of these financial statements, the following standards and amendments to the standards issued by IASB and adopted by EU are not yet in force:

- **IFRS 9 "Financial Instruments"** – adopted by the EU on November 22, 2016 (applicable for annual periods of time starting on or after January 1, 2018).

- **IFRS 15 "Income from contracts concluded with customers**", as further amended, and amendments to IFRS 15 "Effective date of IFRS 15" – adopted by the EU on September 22, 2016 (applicable for annual periods of time starting on or after January 1, 2018)

The company has chosen not to adopt these new standards and amendments to the existent standards before the effective dates of entering into force. The company anticipates that the adoption of these standards and amendments to the existent standards will not have a significant impact upon the financial statements of the Company in the initial application period.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

e. Applicable accounting policies (cont.)

Standards and interpretations issued by IASB, but not yet adopted by EU

At the date of reporting of these financial statements, IFRS as adopted by EU do not significantly differ by the regulations adopted by IASB, excepting the following standards, amendments and interpretations, whose applications was not yet approved by EU until the date of publishing these financial statements (date of entry into force mentioned below are for IFRS fully):

- **IFRS 14 "Deferring account for regulated entities"** (applicable for the yearly periods of time starting on or after January 1, 2016) – the European Commission decided not to initiate the process of adopting this interim standard, but to wait for the issuance of the final standard;

- **IFRS 16 „Leasing"** (applicable for the yearly periods of time starting on or after January 1, 2019);

- **Amendments to IFRS 2 "Payment based on shares"** – Classification and assessment of transactions based on shares (applicable for annual periods starting on or after January 1, 2018), adoption is still on hold for the second half of 2017,

- **Amendments to IFRS 4 "Insurance contracts"** – The application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (applicable for annual periods starting on or after January 1, 2018 or when IFRS 9 – "Financial instruments" is applied for the first time), adoption is still waited in 2019,

- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in affiliated entities and joint ventures"-** Sale of or contribution with assets between an investor and affiliated entities or its joint ventures and the subsequent amendments (the date of entering into force was postponed for an indefinite period of time, until completing the research project regarding the equity method).

- **IFRS 15 "Income from contracts concluded with customers" –** Clarifications of IFRS 15 Income from contracts concluded with customers (applicable for annual periods starting on or after January 1, 2018),

- **Amendments to IAS 7 "Cash flow statement" –** initiative on presentation requirements (applicable for annual periods starting on or after January 1, 2017),

- **Amendments to IAS 12 "Profit tax"** – recognition of receivables on deferred tax from unachieved losses (applicable for annual periods starting on or after January 1, 2017),

- **Amendments to IAS 40 "Real estate investments"** – transfer of real estate investments (applicable for annual periods starting on or after January 1, 2018),

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

2. BASIS OF DRAFTING (cont.)

e. Applicable accounting policies (cont.)

Standards and interpretations issued by IASB, but not yet adopted by EU (continuation)

- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)",** which result from the annual improvement of IFRS project (IFRS 1, IFRS 12 and IAS 28), with the main purpose of eliminating inconsistencies and of clarifying certain formulations (amendments to IFRS 12 are applicable for annual periods starting on or after January 1, 2o18, and amendments to IFRS 1 and IAS 18 are applicable for annual periods starting on or after January 1, 2018),

- **IFRIC 22 "Trading in foreign currency and advances"** (applicable for annual periods starting on or after January 1, 2018).

The company anticipates that the adoption of these standards and amendments to the existent standards will not have a significant impact upon the financial statements of the Company in the initial application period.

The coverage accounting against risks for a portfolio of financial assets and liabilities whose principles were not adopted by the EU remains unregulated.
According to the estimations of the Company, the use of the coverage accounting against risks of a portfolio of financial assets and liabilities according to IAS 29: "Financial instruments: recognition and assessment" shall not affect significantly the financial statements, if it is applied on the date of the balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies presented below have been consistently applied for all the periods presented in these individual financial statements by the Company.

a. Foreign currency

(i) Transactions in foreign currency

Transactions of the Company in foreign currency are registered at the exchange rate communicated by the National Bank of Romania (NBR) for the date of transactions. Balances in foreign currency are converted in RON at the exchange rates communicated by NBR on 30 June 2017.

Gains and losses arising from the settlement of transactions in a foreign currency and from the translation of monetary assets and liabilities denominated in foreign currency are recognized in the individual income statement as part of the financial result.

b. Financial Instruments

(i) Non-derivative financial instruments

The Company's financial instruments are initially recognized at the date of the transaction, when the Company becomes part of the contractual terms of the instrument.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. FINANCIAL INSTRUMENTS (continuation)

(i) Non-derivative financial instruments (continuation)

The Company derecognizes a financial asset when the contractual rights to asset-generated cash flows expire or when the rights to receive the contractual cash flows of the financial asset are transferred, through a transaction where the risks and rewards of ownership of the financial asset are transferred significantly.

The Company classifies its non-derivative financial assets as follows: receivables, cash and cash equivalents. Receivables include trade receivables and other receivables.

Clients and assimilated accounts

Clients and assimilated accounts include invoices issued at nominal value and estimated receivables related to services rendered, but invoiced in the period after the end of the period. Clients and assimilated accounts are recorded at amortized cost less impairment losses. The amortized cost of clients and assimilated accounts approximates the nominal value. Final losses may vary from current estimates. Due to the inherent lack of information regarding the financial position of the clients and the lack of legal collection mechanisms, estimates of probable losses are uncertain. However, the management of the Company has made the best estimate of the loss and considers that this estimate is reasonable in the given circumstances. In the estimation of losses, the Company also took into account the previous experience for a collective estimate, as presented in Note 3.i.(i). Trade receivables are recorded at the invoiced amount less adjustments for impairment of these receivables (see Note 3.i.(i)).

The nominal amount of receivables with collection in installments over one year is updated considering the best estimate of an interest rate, to take into account the time value of the money.

Cash and cash equivalents

Cash and cash equivalents include cash balances and spot and forward bank deposits (with a maturity of 3 months or more than 3 months).

(i) Financial assets at fair value through the profit and loss account

Financial assets are classified under the Company's business model for the management of the financial assets and the contractual cash flow characteristics of the financial asset.
Financial assets are classified in this category if they are acquired for the purpose of selling and/or reacquisition in the short term. This category includes investments in managed funds. These assets are mainly purchased to generate profit from short-term price fluctuations.

Financial assets at fair value through the profit and loss account are recorded in the statement of financial position at fair value.

A gain or loss on these instruments is recognized directly in the profit and loss account.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

b. FINANCIAL INSTRUMENTS (continuation)

Cash and cash equivalents

(Ii) Non-derivative financial debts

The Company initially recognizes debt instruments issued and the subordinated debt at the date of the transaction, when the Company becomes part of the contractual debt terms.

An entity has to derecognize a financial liability (or part of a financial liability) in the Individual Statement of financial position when and only when it is liquidated - that is, when the liability specified in the contract is extinguished or canceled or expires.

These financial debts are initially recognized at fair value plus any directly attributable trading costs. Subsequent to initial recognition, these financial debts are measured at amortized cost.

Debts to suppliers and other debts, initially recorded at fair value and subsequently measured using the effective interest method, include the equivalent value of the invoices issued by the suppliers of products, works executed and services rendered.

(iii) Share capital

Ordinary shares are classified as part of equity. The Company recognizes the changes in the share capital in the conditions stipulated by the legislation in force and only after their approval by the General Meeting of Shareholders and registration with the Trade Register. Additional costs attributable directly to the issue of shares are recognized as a deduction from equity, net of tax effects.

c. Dividends

Dividends are recognized as a liability in the period in which their distribution is approved.

d. Tangible assets

(i) Recognition and assessment

The tangible assets are initially entered at the acquisition or production cost (if achieved from labor operations).

The cost of a tangible asset element is the equivalent in cash of the price on the date of the recognition.

Elements included in tangible assets are assessed as such:

- At reassessed value, this being the fair value on the date of reassessment, minus any amortization and any loss from impairment cumulated for the class of assets from the group of building and special constructions;

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Tangible assets (continuation)

(i) Recognition and assessment (continuation)

In the case of revaluation, the difference between fair value and historical cost value is presented in the revaluation reserve. If the result of a revaluation is an increase from net book value, then it is
treated as follows:

- as an increase in the revaluation reserve if there was no prior decrease recognized as an expense related to that asset; or
- as an income to offset the expense previously recognized for that asset.

If the result of a revaluation is a decrease from net book value, then it is treated as follows:

- as an expense with the full amount of the impairment, when in the revaluation reserve no amount is recorded regarding that asset (revaluation surplus); or
- as a decrease in the revaluation reserve with the minimum of the value of that reserve and the value of the decrease, and any remaining uncovered difference is recorded as an expense.

(ii) Reclassification in real estate investments

The Company reclassifies property, plant and equipment as real estate investment if and only if there is a change in use, evidenced by:

(a) the beginning of the use by the owner for a transfer in the category of real estate investments in the category of real estate used by the owner;

(b) starting the improvement process in the prospect of sale, for a transfer in the category of real estate investments in the stock category;

(c) the end of use by the owner for a transfer from the category of real estate used by the owner in the category of real estate investments;

(d) the start of an operating lease with another party, for a transfer from the stock category to the real estate investment category.

(iii) Subsequent costs

Subsequent expenditure on maintenance and repair of fixed assets made to restore or maintain the value of these assets are recognized in the statement of comprehensive income on the date when it was made, while the expenditure incurred in order to improve the technical performances are capitalized and amortized over the remaining period of amortization of that fixed asset. Parts of certain elements of tangible assets may require replacement at regular intervals. An entity recognizes in the carrying amount of an item of property the cost of replacing a spare part of such an item when that cost occurs, if the recognition criteria are met.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

d. Tangible assets (continuation)

(iii) Subsequent costs (continued)

When the Company recognizes in the carrying amount of a tangible asset the cost of a partial replacement (replacement of a component), the carrying amount of the replaced part with the related amortization is removed from the accounting.

(iv) Amortization of tangible assets

Amortization is calculated to decrease the cost, less the residual value, using the linear amortization method over the life of the fixed assets and their components, which are separately accounted for.

The estimated lifetimes of the main groups of property, plant and equipment are as follows:

Asset	Years
Constructions	10 - 50
Technical installations and machinery	2 - 28
Other installations, vehicles, machinery and furniture	5 - 15

Property under construction is not amortized.

Land is not amortized. The land presented in the financial statements has been revalued by the Company in accordance with legal regulations. The information is presented in Note 12 (i) (revaluation). If the carrying amount of an asset is greater than the amount to be recovered, the asset is impaired to its recoverable amount.

The cost of major investments and other subsequent expenses are included in the carrying amount of the asset. Major investments are capitalized over the remaining life of the asset.

e. Intangible assets

(i) Other intangible assets

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

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits generated by the asset to which it relates. Expenditure that does not meet these criteria is recognized as an expense when incurred.

(ii) (ii) Amortization of intangible assets

Amortization is recognized in the statement of comprehensive income based on the linear method over the estimated useful life of the intangible asset. Most of the intangible assets registered by the Company are computer programs. They are linearly amortized over a period of no more than 5 years.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

f. Real Estate Investments

A real estate investment is held to earn rental income or increase the value of the capital or both. Therefore, a real estate investment generates treasury flows that are largely independent of other assets held by an entity.

The Company's accounting policy for the subsequent valuation of real estate investments is based on the fair value model. Changes in fair value are recognized in the statement of comprehensive income.

g. Assets purchased under lease agreements

Assets held as a result of financial leasing are identified as assets of the Company at their fair value at the beginning of the lease term.

h. Stocks

Stocks are stated at the lower of cost and net realizable value.

The cost is determined based on the first in - first out method ("FIFO").

The net realizable value is the estimated sale value less the estimated completion costs and the expenses incurred for the sale.

Costs of finished products and semi-finished products include materials, direct labor, other direct costs and overhead costs related to production (based on operating activity). Net realizable value is the estimated sales price in ordinary transactions. Adjustments for stock impairment are recognized for those stocks that are slow, physically or morally worn. The stocks for which it could not be estimated whether in the immediate period they would be consumed or if those stocks represent safety stocks for certain installations are not subject to adjustment.

i. Impairment

The carrying amounts of Company's non-financial assets, other than stocks and receivables on the deferred tax, are reviewed at each reporting date to determine whether there is any evidence of impairment. An impairment loss is recognized if the carrying amount of an asset or a cash-generating unit exceeds the estimated recoverable amount.

The recoverable amount of an asset or a cash-generating unit is the maximum of the amount of use and fair value less costs to sell. In determining the value in use, expected future cash flows are updated to determine the present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and asset specific risks. For impairment testing, assets that cannot be individually tested are grouped into the smallest asset group that generates cash inflows from continuous use and are largely independent of cash inflows generated by other assets or groups of assets ("cash-generating unit").

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

i. Impairment (continued)

Impairment losses are recognized in the individual statement of comprehensive income. Impairment losses recognized in relation to cash-generating units are used first to reduce the carrying amount of goodwill allocated to the units, if any, and then pro-rata to reduce the carrying amount of other assets within the unit (group of units).

For all fixed assets, except for goodwill, impairment losses recognized in prior periods are measured at each reporting date to determine whether there is evidence that loss has decreased or is no longer present. An impairment loss is restated if there has been any change in the estimates used to determine the recoverable amount. An impairment loss is restated only to the extent that the carrying amount of the asset does not exceed the carrying amount that could have been determined, net of amortization, had no impairment been recognized.

(i) Financial assets (including receivables)

Adjustment for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms. The establishment of risk adjustments for the non-collection of trade receivables is made by including in the expense the amount of the need for risk adjustments for non-collection of trade receivables related to the invoices in the balance for which one of the following conditions is fulfilled:

a) outstanding commercial receivables older than 90 days from the due date, with an adjustment rate of 100%;

b) the classification of these exposures into one category, based on the principle of downgrading by contamination, the adjustment coefficient is 100% for all unpaid invoices in the balance. As a result of this downgrade, the entire outstanding balance of customers older than 90 days is impaired.

The Company derecognizes a write-down of receivables previously constituted at the time of recovery wholly or in proportion to the amount recovered.

The determination of the amount of the adjustment for impairment of the trade receivables to be established is based on the estimates made in collaboration with the Law Office and on the basis of the policies mentioned under (i).

(ii) Non-financial assets

Tangible assets and other long-term assets are reviewed to identify impairment losses whenever events or changes in circumstances indicate that the carrying amount can no longer be recovered.

Impairment losses on non-financial assets are recognized in the statement of comprehensive income.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

j. Employee benefits

(i) Determined contribution plans

In the normal course of business. The company pays health, pension and state unemployment benefits to its employees at statutory rates.

All the Company employees are members of the pension plan of the Romanian state. These costs are recognized in the Statement of comprehensive income with the recognition of salary expenses.

The company is not engaged in any independent pension scheme and therefore has no other obligations in this respect.

Also, according to the Collective Labor Agreement, when fulfilling the legal conditions for retirement, respectively for uninterrupted seniority in the Company, employees are entitled to receive a reward.

On June 30, 2017, the Company's management did not assess the present value of future liabilities in respect of these benefits in kind and cash rewards based on an actuarial basis and recorded a provision on these liabilities based on an internal analysis.

(ii) Short-term benefits

The short-term benefits of employees include salaries, bonuses and social security contributions. Short-term employee benefits are recognized as an expense when services are rendered. A provision is recognized for the amounts expected to be paid in the form of short-term cash bonuses under the conditions in which the Company currently has a legal or implicit obligation to pay those amounts as a result of past service rendered by employees and if the respective obligation can be estimated reliably.

(iii) Benefits for termination of employment contracts

The company grants the following benefits to employees in the event of termination of the employment contract as a result of retirement, as follows:

- Employees retiring for old age, disability, partially early or early will receive an end-of-career reward as follows:

  - those with seniority in the Company of over 15 years, two average basic salaries negotiated on the company;

  - those with seniority in the Company between 5 and 15 years, one basic average salary negotiated on the company;

- Employees retiring as a result of an accident or an event related to work and who have a seniority in the company of between 0 and 5 years will benefit from a basic salary negotiated on the company.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

k. Provisions

Provisions are recognized when the Company has a legal or implicit obligation as a result of past events, when for the settlement of the obligation an outflow of resources is required, and when a credible estimate can be made in terms of the obligation value.

Provisions for restructuring, litigation, and other provisions for risks and expenses are recognized when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate of the amount of the obligation can be made. Restructuring provisions include the direct costs generated by the restructuring, i.e. those that are necessarily generated by the restructuring process and are not related to the continuous development of the company's business.

(i) Guarantees

Provisions for guarantees to customers are estimated by the Company based on the cost of repairs during the warranty period against the value of turnover in the previous financial year.

(ii) Employee benefits

The Company sets up provisions for the benefits of employees granted upon termination of the employment contract with retirement. Determination of the amount of the provision to be set up shall be made taking into account the provisions of the collective labor agreement of the Company valid at the date of provisioning.

(iii) Disputes

The Company sets up provisions for litigation if there is a legal or implicit obligation arising from a litigation in progress. Determining the amount of the provision to be established is based on the estimates made by the law firm.

(iv) Other provisions

The Company makes any other provision when the Company has a legal or implicit obligation arising from a previous event, when it is probable that an outflow of resources will be required to settle the obligation and when a credible estimate can be made as to the amount of the obligation.

Provisions for future operating losses are not recognized.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

l. Incomes

(i) Sale of goods

The income consists of the amount invoiced for the sale of products without VAT, deduction or reduction. Income obtained by the Company is identified based on the sale of products.

Income from the sale of goods must be recognized by the Company when all the following conditions were fulfilled:

- the company has transferred to the buyer the risks and the significant benefits associated to the property right on the goods;
- The company does not manage the goods sold at the level at which it would've done it normally in case of holdings in property of these and does not detain the effective control upon this either;
- The value of the incomes may be assessed in a reliable way;
- It is probable that the economic benefits associated to the transaction to be generated for the entity; and
- The supported costs or the ones that are to be supported in relation with that transaction may be assessed in a reliable way.

The sale of products is recognized when transferring certain important risks and benefits to the client. This happens when the Company has sold or delivered products to the clients, this has accepted the products, and the reimbursement capacity of those amounts is ensured in a reasonable way.

(ii) Provision of services

The provision of services is recognized in the accounting exercise in which the services are provided referring to the percentage of execution of the transaction.

(iii) Income from leases

The income from leases is recognized in the accounting exercise in which these are provided.

m. Governmental subsidies

The subsidies from the government for the procurement of assets are recognized as deferred income and is allocated as a systematic and ration income the entire life of the asset.

n. Suppliers and assimilated accounts

Debts to suppliers and other debts, registered initially as fair value and then assessed using the method of effective interest rate, include the counter-value of the invoices issued by suppliers of products, performed works and provided services.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

o. Financial incomes and expenses

Incomes and expenses on interests are recognized in the statement of the global result through the method of effective interest.

Incomes from dividends are recognized in the Statement of the global result on the date on which the right to receive these incomes was established.

Exchanges rate differences that arise when reimbursing monetary elements or conversion fo monetary elements at different exchange rates than those converted at the initial recognition (during the period) or in the previous financial statements are recognized as loss or profit in the Statement of the global result during the period they occur.

p. Contingents

Contingent debts are not recognized in the enclosed financial statements. These are presented if there exists the possibility of an outcome as resources that represent possible economic benefits, but not probable ones, and/or the value may be estimated in a credible way. A contingent asset is not recognized in the enclosed financial statements, but it is presented when an entry of economic benefits is probable.

q. Corporate tax

The profit tax on June 30, 2017 consists of the current tax and deferred tax.

The current tax represents the tax that is to be paid or received for the taxable income or loss achieved during the year, using taxation percentages adopted or largely adopted on the reporting date, as well as any adjustment to the payment obligations of the profit tax associated to the previous years. The current tax to be paid includes also any fiscal receivable that arises from declaring dividends.

Deferred tax is recognized considering the temporary differences between the accounting value of the assets and debts used with the purpose of the financial reporting and the fiscal base used for the calculation of the tax. Deferred tax is not recognized for the following temporary differences:

- initial recognition of the assets or debts arised in a transaction that is not a combination of undertaking and which do not affect the accounting or fiscal profit or loss;
- Differences between the investments in jointly controlled branches or entities, to the extent in which is probable that these are not to be reassessed in the future; and
- Taxable temporary differences resulted from the initial recognition of the trade fund.

Receivables and debts with deferred tax are compensated only if there exists the legal right to compensate debts and receivables with the current tax, and if these refer to the taxes asked by the same fiscal authority to the same entity, or a different taxable entity, but which intends to conclude a convention on the receivables and debts with the current tax on a net base or whose assets and debts from taxation are to be achieved simultaneously.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

q. Profit tax (continuation)

A receivable on the deferred tax is recognized for not-used fiscal losses, fiscal credits and deductible temporary differences, to the extent in which the achievement of taxable profits is probable, that will be available in the future and that will be used. Receivables on deferred tax are reviewed at each reporting date and are diminished to the extent in which it is not probable that a fiscal benefit will be achieved. The effect of the changes of fiscal rates on the deferred tax is recognized in the Statement of the global results, except the case in which it refers to the positions previously recognized directly in the own equities.

Profit tax is recognized in the Individual financial statement of the global result or in other elements of the global result if the tax is associated to capital elements.

Current tax is the tax paid associated to the profit achieved in the current period, determined based on percentages applied in the date of the reporting and all the adjustments associated to the previous periods.
The current rate of the profit tax in Romania is of 16%.

The deferred tax is calculated based on the taxation percentages that are to be applied to the temporary differences when resuming them, based on the legislation in force at the reporting date.

r. RESULT PER SHARE

The basic result per share is calculated through the distribution of the net results attributable to the shareholders to the number of ordinary shares at the end of the year.

s. Principle of business continuity

The individual financial statements were drafted based on the principle of business continuity that presumes that the Company is going to continue its activity in a normal way in a foreseeable future, without entering into the impossibility to continue its activity and without its significant reduction. In order to assess the applicability of the presumption, the management analyzes the presumptions regarding the future cash entries. Based on these analyses, the management believes that the Company can continue its activity in the foreseeable future and thus, the application of the principle of business continuity in drafting the financial statements is justified.

t. Affiliated parties

According to the definition of the affiliated parties presented in the IAS 24 standard, the Company has identified the following affiliated parties:

Entity	Nature of the relationship
SIF Moldova	Parent company
Romanian Opportunities Fund. loc. Windward Caiman	Significant shareholder
Transport Ceahlau SRL	Affiliated company

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

u. Reporting on segments

A segment is part of the Company that involves in activity segments that may obtain incomes and register expenses (including incomes and expenses corresponding to transactions with other parties of the same entity), whose operation results are followed regularly by the management of the Company in order to make decisions regarding the resources that are to be allocated to the segment and to evaluate its performances and for which distinctive financial information is available. The company does not detain geographical segments or of significant activity according to IFRS 8 "Operational segments" and does not have a management and internal reporting structure divided on segments.

4. DETERMINATION OF THE FAIR VALUE

Certain accounting policies of the Company and requirements for the presentation of the information require the determination of the fair value both for the financial assets and debts as well a for the non-financial ones. Fair values were determined with the purpose of the assessment and/or presentation of information based on the methods below described. When appropriate, additional information on the hypotheses used in determining the fair value are presented in the notes specific for that certain asset or debt.

The fair value represents the prices that would be received following the sale of an asset or the price that would be paid to transfer a debt by a normal transaction between the participants at the market, at the date of the assessment, regardless if this price is observable or estimated used a direct assessment technique. In the estimation of the fair value of an asset or a debt, the Company takes into consideration the characteristics of the asset or debt that the participants at the market would take into consideration for the determination of the price of the asset or the debt, at the date of the assessment. The fair value with purposes of assessment and/or presentation in the individual financial statements is determined on such a base, except for the assessments that are similar to the fair value, but do not represent the fair value, such as the net achievable value in IAS 2 or the use value in IAS 36.

Additionally, for purposes of financial reporting, the assessments at fair value are classified in Level 1, 2 or 3, depending on the degree in which the information necessary for the determination of the fair value are observable and the importance of this information for the Company, as follows:

- Level 1 Information - listed prices (unadjusted), on active markets, for assets and debts identical with those that the company assesses;
- Level 2 Information - information, other than the prices listed included in Level 1, that are observable for the assessed asset or debt, directly or indirectly; and
- Level 3 Information - information unobservable for the asset or debt.

(i) Tangible assets

The company proceeds to the reassessment of the tangible assets and real estate investments in its own patrimony with sufficient regularity that these are presented in the financial statements at fair value.

5. REVENUES

	June 30, 2017	June 30, 2016
Sales of goods	20,311,794	16,940,773
Services rendered	75,130	74,362
Income from leasing the real estate investments	122,217	116,650
Total income	**20,509,141**	**17,131,785**

The turnover of the Company associated to the first semester of 2017 is of RON 20,509,141 (First semester of 2016: RON 17,131,785), out of which RON 1,435,640 to export (First semester of 2016: RON 1,189,314) and RON 19,073,501 to intern (First semester of 2016: RON 15,942,471).

By structure, the main source of turnover was the sale of own production, with a share of 77 %.
The share of products under distribution - Steyr tractors, Projet herbicide equipment, Stoll front loaders - in the turnover of the company in the first semester of 2017 was 22 %.

The turnover achieved in the first semester of 2017 was 9 % higher than the Income and Expense Budget of the first semester and 20 % higher than the results obtained in 2016.

6. OTHER REVENUES

	June 30, 2017	June 30, 2016
Operating subsidies related to other income	25,000	37,174
Income from the production of tangible and intangible assets.	59,520	18,149
Compensation and penalties	3,207	4,773
Amortization of investment subsidies	1,138	1,138
Other operating incomes	4,199	19,710
Other income total	**93,064**	**80,944**

7. OTHER EXPENSES

	June 30, 2017	June 30, 2016
Expenses relating to external services	4,363,407	3,904,595
Other taxes, duties and similar expenses	64,647	76,877
Other operating expenses	173,340	106,611
Total other expenses	**4,601,394**	**4,088,083**

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

7. OTHER EXPENSES (continued)

	June 30, 2017	June 30, 2016
Other operating expenses	**173,340**	**106,611**
(i) Compensation, fines and penalties	**176**	***10,463***
(ii) Sponsorship		**-**
(iii) Employee benefits	**95,858**	***13,411***
Social benefits	4,693	625
Stimulation fund	91,165	12,786
(iv) Other operating expenses	**108,506**	***82,737***

8. EXPENSES RELATING TO SALARIES, SOCIAL SECURITY CONTRIBUTIONS AND OTHER BENEFITS

Salaries and social security contributions	**June 30, 2017**	**June 30, 2016**
Salaries	2,520,758	2,305,436
Mandatory social security contributions	743,255	727,455
Unused paid leave	-	-
Net profit share of administrators and executive management	317,034	**-**
Expenses with granted vouchers	169,332	239,977
Total	**3,750,379**	**3,272,868**
Average number of employees	**165**	**176**

According to the collective labor agreement, the employee benefit plan contains:

- Social benefits amounting to 4,693 lei. According to art. 110 of the applicable CLA, the company provides social aid in the event of death, equal to an average salary negotiated in the relevant month at company level, bears the costs of treatments, prostheses and medication in the event of a workplace accident;
- gifts in salary amounting to 31,200 lei, granted in accordance with art. 124 of the applicable CLA. For celebrating March 8, a stimulation fund is set up for women;
- gift vouchers amounting to 59,965 lei, granted in accordance with art. 63 of the applicable CLA.

The short-term benefits granted to employees are recognized as expenses at the time of rendering the services.

The company has established provisions for the employee benefits granted upon termination of employment by retirement, according to the Collective Labor Agreement applicable on 6/30/2017, the information is presented in Note 22 Provisions for "Employee benefits".

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

9. FINANCIAL REVENUES AND EXPENSES

Recognized in the Global result statement	**June 30, 2017**	**June 30, 2016**
Interest income relating to loans granted and present value of receivables		
Interest income relating to bank deposits	2,364	558
Net gain from exchange rate differences		-
Net gain on financial assets	34,457	35,216
Other financial incomes	-	1,012
Financial revenues total	**36,821**	**36,787**
Interest expenses	11,293	37,462
Net foreign exchange loss	1,431	11,071
Other financial expenses	280,800	427,009
Financial expenses total	**293,524**	**475,541**
Net financial result	**(256,703)**	**(438,754)**

Financial revenues are recognized in the Global result statement under an accrual-based accounting system using the effective interest rate method.

The net gains relating to financial assets held at fair value through the profit and loss account is an increase in the value of the owned fund units, pursuant to the valuation on June 30, 2017.

Financial expenses include the interests and discounts granted, as well as the foreign exchange losses.

Gain and losses from exchange rate differences are reported on a net basis. The value of foreign exchange gains on June 30, 2017 is of RON 63,755 lei, while the value of foreign exchange losses is RON 65,186.

Other financial expenses are represented by financial discounts granted to customers.

10. CORPORATE TAX EXPENSE

Corporate tax	**June 30, 2017**	**June 30, 2016**
Current corporate tax	284,659	226,558
Deferred corporate tax Revenue / (Expense)	94,555	116,026
Accounting profit before tax	**2,179,662**	**2,103,451**
Expenses relating to a 16% corporate tax	357,559	336,552
Effect of non-taxable revenues	(120,030)	(156,499)
Effect of non-deductible expenses in determining the taxable profit	47,130	46,505
Effect of temporal differences	94,555	116,026
Corporate tax	**379,214**	**342,584**

11. RECEIVABLES AND DEBTS RELATING TO THE DEFERRED TAX

On May 1, 2009, the provisions of the Government Emergency Ordinance no. 34 became effective, which served to limit the deductibility of certain expenses when calculating the corporate tax, where the greatest influence was represented by the non-deductible nature of depreciating the re-valuations performed pursuant to 2004, with a significant impact on the corporate tax expenses of the Company.
On June 30, 2017, the unused re-valuation reserve, relating to re-evaluations performed after January 1, 2004, is of RON 12,541,737.

Debts relating the deferred income are represented by the corporate tax values, payable in future accounting periods, concerning the taxable temporary differences. The tax rate used to determine the deferred corporate tax is provided in the fiscal regulations applicable at the date of drawing up the financial statements, specifically 16%.

On June 30, 2017, deferred tax receivables were recognized for those provisions in the balance that were non-deductible at the time of calculating the current corporate tax.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

11. RECEIVABLES AND DEBTS RELATING TO THE DEFERRED TAX (continued)

Receivables and debts on deferred tax are given to the following elements:

	ASSETS		DEBTS		NET	
	June 30, 2017	**January 1, 2017**	**June 30, 2017**	**January 1, 2017**	**June 30, 2017**	**January 1, 2017**
Tangible assets	-	-	81,623	67,294	(81,623)	(67,294)
Trade receivables	-	-	-	-	-	-
Provisions and adjustments	332,500	412,725	-	-	332,500	412,725
Reserves from reassessment	-	-	2,636,106	2,644,918	(2,636,106)	(2,644,918)
Fiscal facility reserves	-	-	54,276	54,276	(54,276)	(54,276)
Total	**332,500**	**412,725**	**2,772,005**	**2,766,488**	**(2,439,505)**	**(2,353,763)**

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

12. TANGIBLE ASSETS

	Lands and buildings	Machineries and equipment	Furniture and accessories	Under execution	Total 2017
COST					
Balance on January 1, 2017	**19,169,375**	**15,706,454**	**226,497**	**-**	**35,102,327**
Incoming fixed assets	168,264	2,559,243	-	380,109	
Outgoing fixed assets	-	-	-	17,748	
Balance on June 30, 2017	**19,337,639**	**18,265,697**	**226,497**	**362,361**	**38,192,194**
CUMULATIVE AMORTIZATION					
Balance on January 1, 2017	**1,497,651**	**11,589,788**	**194,732**	**-**	**13,282,171**
Amortization during the year	245,940	570,233	5720	-	
Cumulative amortization reversal	-	-	-	-	
Cumulative amortization associated with outgoings	-	-	-	-	
Balance on June 30, 2017	**1,743,591**	**12,160,021**	**200,452**	**-**	**14,104,064**
ADJUSTMENTS FOR IMPAIRMENT					
Balance on January 1, 2017	**41,644**	**-**	**-**	**-**	**41,644**
Adjustments established during the year	-	-	-		
	-	-	-		
Balance on June 30, 2017	**41,644**	**-**	**-**	**-**	**41,644**
Balance on January 1, 2017	**17,630,080**	**4,116,667**	**31,765**	**-**	**21,778,511**
Balance on June 30, 2017	**17,552,403**	**6,105,676**	**26,044**	**362,361**	**24,046,484**

12. TANGIBLE ASSETS (continued)

(i) Reassessment

On December 31, 2005, all assets in the property of the Company were re-valued in accordance with the regulations in effect at that time, based on a report drawn up by an independent assessor. The assessments were based on fair value, respectively the closest as value of the transactions on that date. The re-valuation surplus was recognized as a reassessment reserve in the equity.

On December 31, 2007, the Company has reassessed the tangible assets - group: "Buildings", based on a report drawn up by an independent assessor, member of ANEVAR. The assessments were based on fair value, respectively the closest as value of the transactions and the inflation index on that date. The reassessment surplus was recognized as a reassessment reserve in the equity.

On December 31, 2010, the Company has reassessed the tangible assets - group: „Buildings" of the Company by an own commission of specialists and reviewed by as assessor, ANEVAR member. The reassessment focused on the adjustment of the net book values of tangible assets in the "Buildings" group to their fair value, that is the closest in value to the transactions at that date, considering their physical condition and market value. The reassessment surplus was recognized as a reassessment reserve in the equity. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

On December 31, 2013, the Company has reassessed the tangible assets - group: "Buildings" of the Company were reassessed by an independent assessor, member of ANEVAR. The reassessment focused on the adjustment of the net book values of tangible assets, special buildings and constructions, to their fair value. The reassessment surplus was recognized as a reassessment reserve in the equity, respectively as an income if, pursuant to a previous reassessment, a reassessment expense was recorded. The decrease that compensates the previous increase of the same asset is diminished from the previously established reserve; all the other decreases are recognized as cost in the Statement of the global result.

(ii) Pledged or mortgaged tangible assets

On June 30, 2017, the Company holds pledged or mortgaged tangible assets with a total book value of RON 969,175, of which lands amounting to RON 515,829 and buildings amounting to RON 453,346.

The net book value of the fixed assets purchased under financial leasing was of RON 304,884 on June 30, 2017

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

INTANGIBLE ASSETS

	Brevets, licenses and trademarks	Other assets	Intangible assets under execution	Total
COST				
Balance on January 1, 2017	**514,541**	**743,564**	**-**	**1,258,105**
Purchases		45,108		
Outcome from intangible assets	-	-	-	
Balance on June 30, 2017	**514,541**	**788,672**		**1,303,213**
AMORTIZATION AND IMPAIRMENT LOSSES				
Balance on January 1, 2017	**65,884**	**621,100**		**686,984**
Amortization during the year	44,866	25,952		
Cumulative amortization associated with outgoings	-	-	-	-
Balance on June 30, 2017	**110,750**	**647,052**		**757,802**
Balance on January 1, 2017	**448,658**	**122,464**	**-**	**571,122**
Balance on June 30, 2017	**403,793**	**141,620**		**545,411**

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

13. INTANGIBLE ASSETS (continued)

Intangible assets on June 30, 2017, at a net value of RON 545,411 (January 1, 2017: RON 571,122), are represented by the undepreciated value of licenses, technological documentation and computer software used.

Amortization of intangible assets
The amortization period for intangible assets is limited to 10 years.

14. REAL ESTATE INVESTMENTS

	June 30, 2017	January 1, 2017
Net value	**465,631**	**465,631**

	2016	2015
Balance on January 1	**465,631**	**465,631**
Purchases, value accruals	69,587	-
Other gains/losses from real estate investments	-	-
Balance on June 30, 2017	**535,218**	**465,631**

Real estate investment comprises a number of 15 commercial properties leased/to be leased to third parties under 12 month agreements with an option for extension.

Real estate investments are real estate properties (lands, buildings or parts of a building) owned by the company with the purpose of lending them, by operational leasing or for the increase of their value. The company has determined the market value of the real estate investments using an own commission of specialists. Last assessment of the real estate properties was on December 31, 2017.

Value of the leasing revenues for the first semester of 2017 was RON 233,600. The company did not perform significant repairs and did not undertake other costs relating to real estate investments in the first semester of 2017.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

14. REAL ESTATE INVESTMENT (continued)

Certain properties also include a part that is owned for leasing purposes and another part owned for the production of goods, provision of services or for administrative purposes. In case that the part owned for leasing purposes does not occupy a significant share, the property continues to be treated as a tangible asset.

The company uses the fair value method, as presented in note 3, item f. „Real Estate Investments”

15. INVENTORIES

	June 30, 2017	January 1, 2017
Raw materials and consumables	1,829,138	1,392,372
Work in progress	1,593,387	1,944,527
Semi-finished goods	63,931	64,112
Finished goods	9,615,951	9,423,228
Goods purchased for resale	2,252,155	2,044,870
Impairment adjustments	(79,139)	(79,636)
Stocks at net value	**15,275,422**	**14,789,473**

The value of any inventory write-down to its net realizable value and all inventory losses are recognized as an expense for the period in which the write-down or loss has occurred.

The adjustments for the impairment of raw materials, consumables, semi-finished goods, finished goods and goods purchased for resale are recognized for those inventories that are moved slowly, physically or morally outdated. The adjustment does not cover those inventories for which an estimation could not be made as to whether they will be placed in consumption in a brief time or if those inventories are designated as backup inventories.

16. TRADE AND SIMILAR RECEIVABLES, OTHER RECEIVABLES AND ACCRUED EXPENSES

	June 30, 2017	January 1, 2017
Trade receivables	16,921,859	13,877,572
Adjustments for the impairment of trade receivables	(1,496,976)	(1,496,976)
Net trade receivables	**15,424,883**	**12,380,596**
Sundry debtors	282,988	282,988
Advance payments to suppliers	72,463	67,816
VAT receivable and under settlement	74,565	66,825
Adjustment for other receivables	(106,530)	(106,530)
Expenses registered in advance	258,376	41,779
Other receivables	14,003	302,327
Total	**16,020,748**	**13,035,801**

The fair value of the trade receivables and other receivables reflects their value except for the adjustments from impairment.

On June 30, 2017, the net trade receivables amounting to RON 15,424,883 (January 1, 2017): RON 12,380,596) are deemed to be fully performing.

On June 30, 2017, the Company has received from its customers, as guarantees, promissory notes and checks, amounting to RON 952,171 (January 1, 2017: RON 1,223), according to the contractual clauses.

On June 30, 2017, adjustments are established for the impairment of receivables of internal clients in the total amount of RON 1,496,976 (January 1, 2015): RON 1,496,976). Consideration was given to the fact that there is no reliable evidence supporting that these receivables will be collected, since their due date has exceeded 90 days.

During the first semester of 2017, it was resumed from the previously established adjustments an amount in RON representing the collection or repayment of receivables based on the additional acts concluded with clients.
Based on seniority, at the date of reporting, the structure of the trade receivables was:

	Impairment June 30, 2017	Gross value on June 30, 2017.	Impairment January 1, 2017	Gross value on January 1, 2017
Undue		8,461,783	-	8,515,966
Due for 0 to 90 days		3,597,386	-	1,862,403
Due for 91 to 270 days		2,996,950	-	1,923,177
Due for 271 to 365 days		363,732	-	38,062
Due for over one year	1,496,976	5,032	1,496,976	40,988
	1,496,976	**15,424,883**	**1,496,976**	**12,380,596**

On June 30, 2017, the adjustments for the impairment of other receivables are in the amount of RON 106,530 (January 1, 2017): RON 106,530).

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

16. TRADE AND SIMILAR RECEIVABLES, OTHER RECEIVABLES AND ACCRUED EXPENSES (continued)

The trade receivables of the Company are expressed in the following currencies:

Currency:

	June 30, 2017	January 1, 2017
EUR	536,977	309,700
RON	14,887,906	12,070,896
Total	**15,424,883**	**12,380,596**

Movements of the provision accounts (account 491.01; account 496) of the Company, associated to the adjustments of the trade receivables and other receivables are the following:

	June 30, 2017	January 1, 2017
On January 1	**1,603,506**	**1,673,342**
Recognized adjustments from impairment	-	-
Resume of the adjustments from impairment	-	69,836
At the end of the period	**1,603,506**	**1,603,506**

17. CASH, CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE

(i) Cash and cash equivalents

	June 30, 2017	January 1, 2017
Cash desk, account at banks and cash equivalents	4,234,415	4,980,905
Values to be collected	45,000	22,099
Total	**4,279,415**	**5,003,004**

During the first semester of 2017, compensations were performed for reciprocal debts and transfer of trade effects in the amount of RON 649,964 (semester 1 2016 amount RON 952,340).

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

17. CASH, CASH EQUIVALENTS AND FINANCIAL ASSETS AT FAIR VALUE

(i) Financial assets at fair value through the profit and loss account

	June 30, 2017	January 1, 2017
Financial assets - fund units	3,080,979	3,046,521
Total	**3,080,979**	**3,046,521**

On June 30, 2017, the Company owns, at fair value, the following fund unit investments:

Fund type	Fund management company	Number of fund units:	Value of fund units:
Open investment fund BT OBLIGATIUNI	BT Asset Management	144,993	2,556,952
Open investment fund SIMFONIA 1	SG Asset Management - BRD	13,063	524,027

18. CAPITAL AND RESERVES

a. Share capital

Subscribed and paid-in share capital on June 30, 2017	**RON 23,990,846**
Number of subscribed and paid-in shares on June 30, 2017	**239,908,460 shares**
Nominal value of one share	RON 0.10
Characteristics of the issued shares, subscribed and paid-in	Ordinary, nominative, dematerialized

The securities of the Company (shares) are listed and traded at the II category at the Bucharest Stock Exchange. All shares have the same voting right.

On June 30, 2017, the share capital of the Company was not modified, meaning its increase or decrease.

The share capital registered on June 320, 2017 is of RON 23,990,846.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES (continued)

a. Share capital (continued)

The Company's shareholder structure is the following:

June 30, 2017	Number of shares	Amount (RON)	%
SIF Moldova	151,866,807	15,186,681	63.3020
Romanian Opportunities Fund. loc. Windward Caiman	72,468,784	7,246,878	30.2068
Other shareholders, of which:	15,572,869	1,557,287	6.4912
- legal entities	3,053,234	305,323	1.2727
- individuals	12,519,635	1,251,964	5.2185
TOTAL	**239,908,460**	**23,990,846**	**100.00**

January 1, 2017	Number of shares	Amount (RON)	%
SIF Moldova	151,866,807	15,186,681	63.3020
Romanian Opportunities Fund. loc. Windward Caiman	72,468,784	7,246,878	30.2068
Other shareholders, of which:	15,572,869	1,557,287	6.4912
- legal entities	2,959,930	295,993	1.2338
- individuals	12,612,939	1,261,294	5.2574
TOTAL	**239,908,460**	**23,990,846**	**100.00**

b. Reserves

	June 30, 2017	January 1, 2017
Reserves from the re-valuation of tangible assets	12,541,737	12,596,817
Legal reserves	2,226,856	2,226,856
Other reserves	5,074,972	4,272,302
Total	**19,843,566**	**19,095,975**

(i) Reserves from the reassessment of tangible assets

The reassessment of the tangible assets was performed as follows:

- In 2005, for all groups of tangible assets;
- In 2007, for tangible assets in the group: «Buildings»;
- In 2010, for tangible assets in the group: «Buildings»;
- In 2013, for tangible assets in the group: «Buildings».

The difference from the reassessment arised from the increase of the cost of the reassessed tangible assets was registered in counter-party with the account 105 - reserves from the reassessment of the tangible assets.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES (continued)

b. Reserves (continued)

(ii) Legal reserves

The company distributes at legal reserves 5% from the profit before taxation, up to the limit of 20% of the share capital. These amounts are deducted from the tax base for calculating the corporate tax. The value of the legal reserve on June 30, 2017 is RON 2,226,856 (January 1, 2017: RON 2,226,856).

The legal reserves cannot be distributed to the shareholders.

(iii) Other reserves

Other reserves include the amounts distributed during 1991 - 2016, representing:

	Amount
Other reserves - established from the profit	4,688,866
Other reserves - established from fiscal facilities	354,563
Other reserves - established from the sales of fixed assets	29,888
Other reserves - established from prescribed dividends	1,655
TOTAL	**5,074,972**

19. RESULT PER SHARE

The result per share is calculated through the distribution of the net profit attributable to the shareholders of the company associated for the first semester of 2017 in the amount of RON 1,800,447 (2016: RON 1,704,441) to the number of ordinary shares in circulation of 239,908,460 shares (2016: 239,908,460 shares).

Profit distributable to ordinary shareholders	**June 30, 2017**	**June 30, 2016**
Profit for the period	1,800,447	1,704,441
Number of ordinary shares	239,908,460	239,908,460
Gains per share	0.0075	0.0071

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

20. LOANS

This note supplies information on the contractual terms of the loans carrier of interests of the Company, assessed at amortized cost.

	June 30, 2017	January 1, 2017
Long term debts		
Debts relating to financial leasing	235,396	253,913
Debts regarding investment credit	1,434,665	
Short term debts		
Performance bonds	-	6,851
Guarantees from tenants acc. to contract	10,130	7,326
Current debts relating to financial leasing	69,488	117,557
Debts regarding investment credit	214,133	

Installments relating to financial leasing

	June 30, 2017	January 1, 2017
Up to 1 year	69,488	117,557
Between 1 and 5 years	235,396	253,913

Debts associated to the leasing contract are guaranteed by the goods that are object of the leasing contract, and in case of non-payment these are entitled to the lessor.

Debts associated to the investment contract are guaranteed by the good that is object of the contract, and in case of non-payment this is entitled to the bank.

21. DEFERRED REVENUES

(ii) Subsidies

On June 30, 2017, at the subsidies for investments position there are equipment procured for the "Development of the North-East Region" Program, developed through ADR in 2003 for the project "Technological Modernization of the Seeding Fabrication from the production of Mecanica Ceahlău".

The subsidies associated to the assets are recognized as incomes on a systematic base during the useful lifetime of the procured assets.

Amounts recognized in the Statement of the global result, as well as the unamortized value of the subsidies for the investments is presented below:

Subsidies	**June 30, 2017**	**January 1, 2017**
On January 1	**2,277**	**4,554**
Recognized in the Global result statement	1,138	2,277
On June 30,	**1,138**	**2,277**

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

21. DEFERRED REVENUES

(ii) Interests

Amounts recognized in the Statement of the global result in 2017, incomes in advance represent interests associated to sales with terms above 365 days:

Interests	**June 30, 2017**	**January 1, 2017**
On January 1	-	**-**
Established during the year	-	-
Recognized in the Global result statement	-	-
On June 30, 2017	**-**	-

22. PROVISIONS

	Guarantees	**Benefits of employees**	**Provisions for restructuring**	**Other provisions**	**Total**
Balance on January 1, 2017	-	**226,364**	-	**577,381**	**803,745**
Provisions established during the period	-	-	-	248,782	
Provisions resumed during the period	-	27,247	-	722,442	
Balance on June 30, 2017	**-**	**199,117**	**-**	**103,721**	**302,838**
Long-term	**-**	**199,117**	**-**		**199,117**
Current	**-**		**-**	**103,721**	**103,721**

Employee benefits

Provisions amounting to RON 199,117 are established for benefits granted to employees at the termination of the employment contract together with retiring following certain provisions of the collective employment contract.

Other provisions

Other provisions existing in balance on June 30, 2017, represent:

- Provisions for the commissions for distributors non-granted according to the contracts concluded in the amount of RON 41,831.
- Provisions for the royalties non-granted according to the contracts concluded in the amount of RON 2,238.
- Provisions for MTM Concept dispute file in the amount of RON 7,100.
- Provisions for marketing campaign in the amount of RON 52,552.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

23. Trade debts and other debts

	June 30, 2017	January 1, 2017
Trade debts - short-term debts	4,698,786	2,471,039
Social insurances and other taxes	985,585	905,764
Suppliers - Invoices to be received	112,558	192,383
Performance bonds for works and lessees	10,131	14,177
Dividends to be paid	87,078	60,628
Other creditors	1,075,249	31,399
Total	**6,969,387**	**3,675,390**

24. FINANCIAL INSTRUMENTS

General presentation

The company is exposed to the following risks from the use of the financial instruments:

- Credit risk
- Liquidity Risk
- Market risk

These notes represent information on the exposure of the Company to each of the risks above mentioned, objectives of the Company for the assessment and management of the risk and the procedures used for the management of the capital.

General framework on risk management

The policies of the Company for the management of the risk are defined in such way to ensure the identification and analysis of risks that it confronts, establishment of adequate limits and controls, as well as monitoring the risks and the compliance of the established limits.

The policies and management systems for risks are reviewed regularly in order to reflect the modifications arised in the market conditions and in the activities of the Company. The Company, through its training and management standards and procedures, aims to develop an ordered and constructive control environment, within each employee understands his roles and obligations.

The internal auditor of the Company performs standards and ad-hoc missions to review controls and procedures for the management of risks, their results being presented to the Management Board.

a. Credit risk

The treatment of the counter-party risk is based on internal and external success factors of the Company.

The financial assets, that may expose the Company to the collection risk, are mainly trade receivables and cash availabilities. The company has put in practice a series of policies by which it is ensured that the sale of products is made to clients with an adequate collection.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

a. Credit risk (continuation)

The net value of the receivables for adjustments for impairment represents the maximum amount exposed to the collection risk. The situation on seniority of receivables is presented in Note 16 - Receivables.

The credit risk is the risk that the Company supports a financial loss following the non-fulfillment of the contractual obligations by a client or a counter-party on a financial instrument, and this risk results mainly from trade receivables and financial investments of the Company.

The company has a significant concentration of the credit risk. The company applies policies specifically to ensure that the sale of the products and services is made in such way that the granted trade credit is adequate and continuously monitors the seniority of receivables.

Exposure to credit risk

The accounting value of the financial assets represents the maximal exposure to credit risk. The maximal exposure to the risk credit on the date of the reporting was:

	June 30, 2017	**January 1, 2017**
Trade receivables	15,424,883	12,380,596
Other receivables	333,560	613,427
Placement securities	3,080,979	3,046,521
Cash and cash equivalents	4,279,415	5,003,004
	23,122,766	**21,043,548**

The maximal exposure to the risk credit associated to credits and receivables on the date of the reporting depending on the geographical region was:

	June 30, 2017	**June 30, 2016**
Internal market	19,073,501	15,942,471
Other regions	1,435,640	1,189,314
- EU Zone	1,201,232	1,009,534
- NON-EU Zone	234,408	179,780
Total	**20,509,141**	**17,131,785**

On the internal market, the Company has collaborated with a number of 54 distributors from the entire country, the most important ones being located preponderantly in the agricultural area.

The volume of sales achieved through the distributors was of 70%, and the direct sales to internal beneficiaries were of 30%.

On the external market, the volume of sales was achieved in proportion of 7% from the turnover. On this market, it is maintained the connection with the traditional clients that know and promote the products of the company.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

a. Credit risk (continuation)

The company has established a credit policy according to which every new client is analyzed individually from the point of view of reliability and in certain cases references are requested supplied by banks before being contracts of firm sales are concluded.

For the purpose of monitoring the risk credit associated to the clients, these are grouped depending on the characteristics of the credit risk, taking into account their classification as legal or natural persons, internal or external clients, seniority, due dates and the existence of certain previous financial difficulties. The clients classified as having a high risk are monitored, following the the future sales to be made based in advance payments or using certain banking instruments to guarantee collections.

The policy of the company is to offer service for the products supplied in a guarantee period of 24 months.

On June 30, 2017, respectively January 1, 2017, the net accounting values of the cash and cash equivalents, suppliers and clients, commitments and short-term debts approximated their fair values due to short term due dates.

b. Liquidity Risk

The liquidity risk is the risk that the Company to overcome difficulties in fulfilling the obligations associated to the financial debts that are reimbursed in cash. The approach of the Company on liquidity risk is to ensure, to the extent possible, that it holds at any time sufficient liquidities to overcome debts when these become due, both in normal and difficult conditions, without supporting significant losses or putting in danger the reputation of the Company.

Generally, the Company ensures that it holds sufficient cash to cover the foreseen operational expenses, including for the payments of its financial obligations. The Company monitors continuously the liquidity risk by drafting periodical presumptions of liquidity flows.

In order to cover liquidity risk, that may appear in case that cash availabilities cannot cover the need to finance, the Company has credit line contracts in RON that are not used at this date.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

b. Liquidity risk (continuation)

Exposure to liquidity risk:

The due dates of the financial assets and debts are the following:

On June 30, 2017	Book value	0 - 12 Months	1 - 2 years	2-5 years	More than 5 years
Financial assets					
Cash and cash equivalents	4,279,415	4,279,415	-	-	-
Placement securities	3,080,979	3,080,979	-	-	-
Trade receivables and other receivables	15,762,372	15,762,372	-	-	-
Total financial assets	**23,122,766**	**23,122,766**	**-**	**-**	**-**
Financial debts					
Commercial debts and other debts	6,969,387	6,969,387		-	-
Total financial debts	**6,969,387**	**6,969,387**		**-**	**-**
NET	**16,153,379**	**16,153,379**			

c. Market risk

The Romanian economy is in continuous development, with a lot of uncertainty on the possible orientation of the policies and economic development in the future. The Management of the Company cannot foresee the changes that are to take place in Romania and their effects on the financial statement, upon the results from operations and the treasury flows of the company.

Exchange rate risk

The Company is exposed to the exchange rate risk through its sales, procurements, availabilities and loans that are denominated in other currencies than the functional currency of the Company, however, the currency in which most of the transactions are performed is RON.

Exposure to exchange rate risk:

The currency that exposes to the company to this risk is, mainly, EUR. The differences resulted are included in the Statement of the global result and do not affect the cash flow at the moment of liquidation of the debt. The Company holds on June 30, 2017, cash and cash equivalents, trade receivables and trade debts in foreign currency, the rest of the financial assets and financial debts are denominated in RON.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

c. Market risk (continuation)

Exchange rate risk (continuation)

The exchange rates of the national currency in relation with EUR and USD, calculated as an average of the exchange rates registered during the reporting year and the previous year, as well as the exchange rates communicated by the National Bank of Romania un the last dat of the year, were:

Currency:	Medium exchange rate		Spot exchange rate at the date of reporting	
	June 30, 2017	January 1, 2017	June 30, 2017	January 01, 2017
EUR	4.5714	4.5173	4.5539	4.5411
USD	4.0714	4.2820	3.9915	4.3033

Sensitivity analysis

June 30, 2017	EUR 1EUR =4,5539	RON 1 RON	TOTAL
Cash and cash equivalents	527,659	3,751,756	4,279,415
Placement securities	-	3,080,979	3,080,979
Trade receivables and other receivables	536,977	15,225,395	15,762,372
Total financial assets	**1,064,636**	22,058,130	**23,122,766**
Commercial debts and other debts	(1,673,530)	(5,295,857)	(6,969,387)
Total financial debts	**(1,673,530)**	**(5,295,857)**	**(6,969,387)**

January 1, 2017	EUR 1EUR =4,5411	RON 1 RON	TOTAL
Cash and cash equivalents	232,919	4,770,085	5,003,004
Placement securities	-	3,046,521	3,046,521
Trade receivables and other receivables	353,623	12,640,399	12,994,022
Total financial assets	**586,542**	**20,457,005**	**21,043,547**
Commercial debts and other debts	(1,122,777)	(2,924,083)	(4,046,860)
Total financial debts	**(1,122,777)**	**(2,924,083)**	**(4,046,860)**

The Company did not conclude hedging contracts with regards to the bonds in foreign currency or exposure to the interest rate risk.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

c. Market risk (continuation)

Sensitivity analysis of the exchange rate risk

The company is mainly exposed to EUR. The table below presents in detail the sensitivity of the Company to an increase/decrease of 5% of RON compared to the respective currencies. 5% represents the sensitivity rate used in the reporting to the management on the exchange rate risk.

The sensitivity analysis includes only the monetary elements in balance denominated in foreign currency and presents the modification of their transformation in RON at the end of the reporting period following a variation of the exchange rate with 5% compared to the exchange rate that was valid at that date. A positive number indicates an increase of the result and own equities where the functional currency is strengthened compared to that foreign currency.

June 30, 2017	**EUR 1EUR =4,5539**	**RON 1 RON**	**TOTAL**
Net position of the asset / (debt)	(608,894)	16,762,273	16,153,379
Profit / (Loss)	**(30,445)**	**838,114**	**(807,669)**

January 1, 2017	**EUR 1EUR =4,5411**	**RON 1 RON**	**TOTAL**
Net position of the asset / (debt)	(833,363)	17,830,051	16,996,688
Profit / (Loss)	**(41,668)**	**-**	**(41,668)**

Interest rate risk

The interest rate risk is the risk that the value of the financial instruments to fluctuate due to the changes of the interest rate on the market. The income and the cash flow of the Company cannot be affected by the fluctuation of the interest rate on the market, because the Company does not have loan contracts at the end of the period.

Exposure to interest rate risk

At the date of the reporting, the Company does not hold financial instruments holders of variable or fixed interest.

d. Capital management

The objectives of the Company in the management of the capitals are those to ensure the protection and capability to reward its shareholders, to maintain an optimal structure of the capitals to reduce capital costs.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continuation)

d. Capital management (continuation)

The company monitors the volume of the capital attracted based on the indebtedness degree. This rate is calculated as a report between the net debts and total of capitals. Net debts are calculated as a total of cash net debts. The total of the capitals are calculated as equity to which the net debts are added.

	June 30, 2017	January 1, 2017
Total debts	**11,666,550**	**4,049,137**
Cash and cash equivalents	4,279,415	5,003,004
Placement securities	3,080,979	3,046,521
Total own equities	**52,117,127**	**51,483,417**
Indicator of the net debt	**-0.22**	**-0.08**

25. Commitments and contingents

(a) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. However, there still are different interpretations of the tax legislation. In certain situations, the tax authorities may treat differently certain aspects, proceeding to the calculation of certain taxes and additional taxes and interests and late payment penalties (0,0% per day). In Romania, the fiscal exercise remains open for fiscal verification for 5 years. The management of the Company considers that the tax obligations included in these financial statements are adequate.

(b) Concluded insurances

At the end of the I semester of 2017, the Company has concluded insurance policies for tangible assets.

(c) Court actions

The company is subject of a number of court actions resulted in the normal course of the development of the activity.

Besides the amounts already registered in these financial statements as provisions or adjustments for impairment of receivables and described in the notes, the amounts associated to other court actions will be recognized when obtaining an irrevocable definitive sentence/their collection.

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

25. Commitments and contingents (continuation)

(C) Court actions (continuation)

At the end of the first semester of 2017, the Company is involved in court actions as follows:

- 25 lawsuits as plaintiff for non-collected receivables, for which adjustments for the impairment of the trade receivables were established 100% percentage.
- 24 lawsuits as plaintiff having as object insolvency and bankruptcy requests, for which adjustments for the impairment of the trade receivables were established 100% percentage.
- 1 lawsuit as respondent for a dispute with Sc MTM Proiect Concept SRL associated to the contract no. 28/15/05/2014 for which a provision in the amount of RON 7,100 was established.
- 100 lawsuits as respondent that have as object work disputes, for which it was requested the issuance of certificates from which should result the provision of the work activity Group II necessary for retirement. The management foresees that the results of these lawsuits will not have an impact on the financial position of the Company.

(d) Quality-Environment Compliance Program

The Company has implemented a Certificate for "Quality-Environment" Integrated Management System by the external auditor TÜV THÜRINGEN for ISO 9001: 2008 and ISO 14001: 2004. The certificate is for the application of the corresponding requirements with the reference standards was demonstrated and it attested, according to the certification procedures.

26. Affiliated parties

SIF Moldova is a majority shareholder at Mecanica Ceahlau SA, holding 63,3020 % of the total of shares. The company is part of the consolidation perimeter of SIF MOLDOVA.

Romanian Opportunities Fund. loc. Windward Caiman is a significant shareholder at Mecanica Ceahlau SA, holding 30,2068% of the total of shares.

Details about other affiliated parties with which Mecanica Ceahlau entered in trade relationships: Transport Ceahlau SRL

Parties affiliated to the Company and the relationships with these are presented below:

Entity	Nature of the relationship
SIF Moldova	Parent company
Romanian Opportunities Fund. loc. Windward Caiman	Significant shareholder
Transport Ceahlau SRL	Affiliated company

No transactions, amounts owed or to be received were identified with SIF Moldova, other than the rightful dividends.
No transactions, amounts owed or to be received were identified with Roumanian Opportunities Fund. loc. Windward Caiman

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

26. AFFILIATED PARTIES (continuation)

The participating interests that the company holds on June 30, 2017 to Transport Ceahlau SRL are presented as such:

	June 30, 2017	January 1, 2017
Not-listed shares on January 1	**51,000**	**51,000**
Purchases	-	-
Disposals	-	-
Impairment adjustments	51,000	51,000
Balance on June 30	**-**	**-**

The main object of activity of Transport Ceahlău SRL is represented by the transport of goods, but the weight of the developed activity is represented by operations of general mechanics.

The statement of movements of equity securities on June 30, 2017 is the following:

			Participation percentage:	
	Date of purchase	Date of sale	June 30, 2017	January 1, 2017
Transport Ceahlau SRL	2004	-	24.28	24.28

Participation interests that the Company holds were registered at cost.

Information on the transactions with affiliated parties

	June 30, 2017	June 30, 2016
a) Purchase of goods and services		
Transport Ceahlau SRL	-	45,194
b) Balance associated to the purchase of goods and services		
Transport Ceahlau SRL	-	4,084
c) Sale of goods and services		
Transport Ceahlau SRL	12,401	14,759
d) Balance associated to the sale of goods and services		
Transport Ceahlau SRL	2,235	633

NOTES ON THE INDIVIDUAL FINANCIAL STATEMENTS

26. AFFILIATED PARTIES (continuation)

Information on the transactions with affiliated parties (continuation)

The prices agreed between parties were jointly accepted based on the types of services and products and other terms and conditions. While the services, respectively the products are not currently traded on the market, we are not in the position to estimate fully if the prices are according to the free market.

The company applies the same internal policies in the contractual relationships with the affiliated entities as well as in the relationships with the other contractual partners with which the company is not in special relationships.

Transactions with the key management personnel

Loans granted to directors

The company did not grand advances, credits or loans to the members of the management and supervision bodies on June 30, 2017.

Benefits of the key management personnel

The salary rights of the directors are established by the Management Board according to the legal provisions and the management contracts.

a) Granted salary rights

	June 30, 2017	June 30, 2016
Management Contracts	504,557	453,268
Members of the Management Board	416,585	507,900

b) Balance on June 30

	June 30, 2017	June 30, 2016
Management Contracts	17,841	18,060
Members of the Management Board	-	-

The individual financial statements were approved by the Board of Directors on 31.07.2017 and were signed on its behalf by:

Arghirescu Laura,
General manager

Marian Gabriela,
Financial manager

STATEMENT

According to the provisions of art. 133, letter d, para. 1 of NSC Regulation (presently ASF) no. 1/2006, completed by NSC Regulation no. 31/2006, the undersigned Laura Elena Arghirescu – General Director and Gabriela Marian – Financial Director, responsible with the drafting of the Financial Statement on December 31, 2016, we declare the following:

- The Financial Statements on June 30, 2017 were drafted according to the order of the Ministry of Public Finances no. 2844/2016 for the approval of the Accounting Regulations according to the International Financial Reporting Standards, according to the requirements of the accounting rules of Romania, regulated by Accounting Law no. 82/1991, republished.
- The Financial Statements on June 30, 2017 offer an accurate and conform image with the reality of assets, obligations, financial positions, profit and loss account, the company develops its activity in continuity conditions;
- The Report of the Management Board consists of an accurate analysis of the development and performances of the company, as well as a description of the main risks and uncertainties specific to the developed activities:
- The Report of the Management Board consists of an accurate analysis of the development and performances of the company, as well as a description of the main risks and uncertainties specific to the developed activities:
- We do not have knowledge, at the date of this statement, of other information, events, circumstances that could significantly alter the above made statements;

This statement was made today, 01.08.2017, at the headquarters of Mecanica Ceahlau.

GENERAL MANAGER,

Laura Arghirescu

FINANCIAL DIRECTOR,

Marian Gabriela