Activity Report
of the Board of Directors
3rd Quarter of 2017

To: BUCHAREST STOCK EXCHANGE

FINANCIAL SUPERVISORY AUTHORITY

A. Quarterly report **of the Board of Directors on September 30th, 2017**

Report date: October 23rd, 2016
Trading company name:
SC "MECANICA CEAHLĂU" S.A. PIATRA NEAMŢ
Registered office: Piatra Neamţ, 6, Dumbravei St., zip code 610202
Telephone / fax number: 0233-21.58.20 / 0233-21.60.69
Sole Registration Code with the Trade Register: RO 2045262
Running number with the Trade Register: J.27 / 8 / January 8th, 1991
Subscribed and paid-up share capital: RON 23,990,846
Regulated market on which the issued securities are traded: Bucharest Stock Exchange.
Trading symbol: MECF.

1. Summary of the Economic-Financial Indicators on September 30th, 2017

The information on the economic-financial status of SC MECANICA CEAHLĂU SA in the 3rd quarter of 2017 are presented in the individual financial Statements concluded on September 30th, 2017, elaborated in compliance with Order no. 2844 as of 2016, for the approval of the accounting regulations compliant with the international financial reporting standards. The reporting currency of the financial statements is RON. The individual financial Statements concluded on September 30th, 2017 have not been audited.

The structure and evolution of the assets, liabilities and equity items of the company, as compared to the same period of the previous year, appear thus:

1.a Individual Statement on the Financial Status

Balance sheet items	September 30th, 2017	September 30th, 2016
Total non-current assets, of which:	**24,699,020**	**22,042,279**
Tangible assets	**23,628,229**	**21,440,413**
Intangible assets	**536,118**	**136,235**
Real estate investments	**534,673**	**465,631**
Total current assets, of which:	**40,105,478**	**38,372,422**
inventories, of which:	**15,446,094**	**15,766,915**
- Finished products	9,933,815	9,601,555
- Commodities (products in distribution)	2,372,122	2,215,408

Balance sheet items (continued)	September 30th, 2017	September 30th, 2016
- Raw materials and materials	1,838,047	1,430,771
- Others (production in progress, semi-finished products)	1,381,136	2,656,317
- Impairment adjustments	-79,026	-137,136
Trade receivables and other receivables	17,183,398	14,590,944
Accrued expenses	140,011	95,196
Financial assets at the fair value (fund units)	3,089,788	3,036,005
Cash and cash equivalents	4,246.187	4,883,362
TOTAL ASSETS	**64,804,498**	**60,414,701**
Total equity, of which:	**53,129,182**	**51,884,668**
Share capital	23,990,846	23,990,846
Reserves	19,816,025	18,996,588
Result of the year	2,814,871	2,510,806
Result carried forward	9,193,413	9,090,026
Other equity items	-2,685,973	-2,703,598
Total liabilities	11,675,316	8,530,035
Long-term liabilities, of which:	4,225,269	2,878,478
Long-term loans	1,632,604	279,350
Provision for pensions	193,621	166,720
Deferred tax liabilities	2,399,044	2,432,408
Total current liabilities, of which:	7,450,047	5,651,557
Short-term loans	485,658	114,274
Business debts and other debts	6,555,020	5,511,096
Deferred income	569	2,846
Provisions	408.800	23,341
TOTAL EQUITY AND DEBTS	**64,804,498**	**60,414,701**

The equity increased to the amount of RON 53,129,182, mainly by the registration of the net profit of the period, of RON 2,814,871, and of the reserves created over the previous year.

The current assets increased by 4.5% in reference to the 3rd quarter of 2016 and they are made up of:

- ***The total inventories*** in net amount of RON 15,446,094, 2% down as compared to the inventories over the period of 2016, made up of:

	September 30th, 2017	September 30th, 2016	%
Raw materials and materials	1,838,047	1,430,771	128
Production in progress	1,317,205	2,592,204	51
Semi-finished products	63,931	64,112	99
Finished products	9,933,815	9,601,555	103
Commodities (products in distribution)	2,372,122	2,215,408	107
Adjustments and price differences	-79,026	-137,136	**58**
Net value inventories	**15,446,094**	**15,766,915**	**98**

- ***The net trade receivables*** amounting to RON 16,677,492 increased by 17% and are considered fully performing, are due to the increase of the turnover recorded in the 3rd quarter of I 2017, as compared to the same period of the previous year.

On September 30th, 2017, the Company has received from customers, under the form of guarantee, promissory notes and cheques, according to the contractual clauses.

- ***The provisions*** *amounting to RON 602,421* = increased as compared to September 30th, 2016 and are made up of:

  - Provisions for the employees' benefits upon retirement RON 193,621
  - Provisions for distributors' fees related to the 3rd quarter RON 256,831
  - Provisions for ASM bonuses related to the 3rd quarter RON 105,000
  - Provision for the marketing campaign RON 46,681

The long-term receivables increased by contracting a long-term ***investment credit***, with the balance of RON 1,842,047, necessary to supplement the own financing sources in order to make investments in new production technologies, amounting to RON 2,463,549.

The current liabilities, as compared to September 30th, 2016, increased by 21% and are made up of:

	September 30th, 2017	**September 30th, 2016**
Business debts – providers	2,549,917	2,585,133
Business debts - distribution providers	1,566,313	1,300,000
Social security and other taxes and duties	1,256,085	1,313,332
Provider – unreceived invoices	107,110	137,526
Performance bonds for works and tenants	11,077	25,328
Payable dividends	87,078	60,628
Other creditors (advance payments collected from customers with unreceived and uninvoiced commodity)	977,439	89,149
Total	**6,555,019**	**5,511,096**

- ***The current provider business debt*** decreased since the Company outsources a series of benchmarks and components to providers with tradition in the field, with payment terms of up to 90 days.

- ***The distribution provider business debt*** represents the providers of the products that we distribute (Steyr, Projet, Stoll), the balance thereof reaching 120 % as compared to the previous year. The due date thereof is in the 4th quarter.

- ***Other receivables, including the tax liabilities and social security liabilities*** of RON 1,256,085 mainly comprise the current liabilities related to the staff, social security budget and State budget.
- **Other creditors** – the balance of RON 977,439 represents advance payments collected from the customer for commodities to be invoiced (order-based distributed commodity)

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

1.b Individual Statement on the Aggregate Result

SC MECANICA CEAHLĂU SA ended the 3rd quarter of 2017 with a turnover of RON 33,438,712, 15% up in reference to the 3rd quarter of 2016.

The turnover obtained on September 30th, 2017 was 5% higher than the cumulated 9-month BVC.

INDICATORS	September 30th, 2017	% of the turnover	September 30th, 2016	% of the turnover
Continuous activities				
Revenues from the current activity (Turnover)	33,438,712	100	29,206,428	100
Other revenues	105,585		144,571	
Revenues from Inventory variance	217,930		137,472	
Total operating revenues	**33,762,227**		**29,488,471**	
Inventory expenses, of which:	**15,785,443**	47	**13,422,339**	46
- production cost	8,501,244	25	7,421,625	25
- cost of the commodities sold in distribution	7,284,199	22	6,000,714	21
Utility expenses	520,773	2	468,296	2
Expenses on salaries, contributions and other benefits	5,516,068	16	4,888,905	16
Expenses on the amortization and impairment of non-current assets	1,390,211	4	1,184,128	4
Current asset value adjustments	610		15,752	
Adjustments on provisions	230,678	1	778,521	3
Other expenditure (including the distributors' fees and Marketing expenses)	6,998,918	21	6,515,066	22
Total operating expenses	**29,980,125**		**25,684,461**	
Result of the operating activities	**3,782,102**		**3,804,010**	
Financial revenues	128,480		126,013	
Financial expenditure	622,160		907,476	
Net financial result	**- 493,680**		**- 781,463**	
Result before taxation	**3,288,422**		**3,022,547**	
Current corporate tax expenses	415,051		370,951	
Deferred corporate tax expenses	150,210		191,120	
Deferred corporate tax gains	91,710		50,330	
Result from continuous activities (Net profit)	**2,814,871**		**2,510,806**	

The turnover recorded in the 1st - 3rd quarter of 2017 is 15**%** up, as compared to the same period of the previous year, increase due both to the sale of own manufactured products (13% increase) and to the sales of distributed products(21% increase).

Turnover	September 30th, 2017	September 30th, 2016	%
Sales from sold production	25,098,007	22,260,092	113
Sales from distributed products	7,917,590	6,542,280	121

Service supplies	304,459	282,298	108
Revenues from other sales	118,656	121,758	97
Total revenues	**33,438,712**	**29,206,428**	**115**

Operating Expenses

The expenses from the current activity, amounting to RON 29,980,125, 17% up in reference to the corresponding period of the previous year, were necessary in order to support the turnover increase and the preparation of the production for the period of the 4th quarter.

The structure of the costs for the 3rd quarter of 2017, in reference to the turnover, is much improved, as compared to the structure of the cost for the 3rd quarter of 2016.
The operating expenses include:

	September 30th, 2017	September 30th, 2016	%
Expenses on raw materials and consumables for production	8,953,662	7,596,419	118
Cost of the sold distributed commodities	7,294,199	6,000,714	121
Inventory expenses	**16,247,861**	**13,597,133**	**120**

1. The expenses on the distributes commodities recorded an increase in reference to the previous year, in order to support the sales of the distributed commodities, 21% up as compared to the same period of the previous year;
2. The expenses on salaries and the employees' contribution record a 13% increase, for:
   - motivation of the sales and of the operating results,
   - managers' bonuses from the provision for the year of 2016;
   - directors' bonuses from the provision for the year of 2016;
   - salary expenses on the indirect staff, by the reintegration of a former employee;
   -salary expenses due to the increase of the national minimum wage, with 12% influence in costs;
3. Expenses on the external services 7% up, due to the distributors' fees, directly correlated with the turnover increase;

	September 30th, 2017	September 30th, 2016	%
Expenses on external services	6,674,089	6,213,893	107
Expenses on taxes, duties and assimilated payments	106,906	117,257	91
Other operating expenses	217,923	183,917	118
Total other expenditure	**6,998,918**	**6,515,066**	**107**

4. Logistic expenses, higher than in the 3rd quarter of 2016 (from RON 376,100 to RON 413,838) due to the increase of sales (turnover) by 15%, as compared to the previous year

The financial revenues mostly comprise the revenues related to the appraisal of the fund units held by the company, at the fair value, and the revenues from the revaluation of the receivables and liabilities in foreign currency, on September 30th, 2017.
The financial expenses comprise the granted rebates or discounts, the interests and exchange rate differences on September 30th, 2017. In order to stimulate the cash collections from the customers, MECANICA CEAHLĂU continued the collaboration with financial institutions and promoted financing offers for the end

customers with 0% interest, this one being actually supported / subsidized by MECANICA CEAHLĂU. This strategy resulted in the increase of the collection from customers, as compared to the previous year.

Net profit – on September 30th, 2017, it represents 8.41 % of the turnover and is 1% over the 9-month BVC and 15 % over the profit in the same period of 2016.

1.c. Economic-financial indicators set forth in Annex 30B / Regulation of the Financial Supervisory Authority no. 1 / 2006

	Indicator name	Computing method	September 30th, 2017	September 30th, 2016
1.	Current liquidity indicator	Current assets /current liabilities	5.68	6.80
2.	Indebtedness degree indicator	Borrowed capital /Equity x 100	7.60	5.23
		Borrowed capital /Invested capital x 100	6.20	4.76
3.	Turnover speed for client debit items (no. of days)	Average balance of the net trade receivables /Turnover x 270	98	112
4.	Turnover speed for intangible assets	Turnover /Non-current assets	1.35	1.33

2. Quarterly Report on September 30th, 2017 – the full version is available on our own website: WWW.MECANICA CEAHLĂU.ROsi in the link in the IRIS platform (PDF document attached in the IRIS platform) ;

CHAIRPERSON OF THE BOARD OF DIRECTORS,
Trifa Aurelian Mircea Radu

CHIEF EXECUTIVE OFFICER,
Laura Elena Warinschi

CHIEF FINANCIAL OFFICER,
Gabriela Marian

MECANICA CEAHLĂU S.A.

INDIVIDUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED ON

SEPTEMBER 30TH, 2017

ELABORATED IN COMPLIANCE WITH ORDER NO. 2844 AS OF 2016

FOR THE APPROVAL OF THE ACCOUNTING REGULATIONS COMPLIANT WITH THE

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The individual financial statements concluded on September 30th, 2017 have not been audited.

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INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON SEPTEMBER 30TH, 2017,
COMPLIANT WITH ORDER NO. 2844/2016,
(all the amounts are expressed in RON, unless otherwise expressed)

INDIVIDUAL STATEMENT ON THE FINANCIAL STATUS

	Note	September 30th, 2017	January 1st, 2017
Active			
Active Imobilizate			
Tangible assets	**12**	**23,628,229**	**21,778,510**
Lands and land development		12,250,463	12,082,199
Constructions		5,178,970	5,547,881
Technical installations and means of transport		5,779,235	4,116,666
Furniture, office automation		23,784	31,765
Tangible assets in progress		395,777	-
Intangible assets	**13**	**536,118**	**571,122**
Other intangible assets		124,287	122,464
Concessions, patents, licenses, trademarks, similar rights and assets		395,145	448,658
Intangible assets in progress		16,686	
Real estate investments	**14**	**534,673**	**465,631**
Total non-current assets		**24,699,020**	**22,815,263**
current assets			
Inventories	**15**	15,446,094	14,789,473
Trade receivables and other receivables	**16**	17,183,398	12,994,022
Accrued expenses	**16**	140,011	41,779
Financial assets at the fair value (fund units)		3,089,788	3,046,521
Cash and cash equivalents	**17**	4,246,187	5,003,004
Total current assets		**40,105,478**	**35,874,799**
Total assets		**64,804,498**	**58,690,062**
Equity			
Share capital	**18**	23,990,846	23,990,846
Reserves	**18**	19,816,025	19,095,975
result of the year	**19**	2,814,871	2,105,150
Carried forward result		9,193,413	9,117,566
Other equity items		(2,685,973)	(2,826,120)
Total equity		**53,129,182**	**51,483,417**

The enclosed notes represent an integral part of these individual financial statements.

INDIVIDUAL STATEMENT ON THE FINANCIAL STATUS (continued)

	Note	September 30th, 2017	January 1st, 2017
Liabilities			
Long-term liabilities			
Long-term loans	**20**	1,632,604	253,913
Provision for pensions	**22**	193,621	226,364
Deferred Tax Liabilities	**11**	2,399,044	2,353,763
Total long-term liabilities		**4,225,269**	**2,834,040**
Current liabilities			
Short-term loans	**20**	485,658	117,557
Business debts and other debts	**23**	6,555,020	3,675,390
Deferred revenue	**21**	569	2,277
Provisions	**22**	408,800	577,381
Total current liabilities		**7,450,047**	**4,372,605**
Total liabilities		**11,675,316**	**7,206,645**
Total equity and liabilities		**64,804,498**	**58,690,062**

The individual financial statements were approved by the Board of Directors on October 23rd, 2017 and were signed on behalf thereof by:

Warinschi Laura Elena,
Chief Executive Officer

Marian Gabriela,
Chief Financial Officer

S.C. MECANICA CEAHLĂU S.A.
INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON SEPTEMBER 30TH, 2017,
COMPLIANT WITH ORDER NO. 2844/2016,
(all the amounts are expressed in RON, unless otherwise expressed)

INDIVIDUAL STATEMENT ON THE AGGREGATE RESULT

For the financial year ended on September 30th, 2017	**Note**	**September 30th, 2017**	**September 30th, 2016**
Continuous activities			
Revenues	5	33,438,712	29,206,428
Other revenues	6	105,585	144,571
Inventory variance		217,930	137,472
Total operating revenues		**33,762,227**	**29,488,471**
Expenses on inventories (cost of the sold commodities included)		(15,785,443)	(13,422,339)
Utility expenses		(520,773)	(468,296)
Expenses on salaries, contributions and other benefits	8	(5,516,068)	(4,888,905)
Expenses on the amortization and impairment of non-current assets	12,13	(1,390,211)	(1,184,128)
Gains/Loss from the assignment of non-current assets		0	0
Gains/Loss from real estate investments	14	0	0
Current asset value adjustment	17	610	15,752
Adjustments on provisions	22	230,678	778,521
Other expenditure	7	(6,998,918)	(6,515,066)
Total operating expenses		**(29,980,125)**	**(25,684,461)**
Result of the operating expenses		**3,782,102**	**3,804,010**
Financial revenues		128,480	126,013
Financial expenses		(622,160)	(907,476)
Net financial result	**9**	**(493,680)**	**(781,463)**
Result before taxation		**3,288,422**	**3,022,547**
Current corporate tax expense	**10**	(415,051)	(370,951)
Deferred corporate tax expenses	**10**	(150,210)	(191,120)
Deferred corporate tax gains	**10**	91,710	50,330
Result from continuous activities		**2,814,871**	**2,510,806**

INDIVIDUAL STATEMENT ON THE AGGREGATE RESULT (CONTINUED)

For the financial year ended on September 30th	**Note**	**September 30th, 2017**	**September 30th, 2016**
Continuous activities	**19**		
Other items of the aggregate result			
Revaluation reserves - increases		-	-
Capital deferred tax		-	-
Revaluation reserves - decreases		(82,621)	(83,966)
Other items of the aggregate result, after taxation		**(82,621)**	**(83,966)**
Total aggregate result for the period		**2,732,250**	**2,426,840**
Attributable profit		**2,814,871**	**2,510,806**
Basic result per share		0.0117	0.0105

The individual financial statements were approved by the Board of Directors on October 23rd, 2017 and were signed on behalf thereof by:

Warinschi Laura Elena,
Chief Executive Officer

Marian Gabriela,
Chief Financial Officer

S.C. MECANICA CEAHLĂU S.A.
INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON SEPTEMBER 30TH, 2017,
COMPLIANT WITH ORDER NO. 2844/2016,
(all the amounts are expressed in RON, unless otherwise expressed)

INDIVIDUAL STATEMENT ON EQUITY CHANGES

	Attributable to the shareholders of the Company							
	Share capital	**Statutory reserves**	**Revaluation reserves**	**Other reserves**	**Result carried forward**	**Current result**	**Other equity items**	**Total equity**
Balance on January 1st, 2017	**23,990,846**	**2,099,928**	**12,596,817**	**4,272,302**	**9,117,566**	**2,105,150**	**(2,699,192)**	**51,483,418**
Transfer of the result of 2016 to the carried forward result	-	-	-	-	2,105,150	(2,105,150)	-	-
Transfer of the carried forward result to the statutory reserve	-	-	-	-	-	-	-	-
Transfer of the carried forward of 2016 to other reserves	-	-	-	-	-	-	-	-
Transfer of the statutory reserves from profit to other reserves	-	-	-	802,671	(802,671)	-	-	-
Net profit of the year	-	-	-	-	-	2,814,871	-	2,814,871
Statutory reserve for 2016	-	126,928		-	(126,928)	-	-	-
Other items of the aggregate result								
Carried forward result derived from the correction of accounting errors	-	-	-	-	(6,774)	-	-	(6,774)
Equity deferred tax	-	-	-	-	-	-	13,219	13,219
Transfer to the carried forward result related to the excess obtained from the revaluation reserves	-		(82,621)	-	82,621	-	-	-
Dividends distributed to the shareholders	-	-		-	(1,175,551)	-	-	(1,175,551)
Share on profit	-	-	-	-	-	-	-	-
Balance on September 30th, 2017	**23,990,846**	**2,226,856**	**12,514,196**	**5,074,973**	**9,193,413**	**2,814,871**	**(2,685,973)**	**53,129,182**

The individual financial statements were approved by the Board of Directors on October 23rd, 2017 and were signed on behalf thereof by:

Warinschi Laura Elena, **Marian Gabriela,**

The enclosed notes represent an integral part of these individual financial statements.

Chief Executive Officer

Chief Financial Officer

INDIVIDUAL STATEMENT ON THE TREASURY FLOWS

For the financial year ended on September 30th	Note	2017	2016
Cash flows from operating activities			**9**
Cash collections from customers		33,226,617	32,861,743
Payments to providers and employees		30,657,179	(28,780,179)
Cash generated from operating activities		**2,569,438**	**4,081,564**
Paid interests	**9**	(19,948)	(4,551)
Paid corporate tax	**10**	(280,561)	(96,350)
Net cash generated from operation		**2,268,929**	**3,980,663**
Cash flows from investment activities			
Collected interests	**9**	7,627	1,159
Paid dividends		(1,126,455)	(1,147,886)
Purchases of tangible assets		(3,686,042)	(141,051)
Redemption of fund units		-	-
Net cash generated from investments		**(4,804,870)**	**(1,287,778)**
Cash flows from investment activities			
Collection s from long/short-term loans		1,917,789	1,147,886
Reimbursement of credits		(89,163)	(1,147,886)
Payment of the financial leasing liabilities		(114,319)	(135,714)
Net cash (used in) financing activities		**(1,803,470)**	**(135,714)**
Net decrease of cash and cash equivalents		**(732,471)**	**2,557,171**
Cash and cash equivalents on January 1st		5,003,004	2,343,920
Effect of the exchange rate variance on cash		(24,346)	(17,729)
Cash and cash equivalents on September 30th		**4,246,187**	**4,883,362**

The individual financial statements were approved by the Board of Directors on October 23rd, 2017 and were signed on behalf thereof by:

Warinschi Laura Elena,

Chief Executive Officer

Marian Gabriela,

Chief Financial Officer

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

1. REPORTING ENTITY

MECANICA CEAHLĂU SA is a company established in Romania. The company has the registered office in Piatra Neamț, 6, Dumbravei St., Neamț County, Romania.

The individual financial statements compliant with the International Financial Reporting Standards have been elaborated for the financial year ended on September 30th, 2017.

The main activity of the Company is manufacture of equipment and machinery for agriculture and forest exploitations.

2. FUNDAMENTALS OF ELABORATION

a. Declaration of Conformity

The individual financial statements have been elaborated in compliance with:

- the International Financial Reporting Standards (IFRS), adopted by the European Union;
- the accounting Law no. 82, as of 1991, republished and updated;
- Order no. 2488 as of 2016 for the approval of the accounting Regulations compliant with the International Financial Reporting Standards, applicable to trading companies the securities whereof are admitted for trading on a regulated market.
- ORDER no. 895 as of June 16th, 2017 for the approval of the accounting reporting System on June 30th, 2017 of the economic operators, as well as for the regulation of some accounting aspects

The individual financial statements have been authorized for issue by the Board of Directors on October 23rd, 2017.

b. Fundamentals of the Assessment

The individual financial statements have been elaborated based on the historical cost, except for buildings, which are kept at the reevaluated value and for real estate investment, which are kept at the fair value.
These individual financial statements have been elaborated for general purposes, for the use of the people being aware of the provisions of the International Financial Reporting Standards, applicable to trading companies the securities whereof are admitted for trading on a regulated market, approved by the Order of the Minister of Public Finance no. 2844/2016.
Consequently, these individual financial statements should not be considered as the sole information source by a potential investor or by another user.

c. Functional and Presentation Currency

These individual financial statements are presented in RON, this one also being the functional currency of the Company. All pieces of financial information are presented in RON, rounded off, without decimals. The transactions in foreign currency are expressed in RON, by the application of the exchange rate on the transaction date. The monetary assets and liabilities expressed in foreign currency at the end of the year are expressed in RON at the exchange rate on that date. The gains and loss from the exchange rate difference, realized or unrealized, are recorded in the individual Report of the aggregate result of the respective year.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (continued)

c. Functional and Presentation Currency (continued)

The exchange rates on September 30th, 2017 and January 1st, 2017 are the following:

	September 30th, 2017	January 1st, 2017
EUR	4.5991	4.5411
USD	3.8977	4.3033

The non-monetary assets and liabilities expressed in a foreign currency, which are evaluated at the fair value, are converted in the functional currency at the exchange rate on the date on which the fair value was determined. The non-monetary items which are evaluated at the historical cost in a foreign currency are converted using the exchange rate on the transaction date.

d. Use of the Professional Estimations and Reasoning

The elaboration of the individual financial statements in compliance with Order no. 2844/2016, as further amended, implies the use by the management of professional reasoning, estimates and premises affecting the application of the accounting policies and the reported value of the assets, liabilities, incomes and expenses. The actual results can differ from the estimated values.

The estimates and premises underlying them are periodically reviewed. The reviews of the accounting estimates are recognized over the period during which the estimation was reviewed and over the future affected periods.

The information related to the uncertainties due to the premises and estimations involving a significant risk related to the necessity of adjustments in the current and previous financial year are included in the following notes:

- Note 8 – Expenses on salaries and social contributions;
- Note 11 – Deferred tax receivables and debts;
- Note 22 - Provisions;
- Note 23 – Commercial debts and other debts;
- Note 25 – Commitments and contingencies.

The estimations and assumptions associates to these estimations are based on the historical experience, as well as on other factors considered reasonable in the context of these estimations. The results of these estimations and premises represent the basis of the judgments related to the book values of the assets and liabilities that cannot be obtained from other sources of information.

The estimations and critical judgments that the management made within the process of application of the accounting policies and having a significant effect on the value recognized in the financial statements are presented herein below.

Untaken Leaves

The management estimates, at the end of each reporting period, the value of the leaves untaken by the employees of the Company.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (CONTINUED)

d. Use of the Professional Estimations and Reasoning (continued)

Deferred Tax Receivables and Debts

Deferred tax assets and liabilities are determined based on the temporary differences between the book value of the assets and liabilities in the financial statements and the book value thereof. The recognition of the deferred tax assets is made to the extent it is probable for a taxable benefit, over which it will be possible for these temporary deductible difference to be imputed, to be available.

Receivables and Invoices to be made out

The management estimates, at the end of each reporting period, the probability of collection of the receivables and establishes value adjustments for the part considered to be non-recoverable. The adjustments are made based on the specific analysis of the invoices in the balance.

At the same time, the management estimates the value of the invoices to be made out based on the existent contracts.

Provisions and Contingent Liabilities

The management makes estimations and uses professional reasoning in the process of measurement and recognition of the provisions, in the determination of the exposure to contingent liabilities resulted from the litigations wherein the Company is involved or from other disputes subject to negotiation, arbitration or regulations. The professional reasoning is used in order to determine the probability for a certain dispute to be lost and for a debt to appear and in order to quantify the value of this debt. As a consequence of the uncertainty involved in this evaluation process, the actual debts can differ from the initially estimated provisions.

Lifetime of the Tangible Assets

The management reviews the appropriateness of the useful lives of the tangible assets at the end of each reporting period.

Non-received invoices

The value of the non-received invoices is estimated by the management based on the contracts concluded with the providers and by the comparative analysis thereof with the previous periods.

Deferred Tax

The deferred tax assets and liabilities are determined based on the temporary differences between the book value of the assets and liabilities in the financial statements and the tax value thereof. The recognition of the deferred tax assets is made to the extent it is probable for a taxable benefit, over which it will be possible for these temporary deductible difference to be imputed, to be available.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (CONTINUED)

d. Use of the Professional Estimations and Reasoning (continued)

Provisions and Contingent Liabilities

The management makes estimations and uses professional reasoning in the process of measurement and recognition of the provisions, in the determination of the exposure to contingent liabilities resulted from the litigations wherein the Company is involved or from other disputes subject to negotiation, arbitration or regulations. The professional reasoning is used in order to determine the probability for a certain dispute to be lost and for a debt to appear and in order to quantify the value of this debt. As a consequence of the uncertainty involved in this evaluation process, the actual debts can differ from the initially estimated provisions.

The estimations and critical judgments that the management made in the process of application of the accounting policies and having a significant effect on the value recognized in the financial statements are presented herein below.

The estimations and premises underling them are periodically reviewed. The reviews of the accounting estimations are recognized over the period during which they 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 over the Current Period

The following new standards and amendments to the existent standards, issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in force over the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Presentation of the Information on the Interests in other Entities" and IAS 28 "Investments in Associated Entities and Joint Ventures" –** Investment companies: application of the consolidation exception – adopted by the EU on September 22nd, 2016 (applicable for the annual periods starting with or after January 1st, 2016),

- **Amendments to IFRS 11 "Joint Ventures"** – Accountability of the procurements of interest in the joint operations - adopted by the EU on November 24th, 2015 (applicable for the annual periods starting with or after January 1st, 2016),

- **Amendments to IAS 1 "Presentation of the Financial Statements"** – Initiative on the presentation requirement - adopted by the EU on December 18th, 2015 (applicable for the annual periods starting with or after January 1st, 2016),

- **Amendments to IAS 16 "Tangible Assets" and IAS 38 "Intangible Assets" –** Clarifications on the acceptable amortization methods - adopted by the EU on December 2nd, 2015 (applicable for the annual periods starting with or after January 1st, 2016),

- **Amendments to IAS 16 "Tangible Assets" and IAS 41 "Agriculture"** – Reproduction plants - adopted by the EU on November 23rd, 2015 (applicable for the annual periods starting with or after January 1st, 2016),

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (CONTINUED)

e. Applicable Accounting Policies (continued)

Standards and Interpretations in force over the Current Period

- **Amendments to IAS 19 "Employees' Benefits"** – Determined plans of benefits: Employees' contributions - adopted by the EU on December 17th, 2014 (applicable for the annual periods starting with or after February 1st, 2015),

- **Amendments to IAS 27 "Individual Financial Statements"** – method of equivalence of the individual financial statements - adopted by the EU on December 18th, 2015 (applicable for the annual periods starting with or after January 1st, 2016),

- **Amendments to various standards "IFRS Improvements (cycle 2010-2012)"** resulting from the annual project of improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the main purpose of removing the inconsistencies and clarifying certain wordings - adopted by the EU on December 17th, 2014 (the amendments are applicable for the annual periods starting with or after February 1st, 2015),

- **Amendments to various standards "IFRS Improvements (cycle 2012-2014)"** resulting from the annual project of improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of removing the inconsistencies and clarifying certain wordings - adopted by the EU on December 15th, 2015 (the amendments are applicable for the annual periods starting with or after January 1st, 2016).

The adoption of these amendments to the existent standards did not result in significant amendments in the financial statements of the Company.

New standards and amendments to the existent standards issued by IASB, but not having been in force yet

On the approval date of these financial statements, the following new standards and amendments to the standards issued by IASB and adopted by the EU are not yet in force.

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

- **IFRS 15 "Revenues from Contracts with the Customers"** and the amendments to IFRS 15 "Enforcement Date of IFRS 15" - adopted by the EU on September 22nd, 2016 (applicable for the annual periods starting with or after January 1st, 2018).

The Company chose not to adopt these new standards and amendments to the existent standards before the enforcement date thereof. The Company anticipates that the adopting of these standards and amendments to the existent standards shall not have a significant impact on the financial statements of the Company over the initial application period.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (CONTINUED)

e. Applicable Accounting Policies (continued)

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

At present, the IFRS adopted by the EU does not have significant differences in reference to the regulations adopted by the International Accounting Standards Board (IASB), except for the following standards, supplements brought to the existent standards and interpretations, not having been approved by the EU on the publication date of the financial statements (the enforcement dates indicated below are for the entire IFRS):

- **IFRS 14 "Deferral Accounts related to the Regulated Activities"** (applicable for the annual periods starting with or after January 1st, 2016) – The European Commission decided not t issue the process of approval of this interim and to wait for the completion thereof,

- **IFRS 16 "Leasing"** (applicable for the annual periods starting with or after January 1st, 2019),

- **Amendments to IFRS 2 "Share-based Payment"** – Classification and assessment of the transactions with share-based payment (applicable for the annual periods starting with or after January 1st, 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** –Application of IFRS 9 Financial Instruments along with IFRS 4 Insurance Contracts (applicable for the annual periods starting with or after January 1st, 2018 or upon the application of IFRS 9 "Financial Instruments") for the first time,

- **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 the affiliated entities or the joint ventures thereof and the subsequent amendments (the enforcement date was deferred over an indefinite period, until the research project on the equivalence method is completed),

- **Amendments to IFRS 15 "Revenues from Contracts with the Customers"** – Clarifications to IFRS 15 Revenues from Contracts with the Customers (applicable for the annual periods starting with or after January 1st, 2018),

- **Amendments to IAS 7 "Statements on Treasury Flows"** - Initiative on the presentation requirements (applicable for the annual periods starting with or after January 1st, 2017),

- **Amendments to IAS 12 "Corporate Tax"** – Recognition of the deferred tax assets for the unrealized loss (applicable for the annual periods starting with or after January 1st, 2017),

- **Amendments to IAS 40 "Real Estate Investments"** – Transfers of real estate investments (applicable for the annual periods starting with or after January 1st, 2018),

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

2. FUNDAMENTALS OF ELABORATION (CONTINUED)

e. Applicable Accounting Policies (continued)

Standards and interpretations issued by IASB, but not having been adopted yet by the EU (continued)

- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)"** resulting from the annual project of improvement of IFRS (IFRS 1, IFRS 12 and IAS 28) with the main purpose of removing the inconsistencies and clarifying certain wordings (the amendments to IFRS 12 are applicable for the annual periods starting with or after January 1st, 2017, and the amendments to IFRS 1 and IAS 28 are applicable for the annual periods starting with or after January 1st, 2018),

- **IFRIC 22 "Transactions with Foreign Currency and Advance Payments"** (applicable for the annual periods starting with or after January 1st, 2018).

The Company anticipates that the adoption of these standards and amendments to the existent standards shall not have a significant impact on the financial statements of the Company, over the initial application period.

Hedge accounting for a portfolio of financial assets and liabilities the principles whereof have not been adopted by the EU remains unregulated.
According to the estimates of the Company, the use of hedge accounting for a portfolio of financial assets and liabilities according to IAS 39: "Financial instruments: recognition and assessment" would not significantly affect the financial statements, if it is applied on the balance sheet date.

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

The Transactions of the Company in foreign currency and registered at the exchange rates communicated by the National Bank of Romania ("NBR") for the transaction date. The balances in foreign currency are converted in RON at the exchange rates communicated by NBR on June 30th, 2017.

The gains and loss resulted from the settlement of the transactions in a foreign currency and from the conversion of the monetary assets and liabilities expressed in foreign currency are recognized in the account entitled Individual Statement on the Aggregate Result, within the financial result.

b. Financial Instruments

(i) Non-Derivative Financial Instruments

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial Instruments (continued)

(i) Non-Derivative Financial Instruments (continued)

The Company derecognizes a financial asset when the contractual rights over the cash flows generated by the assets expire, or when the rights to collect the contractual cash flows of the financial asset are transferred, by a transaction whereby the risks and benefits of the ownership over the financial asset are significantly transferred.

The Company classifies its non-derivative financial assets thus: receivables, cash and cash equivalents. The receivables comprise commercial receivables and other receivables.

Customers and Assimilated Accounts

Customers and assimilated accounts include invoices issued at face value and estimated receivables related to the provided services, but invoiced over the period subsequent to the end of the period. Customers and assimilated accounts are recorded at amortized cost less impairment loss. The amortized cost of customers and assimilated accounts approximates the nominal value. Final loss may vary from the current estimates. Due to the inherent lack of information on the financial status of clients and the lack of legal collection mechanisms, the estimates on probable loss are uncertain. Nevertheless, the management of the Company has made the best estimate of loss and considers that this estimate is reasonable under the circumstances. In the estimation of loss, the Company also took into account the past experience, in view of a collective estimate, as presented in Note 3.i. (i). Trade receivables are recorded at the invoiced value less the adjustments for the impairment of these receivables (see Note 3.i. (i)).

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

Cash and Cash Equivalents

The cash and cash equivalents comprise the cash balances and the bank sight or time deposits (with a maturity date of 3 months or over 3 months).

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

The financial assets are classified based on the business mode of the company for the management of financial asseys and of the characteristics of the contractual treasury flows of the financial asset.
The financial assets are classified in this category if they are purchased in view of the short term sale and/or repurchase. This category includes investments in managed funds. These assets are purchased primarily in order to generate profit from the short term fluctuations of the prices.
The financial assets at the fair value via the profit and loss account are recorded in the statement on the financial status at the fair value.

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial Instruments (continued)

Cash and Cash Equivalents

(ii) Non-Derivative Financial Liabilities

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

An entity must derecognize a financial liability (or a part of the financial liability) from the individual Statement on the financial status when and only when it is liquidated – i.e. when the obligation set out in the contract is extinguished or cancelled or expires.

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

The debts to the providers and other debts, initially recorded at the fair value and subsequently assessed using the actual interest method, include the equivalent value of the invoices issued by the providers of products, performed work and provided services.

(iii) Share Capital

Ordinary shares are classified as part of equity. The Company recognized the amendments to the share capital within the terms stipulated by the applicable legislation and only after the approval thereof by the General Meeting of the Shareholders and the registration with the Trade Register. The additional costs directly attributable to the issue of shares are recognized as a deduction from equity, net of the effects of taxation.

c. Dividends

Dividends are recognized as debt over the period during which the distribution thereof is approved.

d. Tangible Assets

(i) Recognition and Appraisal

Tangible assets are initially recognized at the purchase or production cost (if they are made in by oneself).

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

The items included in tangible assets are thus appraised:

- at the reevaluated value, this being the fair value on the revaluation date, less any amortization and any loss from cumulated impairment for the class of non-current assets in the group of buildings and special constructions;

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Tangible Assets (continued)

(i) Recognition and Appraisal (continued)

In case of revaluation, the difference between the fair value and the value at the historical cost is presented in the revaluation reserve. If the revaluation result is an increase in reference to the net book value, then it is treated thus:

- as an increase of the revaluation reserve, if a previous decrease recognized as an expense related to that asset did not exist; ot
- as revenue compensating the expense on the previously recognized decrease for that asset.

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

- as an expense with the entire value of the impairment, when an amount related to that asset (reevaluation excess) is not recorded in the revaluation reserve; or
- as a decrease of the revaluation reserve by the minimum between the value of that reserve and the value of the decrease, and the eventual difference remained uncovered is recorded as an expense.

(ii) Reclassification in Real Estate Investments

The Company proceeds to the reclassification of the tangible assets as real estate investments if and only if there is a change of use, revealed by:

(a) start of the use by the holder, for a transfer from the category of real estate investments in the category of real properties used by the holder;

(b) initiation of the improvement process, from the sale perspective, for a transfer from the category of real estate investments in the category of inventories;

(c) start of the use by the holder, for a transfer from the category of real properties used by the holder to the category of real estate investments;

(d) initiation of operational leasing with another party, for a transfer from the category of inventories to the category of real estate investments.

(iii) Subsequent Costs

Minor expenses on the repair or maintenance of the fixed assets, made in order to restore or maintain the value of these assets are recognized in the statement on the aggregate result on the incurrence date thereof, whereas the expenses made for the purpose of the improvement of the technical performances are capitalized and amortized over the remaining amortization period of such fixed asset. Parts of certain items of tangible assets may require replacements at regular time intervals. An entity recognizes in the book value of a non-current asset item the replacement cost of a spare part from such item when this cost appears, if the recognition criteria are met.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Tangible Assets (continued)

(iii) Subsequent Costs (continued)

When the Company recognizes in the book value of a tangible asset the cost of a partial replacement (replacement of a component), the book value of the replaced part, with the related amortization, is decommissioned.

(iv) Amortization of Tangible Assets

The amortization is calculated in order to reduce the cost, less the residual value, using the linear amortization method over the lifetime of the fixed assets and the components thereof, which are separately accounted.

The terms estimated per main groups of tangible assets are the following:

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

The non-current assets in progress are not amortized.

Lands are not amortized. The lands presented in the financial statements have been reevaluated by the Company in compliance with the legal regulations. The information is presented in Note no. 12 item (i) (revaluation). In the event the book value of an asset is higher than the amount estimated to be recovered, the asset is impaired at the recoverable value.

The cost of major investments and other subsequent expenses are included in the book value of the asset. Major investments are capitalized over the remaining lifetime of such asset.

e. Intangible Assets

(i) Other Intangible Assets

Other intangible assets purchased by the Company are presented at cost, less the cumulated amortization and value loss.

The subsequent expenses related to the intangible assets are capitalized only when they increase the future economic benefits generated by the asset they refer to. The expenses not meeting these criteria are recognized as expenses upon the incurrence thereof.

(ii) Amortization of the Intangible Assets

The amortization is recognized in the Statement on the aggregate result, based on the linear method over the estimated lifetime of the intangible asset. Most intangible assets recorded by the Company are represented by software. They are linearly amortized over a period of maximum 5 years.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Real Estate Investments

A real estate investment is held in order to obtain revenues from rents or for the increase of the capital value or both. Consequently, a real estate investment generates treasury flows which are, to a great extent, independent from other assets held by an entity.

The accounting policy of the Company in terms of the subsequent appraisal of the real estate investments is the one based on the fair value evaluation method. The amendments of the fair value are recognized in the statement on the aggregate result.

g. Assets Purchased under Leasing Contracts

The assets held following financial leasing are identified as assets of the company at the fair value thereof at the beginning of the leasing period.

h. Inventories

Inventories are declared at the minimal value between cost and the net realizable value.

The cost is determined using the first in – first out method ("FIFO").

The net realizable value represents the estimated sale value less the estimated completion costs and the expenses derived from the sale.

The costs of the finished products and of the semi-finished products include materials, direct labour, other direct costs and production-related overheads (based on the operating activity). The net realizable value is the sale price estimated in the regular transactions. The adjustments for the impairment of the inventories of materials are recognized for those inventories with slow movement, which are worn out or obsolete. Those inventories for which it could not be estimated whether, over the immediately following period, they shall be consumed are not contemplated by the adjustment, or whether those inventories represent safety stock for certain installations.

i. Impairment

The book values of the non-financial assests of the Company, other than the inventories and deferred tax receivables, are reviewed on each reporting date, in order to determine whether there is evidence related to the existence of impairment. An impairment loss is recognized if the book value of an asset or of a cash-generating unit exceeds the estimated recoverable value.
The recoverable value of an asset or of a cash-generating unit is the maximum between the use value and the fair value less the sale costs. Upon the determination of the use value, the forecast future cash flows are updated in order to determine the present value, using an update rate before taxation that reflects the current appraisals of the market in terms of the value for money in time and the risks specific to the asset. In order to test the impairment, the assets that cannot be individually tested are grouped within the smallest group of assets generating cash inflows from continuous use and being, to a considerable extent, independent from the cash inflows generated by other assets or groups of assets ("cash generating unit").

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Impairment (continued)

Impairment loss is recognized in the individual statement of the aggregate result. Impairment loss recognized in reference to the cash-generating units are first used for the reduction of the book value of the goodwill assigned to the units, if applicable, and then pro rata for the reduction of the book value of the other assets within the unit (group of units).

For all the non-current assets, except for the goodwill, impairment loss recognized in the previous periods is appraised on every reporting date, in order to determine whether there is evidence that the loss reduced or no longer exists. Impairment loss is recognized if changes existed in the estimates used in order to determine the recoverable value. Impairment loss is recognized only to the extent the book value of the asset does not exceed the book value that could have been determined, net of the amortization, if no impairment had been recognized.

(i) Financial Assets (Receivables included)

The adjustment for the impairment of trade receivables is set up if there is any objective evidence of the fact that the Company shall not be able to collect all the amounts at the initial terms. The set up of the adjustments for the trade receivable non-collection risk is made by including in expenses the amount representing the required adjustments for the non-collection risk of the trade receivables related to the balances in the balance, for which one of the following conditions is met:

a) outstanding trade receivables, more than 90 days overdue, for which the adjustment coefficient is of 100%;

b) reclassification of these exposures in a single category, based on the principle of rating downgrade by contamination, the adjustment coefficient is of 100% for all the unpaid invoices in the balance. Following this rating downgrade, the entire outstanding balance of the customers more than 90 days overdue is impaired.

The Company derecognizes an impairment of the previously established receivables upon the full recovery or pro rata with the recovered part.

The determination of the quantum of the adjustment for the impairment of the trade receivables to be set up is performed based on the estimated made by collaboration with the Law Firm and based on the policies indicated in item (i).

(ii) Non-Financial Assets

Tangible assets and other long-term assets are reviewed for the identification of impairment loss whenever events or change in circumstances indicate the fact that the book value can no longer be recovered.

Loss from the impairment of non-financial assets is recognized in the statement on the aggregate result.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Employees' Benefits

(i) Determined Contribution Plans

During the normal course of business, the Company makes payment to the State health, pension and unemployment funds, on account of its employees, at the statutory rates.

All the employees of the Company are members of the pension plan of the Romanian State. These costs are recognized in the Statement on the aggregate result, along with the recognition of the salaries.

The Company is not involved in any independent pension system and, consequently, has no kind of obligations in this respect.

At the same time, in compliance with the Collective Labour Agreement, upon meeting the legal retirement conditions, respectively for interrupted service within the Company, the employees are entitled to receive monetary reward.

On June 30th, 2017, the management of the Company did not appraise the actual value of the future liabilities related to the benefits in kind and monetary rewards based on an actuarial, and recorded a provision related to these liabilities based on an internal analysis.

(ii) Short-Term Benefits

The short-term benefits of the employees include the salaries, bonuses and social security contributions. The short-term benefits of the employees are recognized as expense when the services are provided. A provision is recognized for the amounts awaiting to be paid as short-term cash bonuses, since the Company currently has a legal or implicit obligation to pay these amounts as a result of the past serviced provided by the employees and if the respective obligation can be credibly estimated.

(iii) Benefits for the termination of the employment contracts

The Company grants to the employees the following benefits in case of termination of the employment contract as a consequence of retirement, thus:

- The employees retiring for age limit, invalidity, partially anticipated or anticipated shall receive an end-of-career rewards thus:

  - those with over 15 years of service within the Company, two average base pays negotiated per company;

  - those with 5 to 15 years of service within the Company, one average base pay negotiated per company;

- The employees retiring as a consequence of an occupational accident or event and having 0 to 5 years of service within the Company shall benefit from one base pay negotiated per company.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

k. Provisions

Provisions are recognized when the Company has a legal or implicit liability generated by a previous event, when an outflow of resources is likely to be necessary for the settlement of the liability and when a credible estimation can be made in terms of the value of the liability.

Provisions for restructuring, litigations, as well as other provisions for risks and expenses are recognized when the Company has a legal or implicit liability generated by a previous event, when an outflow of resources is likely to be necessary for the settlement of the liability and when a credible estimation can be made in terms of the value of the liability. The restructuring provisions comprise the direct costs generated by restructuring, namely those that are necessarily generated in the restructuring process and not related to the continuous performance of the activity of the company.

(i) Warranties

The provisions for warranties granted to the customers are estimated by the Company in reference to the costs incurred with the repairs made over the warranty period, in reference to the value of the turnover in the previous financial year.

(ii) Employees' Benefits

The company creates provisions for the employees' benefits granted upon the termination of the employment contract on retirement. The determination of the quantum of the provision t be created is made taking into account the provisions of the collective labour agreement of the Company valid on the provision creation date.

(iii) Litigations

The company creates provisions for litigations in the event a legal or implicit liability arises, generated by litigation in progress. The determination of the quantum of the provision to be created is carried out based on the estimates made by the law firm.

(iv) Other Provisions

The Company creates any other provisions when the Company has a legal or implicit liability generated by a previous event, when an outflow of resources is likely to be necessary for the settlement of the liability and when a credible estimation can be made in terms of the value of the liability.

No provisions are recognized for future operating loss.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Revenues

(i) Sale of Goods

The revenue comprises the amount invoiced for the sale of the products, without VAT, rebates or discounts. The revenues obtained by the Company are identified based on the sale of the products.

The revenues from the sale of the goods must be recognized by the Company upon the meeting of all the following conditions:

- the company transferred to the buyer the significant risks and benefits related to the ownership over the goods;
- the company no longer manages the sold goods at the level at which it would have normally done it in case of ownership thereof and no longer has actual control over them;
- the value of the revenues can be reliable evaluated;
- it is probable for the economic benefits associated to the transaction to be generated for the entity; and
- the costs covered or to be covered related to the respective transaction can be reliably evaluated.

The sale of the products is recognized upon the transfer of significant risks and benefits to the customer. This happens when the Company sold or delivered the products to the customer, the latter accepted the products, and the capacity of reimbursement of the respective amounts is reasonably provided.

(ii) Service Supply

The service supply is recognized in the accounting year in which the services are provided, reference being made to the transaction performance percentage.

(iii) Revenues from Rents

The revenue from rents is recognized in the accounting year in which they are provided.

m. Governmental Grants

Grants originating from the government for the purchase of non-current assets are recognized as deferred income and assigned as systematic and rational revenue over the lifetime of the asset.

n. Providers and Assimilated Accounts

The debts towards providers and other debts, initially recorded at the fair value and subsequently evaluated using the actual interest rate method, include the equivalent value of the invoices issued by the providers of products, performed work and provided services.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Financial Revenues and Expenses

The interest-related revenues and expenses are recognized in the statement on the aggregate result, by the actual interest method.

The revenues from dividends are recognized in the Statement on the aggregate result on the date on which the entitlement to receive these revenues is established.

The exchange rate differences occurring upon the settlement of the monetary items or the conversion of the monetary items at exchange rates different from the ones at which they were converted upon the initiation recognition (over the period) or in the previous financial statements are recognized as profit or loss in the Statement on the aggregate result over the period of occurrence.

p. Contingencies

Contingent liabilities are not recognized in the enclosed financial statements. They are presented in case the possibility exists for an outflow of resources representing possible, but not probable economic benefits, and/or the value can be credibly estimated. A contingent asset is not recognized in the enclosed financial statement, but it is presented when an inflow of economic benefits is probable.

q. Corporate Tax

The corporate tax on September 30th, 2017 comprises the current tax and the deferred tax.

The current tax represents the tax awaiting to be paid or received for the taxable income or the loss recorded over the year, using taxation rates adopted or considerably adopted on the reporting date, as well as any adjustment to the corporate tax liabilities related to the previous years. The payable current tax also comprises any tax receivable derived from the declaration of the dividends.

Deferred tax is recognized in terms of the temporary differences between the book value of the assets and liabilities, used for the purpose of the financial reporting, and the tax base used for the tax calculation. Deferred tax is not recognized for the following temporary differences:

- initial recognition of the assets or liabilities originated from a transaction which is not a combination of enterprises and not affecting the accounting or tax profit or loss;
- differences on the investments in subsidiaries or jointly controlled entities, to the extent it is probable for them not to be recognized in the future; and
- taxable temporary differences resulted from the initial recognition of the goodwill.

The deferred tax receivables and liabilities are set off only if the legal right to set off the debts and receivables with the current tax exists, and if they refer to taxes charged by the same tax authority to the same entity, or a different tax entity, but intending to conclude a convention concerning the receivables and debts with the current tax on a net basis or the taxation assets and liabilities whereof shall be simultaneously created.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

q. Corporate Tax (continued)

A deferred tax is recognized for unused tax loss, tax credits and deductible temporary differences, to the extent the realization of taxable profits that shall be available in the future and shall be used is probable. Deferred tax receivables are reviewed on each reporting date and are reduced to the extent it is no longer probable for a tax benefit to be obtained. The effect of the amendments to the tax rates on deferred tax is recognized in the Statement on the aggregate result, unless it refers to the position previously directly recognized in the equity.

Corporate tax is recognized in the individual Statement of the aggregate result or in other items of the aggregate result if the tax is related to the capital items.

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

Deferred tax is calculated based on the taxation percentages awaiting to be applied to the temporary differences upon the reversal thereof, based on the legislation applicable on the reporting date.

r. Result per share

The basic result per share is calculated by dividing the net result attributable to the shareholders to the number of outstanding ordinary shares at the end of the year.

s. Going Concern Principle

The individual financial statements have been elaborated based on the going concern principle, implying that the Company shall normally continue to operate in a predictable future, without becoming impossible for it to continue the activity or without the significant reduction thereof. In order to assess the applicability of this presumption, the management analyzes the forecasts related to the future cash inflows. Based on these analyses, the management believes that the Company shall be able to continue its activity in the predictable future and, consequently, the application of the going concern principle in the elaboration of the financial statements is justified.

t. Affiliates

In compliance with the definition of the affiliates presented in the IAS 24 standard, the Company identified the following affiliates:

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

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Reporting per Segments

A segment is a part of the Company getting involved in activity segments wherefrom it can obtain revenues and incur expenses (including revenues and expenses corresponding to the transactions with other parts of the same entity), the operating results whereof are regularly followed up by the management of the Company, in order to make decisions on the resources to be assigned to the segment and to assess the performances thereof and for which distinct financial information is available. The Company does not have significant geographic or activity segments according to IFRS 8, "Operational Segments" and does not have a management and internal reporting structure divided per segments.

4. FAIR VALUE DETERMINATION

Certain accounting policies of the company and information presentation requirements require the determination of the fair value both for the financial assets and liabilities, and for the non-financial ones. The fair values have been determined for the purpose of the assessment and/or presentation of the information based on the method described below. When applicable, additional information on the premises used in the determination of the fair value are presented in the notes specific to the respective asset or liability.

The fair value represents the price that would be received as a consequence of the sale of an asset or the price that would be paid in order to transfer a debt by a normal transaction between the market participants, on the assessment date, irrespective of whether this price is observable or estimated using a direct assessment technique. Within the estimation of the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability that the market participants would take into account within the determination of the price of the asset or liability, on the assessment date. The fair value for assessment and/or presentation purposes in the individual financial statements is determined on such basis, except for the assessments that are similar to the fair value, but not representing the fair value, such as the net realizable value in IAS 2 or the use value in IAS 36.

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

- Level 1 information – listed (unadjusted) prices, on active markets, for assets and liabilities identical to those that the Company assesses;
- Level 2 information – information, other than the listed prices included in level 1, which are observable for the assessed asset or liability, directly or indirectly; and
- Level 3 information – information non-observable for the asset or liability.

(i) Tangible assets

The Company proceeds to the revaluation of the tangible assets and real estate investments within the patrimony thereof with sufficient regularity for them to be presented in the financial statements at a fair value.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

5. REVENUES

	September 30th, 2017	September 30th, 2016
Sales of goods	33,134,252	28,924,130
Service supplies	105,967	107,159
Revenues from the rent of real estate investments	198,492	175,140
Total revenues	**33,438,712**	**29,206,428**

The turnover of the Company related to the 3rd quarter of 2017 is of RON 33,438,712 (3rd quarter of 2016: RON 29,206,428), of which RON 2,098,631 to the export and RON 27,107,797 domestically.

In terms of structure, the turnover was made primarily by the sale of its own production, in a proportion of 77 %.
The share of the sale of products in terms of distribution of Steyr tractors, Projet herbicide spreading equipment, Stoll front-end loaders in the turnover of the company is of 22% in 3rd quarter of 2017.

6. OTHER REVENUES

	September 30th, 2017	September 30th, 2016
Revenues from operating subsidies related to other revenues	25,000	37,174
Revenues from the production of tangible assets	64,855	70,946
Revenues from indemnification and penalties	4,355	9,650
Revenues from subsidies for investments	1,708	1,708
Other operating revenues	9,667	25,093
Total other revenues	**105,585**	**144,571**

7. OTHER EXPENDITURE

	September 30th, 2017	September 30th, 2016
Expenses on external services	6,674,089	6,213,893
Expenses on taxes, duties and assimilated payments	106,906	117,257
Other operating expenses	217,923	183,917
Total other expenditure	**6,998,918**	**6,515,066**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

7. OTHER EXPENDITURE (continued)

	September 30th, 2017	September 30th, 2016
Other operating expenses	**217,923**	**183,917**
(i) Indemnification, fines and penalties	**2,025**	***10,463***
(ii) Donations and granted subsidies	**-**	**-**
(iii) Benefits for the employees	**102,704**	***15,101***
Social aids	11,539	2,315
Incentive fund	31,200	12,786
Gift vouchers	59,965	-
(iv) Other operating expenses	**113,194**	***158,353***

8. EXPENSES ON SALARIES, SOCIAL CONTRIBUTIONS AND OTHER BENEFITS

Expenses on salaries and social contributions	**September 30th, 2017**	**September 30th, 2016**
Expenses on salaries	3,776,376	3,493,015
Expenses on the mandatory social security contributions	1,111,760	1,074,565
Expenses on untaken leaves	-	-
Share of the directors and executive management in the net profit	380,184	**-**
Expenses on granted vouchers	247,748	321,325
Total	**5,516,068**	**4,888,905**
Average number of employees	**165**	**173**

According to the collective labour agreement, the plan of benefits granted to the employees comprises:

- social security benefit amounting to RON 11,539. Pursuant to art. 110 in the applicable Collective Labour Agreement, the company provides a death grant equal in amount to an average salary negotiated in the respective month within the company, covers the equivalent value of the treatment, prosthetics and medicines when the employee was the victim of an occupational accident;
- gifts for the female employees amounting to RON 31,200, granted according to art. 124 in the applicable Collective Labour Agreement. In order to celebrate the day of March 8th, a stimulation fund for women is created;
- gift vouchers amounting to RON 59,965, granted according to art. 63 in the applicable Collective Labour Agreement.

The short-term benefits of the employees are recognized as expense when the services are provided.
The Company created provisions for the employees' benefits granted upon the termination of the employment contract on retirement, according to the provisions of the Collective Labour Agreement

valid on September 30th, 2017, the information is presented in Note 22 Provisions "Employees' Benefits".

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

9. FINANCIAL REVENUES AND EXPENSES

Recognized in the Statement on the aggregate result	**September 30th, 2017**	**September 30th, 2016**
Revenues from interests related to the granted loans and the update of the receivables	-	-
Revenues from interests related to the bank deposits	7,627	1,159
Net gain from exchange rate differences	-	8,477
Net gain from financial assets	-	54,140
Other financial revenues	44,365	1,012
Total financial revenues	**51,992**	**64,788**
Expenses on interests	31,067	45,746
Net loss from exchange rate differences	35,529	-
Other financial expenses	479,076	800,505
Total financial expenditure	**545,672**	**846,251**
Net financial result	**(493,680)**	**(781,463)**

The financial revenues are recognized in the Statement on the aggregate result based on the accrual-based accounting, using the actual interest rate method.

The net gain related to the financial assets held at the fair value via the profit and loss account represents the value increase of the held fund units, following the assessment on September 30th, 2017.

The financial expenses comprise the interests, granted rebates or discounts and the exchange rate differences.

The gains and loss from exchange rate differences are reported on a net basis. The value of the revenues from exchange rate differences on September 30th, 2017 is of RON 76,488 and the value of the expenses on exchange rate differences is of RON 112,017.

Other financial expenses represent financial discounts granted to the customer.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

10. CORPORATE TAX EXPENSE

Corporate tax	**September 30th, 2017**	**September 30th, 2016**
Current corporate tax	415,051	370,951
Revenue from /(Expense on) the deferred corporate tax	58,500	140,790
Accounting profit before taxation	**3,371,044**	**3,106,513**
Expenses on the corporate tax calculated at 16%	539,367	497,042
Effect of the non-taxable revenues	(128,057)	(177,000)
Effect of the non-deductible expenses upon the taxable profit determination	3,742	50,909
Effect of the temporary differences	58,500	140,790
Corporate tax	**473,551**	**511,741**

11. DEFERRED TAX RECEIVABLES AND DEBTS

On May 1st, 2009, the provisions of the Government Emergency Ordinance no. 34, limiting the deductibility of some expenses in the corporate tax calculation came into force, the biggest influence being represented by the non-deductibility of the amortization of the revaluations made starting with the year of 2004, the impact on the corporate tax expenses of the Company being significant.
On September 30th, 2017, the unrealized revaluation reserve and related to the revaluations subsequent to January 1st, 2004 amounts to RON 12,514,196.

The deferred tax liabilities are represented by the values of the corporate tax, payable over the future accounting periods, in terms of the taxable temporary differences. The tax rate stipulated in the tax regulations in force on the elaboration date of the financial statements, respectively 16%, is used in the determination of the deferred corporate tax.

On September 30th, 2017, receivables from the deferred tax were recognized for the provisions existent in the balance, which were non-deductible upon the calculation of the current corporate tax.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

11. DEFERRED TAX RECEIVABLES AND DEBTS (continued)

The deferred tax receivables and debts are assigned to the following items:

	ASSETS		LIABILITIES		NET	
	September 30th, 2017	**January 1st, 2017**	**September 30th, 2017**	**January 1st, 2017**	**September 30th, 2017**	**January 1st, 2017**
Tangible assets	-	-	84,381	70,052	(84,381)	(67,294)
Trade receivables	-	-	-	-	-	-
Provisions and adjustments	375,719	412,725	-	-	375,719	412,725
Revaluation reserves	-	-	2,636,106	2,644,918	(2,636,106)	(2,644,918)
Tax facility reserves	-	-	54,276	54,276	(54,276)	(54,276)
Total	**375,719**	**412,725**	**2,774,763**	**2,769,246**	**(2,399,044)**	**(2,353,763)**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

12. TANGIBLE ASSETS

	Lands and buildings	Machines and equipment	Furniture and accessories	In progress	Total 2017
COST					
Balance on January 1st, 2017	**19,169,375**	**15,706,454**	**226,497**	**-**	**35,102,327**
Inflows of fixed assets	168,264	2,564,578	-	413,525	3,146,367
Outflows of fixed assets	-	-	-	17,748	17,748
Balance on September 30th, 2017	**19,337,639**	**18,271,032**	**226,497**	**395,777**	**38,230,946**
CUMULATED AMORTIZATION					
Balance on January 1st, 2017	**1,497,651**	**11,589,788**	**194,732**	**-**	**13,282,171**
Amortization over the year	368,910	902,009	7,980	-	1,278,900
Cumulated amortization reversal	-	-	-	-	
Cumulated amortization related to outflows	-	-	-	-	
Balance on September 30th, 2017	**1,866,561**	**12,491,797**	**202,713**	**-**	**14,561,072**
IMPAIRMENT ADJUSTMENTS					
Balance on January 1st, 2017	**41,644**	**-**	**-**	**-**	**41,644**
Adjustments established over the year	-	-	-		
Impairment adjustment reversals	-	-	-		
Balance on September 30th, 2017	**41,644**	**-**	**-**	**-**	**41,644**
Balance on January 1st, 2017	**17,630,080**	**4,116,667**	**31,765**	**-**	**21,778,511**
Balance on September 30th, 2017	**17,429,433**	**5.,779,235**	**23,784**	**395,777**	**23,628,229**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

12. TANGIBLE ASSETS (continued)

(i) Revaluation

On December 31st, 2005, all the non-current assets owned by the Company were reevaluated, according to the regulations applicable on that date, based on a report elaborated by an independent appraiser. The assessments relied on the fair value, respectively the closest in terms of value from the transactions on the respective date. The revaluation excess was recognized as reevaluation reserve in the equity.

On December 31st, 2007, the Company revaluated the tangible assets – group: "Buildings", based on a report elaborated by an independent ANEVAR-member appraiser. The assessments relied on the fair value, respectively the closest in terms of value from the transactions and the inflation index on the respective date. The revaluation excess was recognized as reevaluation reserve in the equity.

On December 31st, 2010, the tangible assets were revaluated – group: "Buildings" of the company, by an own board of specialists and reviewed by an ANEVAR-member appraiser. The revaluation envisaged the adjustment of the net book values of the tangible assets in the "Buildings" group, at the fair value, respectively the closest in terms of value from the transactions on the respective date, taking into account the physical condition thereof and the market value. The revaluation excess was recognized as reevaluation reserve in the equity. The decrease making up for the previous increase of the same asset is deduced from the previously set up reserve; all the other deductions are recognized as cost in the Statement on the aggregate result.

On December 31st, 2013, the tangible assets were revaluated– group: "Buildings" of the company, based on a report elaborated by an independent ANEVAR-member appraiser. The revaluation envisaged the adjustment of the net book values of the tangible assets, buildings and special constructions, at the fair value. The revaluation excess was recognized as reevaluation reserve in the equity, respectively as revenue in the event, following a previous revaluation, a revaluation expense was recorded. The decrease making up for the previous increase of the same asset is deduced from the previously set up reserve; all the other deductions are recognized as cost in the Statement on the aggregate result.

(ii) Pledged or Mortgaged Tangible Assets

On September 30th, 2017, the Company has pledged or mortgaged tangible assets the total book value whereof amounts to RON 3,414,976, of which lands amounting to RON 515,829, buildings amounting to RON 453,346 and technological equipment of RON 2,445,800.

The net book value of the fixed assets purchased in financial leasing was of RON 304,884 on September 30th, 2017.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

INTANGIBLE ASSETS

	Patents, licenses and trademarks	Other non-current assets	Intangible assets in progress	Total
COST				
Balance on January 1st, 2017	**514,541**	**743,563**	**-**	**1,258,104**
Purchases	13,786	45,108	16,686	75,580
outflows of intangible assets	-	-	-	
Balance on September 30th, 2017	**528,327**	**788,671**	**16,686**	**1,333,684**
AMORTIZATION AND IMPAIRMENT LOSS				
Balance on January 1st, 2017	**65,883**	**621,100**		**686,982**
Amortization over the year	67,299	43,286		110,585
Cumulated amortization related to the outflows	-	-	-	-
Balance on September 30th, 2017	**133,181**	**664,385**		**797,567**
Balance on January 1st, 2017	**448,658**	**122,464**	**-**	**571,122**
Balance on September 30th, 2017	**395,146**	**124,286**	**16,686**	**536,118**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

13. INTANGIBLE LOSS (continued)

The intangible assets on September 30th, 2017, at the net value of RON 536,118 (January 1st, 2017: RON 571,122), represent the non-amortized part of the licenses, the technological documentation and used software.

Amortization of Intangible Assets
The amortization term of the intangible assets is of maximum 10 years.

14. REAL ESTATE INVESTMENTS

	September 30th, 2017	January 1st, 2017
Net value	**534,673**	**465,631**

	September 30th, 2017	January 1st, 2017
Balance on January 1st	**465,631**	**465,631**
Procurements, value increases	69,768	-
Other gains/loss from real estate investments	-	-
Balance on September 30th, 2017	**534,673**	**465,631**

Real estate investments comprise a number of 15 trading properties that are rented/ rentable to third parties under contracts with a validity of 12 months, with the possibility of extension.

Real estate investments are real properties (lands, buildings or parts of a building) owned by the company for the purpose of lease, by operational leasing or for the increase of the value thereof. The Company determined the market value of the real estate investments using an own board of specialists. The latest appraisal of the real properties was on December 31st, 2017.

The value of the revenues from rents for the 3rd quarter of 2017 was of RON 198,492. The Company did not perform significant repairs and did not have other costs on real estate investments in the 3rd quarter of 2017.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

14. REAL ESTATE INVESTMENTS (continued)

Certain properties include a part that is held to be rented and another part that is held for the purpose of the production of goods, service supply or for administrative purposes. In the event the part held to be rented does not have a significant share, then the property continues to be treated as tangible asset.

The Company applies the fair value method, as presented in note 3, item f. "Real Estate Investments".

15. INVENTORIES

	September 30th, 2017	January 1st, 2017
Raw materials and materials	1,838,047	1,392,372
Production in process	1,317,205	1,944,527
Semi-finished products	63,931	64,112
Finished products	9,933,815	9,423,228
Commodities	2,372,122	2,044,870
Impairment adjustments	(79,026)	(79,636)
Inventories at net value	**15,446,094**	**14,789,473**

The value of any reduction of the book value of the inventories up to the net realizable value and the entire loss of inventories are recognized as expense over the period in which the book value reduction or the loss takes place.

The adjustments for the impairment of the inventories of raw materials, materials, semi-finished products, finished products and commodities are recognized for those inventories with slow motion, which physically worn out or obsolete. Those inventories wherefor it could not be estimated whether they will be consumed in the immediately following period or whether those ionventories represent safety stock are not subject to the adjustment.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

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

	September 30th, 2017	January 1st, 2017
Trade receivables	18,145,114	13,877,572
Adjustments for the impairment of trade receivables	(1,467,622)	(1,496,976)
Net trade receivables	**16,677,492**	**12,380,596**
Various debtors	283,040	282,988
Providers – debtors	61,869	67,816
Recoverable and undue VAT	77,479	66,825
Adjustment for other receivables	(106,530)	(106,530)
Accrued expenses	140,011	41,779
Other Receivables	190,048	302,327
Total	**17,323,409**	**13,035,801**

The fair value of the trade receivables and other receivables reflects the value thereof less the impairment adjustments.
On September 30th, 2017, the net trade receivables amounting to RON 16,677,492 (January 1st, 2017: RON 12,380,596) are considered fully performing.
On September 30th, 2017, the Company has received from customers under the form of security, promissory notes and cheques amounting to RON 1,729,578 (January 1st, 2017 amounting to RON 1,223,643) according to the contractual clauses.
On September 30th, 2017, adjustments are created for the impairment of the receivables of the domestic customers, in total amount of RON 1,467,622 (January 1st, 2017 2015: RON 1,496,976). It has been considered that there are no certain data wherefrom resulting that these receivables shall be recovered, the maturity thereof exceeding 90 days.
During the 3rd quarter of 2017, an amount of RON 29,354 representing the collection or rescheduling of the receivables based on addenda concluded with the customers was recognized as income from the previously created adjustments.
The structure of the trade receivables per age, on the reporting date, was:

	Impairment September 30th, 2017	Gross value September 30th, 2017	Impairment January 1st, 2017	Gross value January 1st, 2017
Not overdue		10,071,135	-	8,515,966
Overdue between 0 and 90 days		3,031,090	-	1,862,403
Overdue between 91 and 270 days		2,084,216	-	1,923,177
Overdue between 271 and 365 days		1,491,051	-	38,062
Over one year overdue	1,467,622	1,467,622	1,496.976	40,988
	1,467,622	**15,424,883**	**1,496.976**	**12,380,596**

On September 30th, 2017, the adjustments for the impairment of other receivables amount to RON 106,530 (January 1st, 2017: RON 106,530).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

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

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

Currency	**September 30th, 2017**	**January 1st, 2017**
EUR	339,539	309,700
RON	16,337,833	12,070,896
Total	**16,677,372**	**12,380,596**

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

	September 30th, 2017	**January 1st, 2017**
On January 1st	**1,603,506**	**1,673,342**
Recognized impairment adjustments	-	-
Reversal of the impairment adjustments	29,354	69,836
At the end of the period	**1,574,152**	**1,603,506**

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

(i) Cash and cash equivalents

	September 30th, 2017	**January 1st, 2017**
Cash, bank accounts and cash equivalents	4,191,689	4,980,905
Collectable securities	54,498	22,099
Total	**4,246,187**	**5,003,004**

Over the 3rd quarter of 2017, offsets were made for mutual debts and endorsement of bills amounting to RON 762,078 (in the 3rd quarter of 2016, the amount of RON 1,610,679).

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

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

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

	September 30th, 2017	**January 1st, 2017**
Financial assets – fund units	3,089,788	3,046,521
Total	**3,089,788**	**3,046,521**

On September 30th, 2017, the Company holds investments in fund units, at fair value, as follows:

Fund type	**Fund management company**	**Number of fund units**	**Value of the fund units**
BT OBLIGATIUNI open investment fund	BT Asset Management	144,993	2,565,361
SIMFONIA open investment fund	SG Asset Management - BRD	13,063	524,427

18. CAPITAL AND RESERVES

a. Share Capital

Share capital subscribed and paid up on September 30th, 2017	**RON 23,990,846**
Number of shares subscribed and paid up on September 30th, 2017	**239,908,460 shares**
Nominal value of one share	RON 0.10
Characteristics of the issued, subscribed and paid up shares	Ordinary, nominal, dematerialized

The securities of the Company (shares) are listed and traded in the 2nd category of Bucharest Stock Exchange. All shares have the same voting rights.

On September 30th, 2017, the share capital of the Company was not amended in the sense of the increase or reduction thereof.

The share capital registered on September 30th, 2017 is of RON 23,990,846.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES (continued)

a. Share Capital (continued)

The shareholding structure of the Company is:

September 30th, 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	3,081,084	308,108	1.2843
- individuals	12,491,785	1,249,179	5.2069
TOTAL	**239,908,460**	**23,990,846**	**100.00**

January 1st, 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

	September 30th, 2017	January 1st, 2017
Tangible asset revaluation reserves	12,514,196	12,596,817
Statutory reserves	2,226,856	2,226,856
Other reserves	5,074,972	4,272,302
Total	**19,816,024**	**19,095,975**

(i) Tangible asset revaluation reserves

The revaluation of the tangible assets was made as follows:

- in the year of 2005, for all the groups of tangible assets;
- in the year of 2007, for the tangible assets in the «Constructions» group;
- in the year of 2010, for the tangible assets in the «Constructions» group;
- in the year of 2013, for the tangible assets in the «Constructions» group.

The revaluation difference originating from the increase of the cost of the revaluate non-current assets was registered in compensation by account 105 – Tangible asset revaluation reserves.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

18. CAPITAL AND RESERVES (continued)

b. Reserves (continued)

(ii) Statutory reserves

The Company distributes to the statutory reserves 5% of profit before taxation, up to the limit of 20% of the share capital. These amounts are deduced from the tax base upon the corporate tax calculation. The value of the statutory reserve on September 30th, 2017 is of RON 2,226,856 (January 1st, 2017: RON 2,226,856).

The statutory reserves cannot be distributed to the shareholders.

(iii) Other reserves

Other reserves comprise amounts distributed over the years of 1991 - 2016 and represent:

	Amount
Other reserves – having profit as source of establishment	4,688,866
Other reserves - having tax facilities as source of establishment	354,563
Other reserves - having the sale of fixed assets as source	29,888
Other reserves - having prescribed dividends as source of establishment	1,655
TOTAL	**5,074,972**

19. RESULT PER SHARE

The result per share is calculated by the distribution of the net profit attributable to the shareholders of the company, related to the 3rd quarter of 2017, amounting to RON 2,814,871 (2016: RON 2,510,806) to the number of outstanding ordinary shares of 239,908,460 shares (2016: 239,908,460 shares).

Profit attributable to the ordinary shareholders	**September 30th, 2017**	**September 30th,2016**
Profit of the period	2,814,871	2,510,806
Number of ordinary shares	239,908,460	239,908,460
Result per share	0.0117	0.0105

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

20. LOANS

This note provides information on the contractual terms of the interest-bearing loans of the Company, evaluated at the amortized cost.

	September 30th, 2017	January 1st, 2017
Long-term debts		
Financial leasing debts	184,665	253,913
Investment credit debts	1,447,939	
Short-term debts		
Work performance bonds	-	6,851
Tenant deposits according to the contract	11,077	7,326
Current part of the financial leasing debts	91,550	117,557
Investment credit debts	394.108	-

Principal installments related to financial leasing

	September 30th, 2017	January 1st, 2017
Up to 1 year	91,550	117,557
Between 1 and 5 years	184,665	253,913

The debts related to the leasing contracts are guaranteed by the assets contemplated by the leasing contract, and, in case of failure of payment, they rightfully rest with the lessor.

The debts related to the investment contract are guaranteed by the asset contemplated by the contract, and, in case of failure of payment, it rightfully rests with the bank.

21. DEFERRED INCOME

(i) Subsidies

On September 30th, 2017, the equipment purchased via the programme entitled "Development of the North-Eastern Area" run via ADR in 2003 for the project entitled "Technological Revamping of the Manufacture of Seed Drills in the MECANICA CEAHLĂU Production" appear in the position of subsidies for investments.

The subsidies related to the non-current assets are systematically recognized as income along the useful life of the purchased non-current assets.

The amounts recognized in the Statement on the aggregate result, as well as the non-amortized value of the subsidies for investments, are presented below:

Subsidies	September 30th, 2017	January 1st, 2017
On January 1st	**2,277**	**4,554**
Recognized in the Statement on the aggregate result	1,708	2,277
On September 30th	**569**	**2,277**

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

21. DEFERRED INCOME

(ii) Interests

The amounts recognized in the Statement on the aggregate result from the year of 2017 as deferred income represents interest relayed to the sales with terms over 365 days:

Interests	September 30th, 2017	January 1st, 2017
On January 1st	-	**-**
Established over the year	-	-
Recognized in the Statement on the aggregate result	-	-
On September 30th, 2017	**-**	-

22. PROVISION

	Warranties	Employees' benefits	Restructuring provisions	Other provisions	Total
Balance on January 1st, 2017	-	**226,364**	-	**577,381**	**803,745**
Provisions created over the period	-	-	-	569,070	569,070
Provisions resumed over the period	-	32,743	-	737,651	770,394
Balance on September 30th, 2017	**-**	**193,621**	**-**	**408,800**	**602,421**
On the long run	**-**	**193,621**	**-**		**193,621**
Current	**-**		**-**	**408,800**	**408,800**

Employees' benefits

The provisions amounting to RON 193,621 are created for the benefits granted to the employees upon the termination of the employment contract on retirement, as a consequence of provisions in the collective labour agreement.

Other provisions

Other provisions existent in the balance on September 30th, 2017 represent:

- provisions for the distributors' fees, not granted according to the concluded contracts, amounting to RON 256,831; provisions for copyright, not granted according to the concluded contracts, amounting to RON 288;
- provisions for the marketing campaign amounting to RON 46,681
- provisions for ASM bonuses amounting to RON 105,000

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

23. TRADE LIABILITIES AND OTHER LIABILITIES

	September 30th, 2017	January 1st, 2017
Trade liabilities – short term	4,116,230	2,471,039
Social security and other taxes and duties	1,256,085	905,764
Providers – unreceived invoices	107,110	192,383
Performance bonds for works and tenants	11,077	14,177
Payable dividends	87,078	60,628
Other creditors	977,439	31,399
Total	**6,555,020**	**3,675,390**

24. FINANCIAL INSTRUMENTS

General Presentation

The Company is exposed to the following risks due to 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 aforementioned risks, the goals of the Company for the risk assessment and management and the procedures used for capital management.

General Risk Management Framework

The risk management policies of the Company are defined so as to provide the identification and analysis of the risks that the Company is confronted with, the establishment of the appropriate limits and controls, as well as the monitoring of the risks and the compliance with the established limits.

The risk management policies and systems are regularly reviewed, in order to reflect the changes occurred in the market conditions and in the activities of the Company. By the training and management standards and procedures thereof, the Company wishes to develop an orderly and constructive control environment, within which all the employees understand their roles and obligations.

The internal auditor of the Company performs standard and ad-hoc engagement of review of the risk management controls and procedures, the results thereof being presented to the Board of Directors.

a. Credit Risk

The treatment of the counterparty risk is based on success factors internal and external to the Company. The financial assets, which can expose the Company to the collection risk, are mainly the trade receivables and cash on hand. The Company has implemented a series of policies whereby ensuring that the sale of products is made to customers with appropriate collection.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

a. Credit Risk (continued)

The value of the receivables net of the impairment adjustments represents the maximum amount exposed to the collection risk. The report on the receivables per ages is presented in note 16, Receivables.

The credit risk is the risk for the Company to cover a financial loss, as a consequence of the non-fulfillment of the contractual obligations by a customer or counterparty in a financial instrument, and this risk mainly results from the trade receivables and the financial investments of the Company.

The Company has a significant concentration of the credit risk. The Company applies specific policies, in order to ensure that the sale of the products and services is carried out, so that the granted commercial credit is appropriate, and it continuously monitors the age of the receivables.

Exposure to the credit risk

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

	September 30th, 2017	**January 1st, 2017**
Trade receivables	16,677,492	12,380,596
Other receivables	505,906	613,427
Marketable securities	4,246,187	3,046,521
Cash and cash equivalents	3,089,788	5,003,004
	24,519,374	**21,043,548**

The maximum exposure to the credit risk related to the credits and receivables on the reporting date, in reference to the geographic area, was:

	September 30th, 2017	**September 30th, 2016**
Domestic market	29,964,767	27,107,797
Other areas	3,473,945	2,098,631
- EU area	3,473,945	1,918,851
- NON-EU area	-	179,780
Total	**33,438,712**	**29,206,428**

On the domestic market, the Company collaborated with a number of 54 distributors, distributed throughout the country, the most important ones being located in the preponderantly agricultural areas.

The sale volume made via the distributors was of 70% and the direct sales to the domestic beneficiaries were of 30%.
On the external market, the sale volume was made in a proportion of 10.4 % of the turnover. On this market, the traditional customers knowing and promoting the products of the company are kept in touch.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

a. Credit Risk (continued)

The Company established a credit policy according to which each new customer is individually analyzed in terms of creditworthiness and, in some cases, references provided by banks are requested before firm sale agreements are concluded.

For the purpose of the monitoring of the credit risk related to the customers, they are grouped in reference to the characteristics of the credit risk, taking into account the classification thereof as legal entities or individuals, domestic or external customers, the seniority, maturity date and the existence of previous financial difficulties. The customers classified as having a high risk are monitored, the future sales being subsequently made based on advance payments or using various bank instruments to guarantee the collections.

The policy of the company is to provide service for the provided products over a warranty period of 24 months.

On September 30th, 2017, respectively on January 1st, 2017, the net book values of the cash and cash equivalents, providers and customers, commitments and short-term liabilities approximated the fair values thereof, due to the short-term due dates.

b. Liquidity Risk

The liquidity risk is the risk for the Company to be confronted with difficulties in the fulfillment of the obligations associated to the financial liabilities that are settled in cash. The approach of the Company related to the liquidity risk is to ensure, to the extent possible, that it holds, at any moment, sufficient liquidities in order to face the debts, when they become due, both in normal conditions and in difficult conditions, without bearing significant loss or jeopardizing the reputation of the Company.

In general, the Company ensures that it has sufficient cover to cover the contemplated operating expenses, including for the payment of the financial liabilities. The Company continuously monitors the liquidity risk by the periodical elaboration of the forecasts of liquidity flows.

In order to cover the liquidity risk thereof, that could appear in the event the cash on hand cannot cover the financing need, the Company has credit lines contracted in RON and not used on this date.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

b. Liquidity Risk (continued)

Exposure to the liquidity risk

The contractual maturity dates of the financial assets and liabilities are the following:

On September 30th, 2017	Book value	0 – 12 months	1 – 2 years	2 – 5 years	More than 5 years
Financial assets					
Cash and cash equivalents	4,246,187	4,246,187	-	-	-
Marketable securities	3,089,788	3,089,788	-	-	-
Trade receivables and other receivables	17,183,398	17,183,398	-	-	-
Total financial assets	**24,519,373**	**24,519,373**	**-**	**-**	**-**
Financial liabilities					
Investment credit	(1,842,047)	(394,108)	-		(1,447,939)
Leasing credits	(276,215)	(91,550)	(184,665)		-
Trade liabilities and other liabilities	(6,555,020)	(6,555,020)		-	-
Total financial liabilities	**(8,673,282)**	**(7,040,678)**	**(184,665)**		**(1,447,939)**
Net	**15,846,092**	**17,478,696**	**(184,665)**		**(1,447,939)**

c. Market Risk

The Romanian economy is in continuous development, much uncertainty existing related to the possible trend of the economic policy and development in the future. The management of the Company cannot predict the changes that shall take place in Romania and the effects thereof on the financial status, on the operating results and treasury flows of the company**.**

Currency Risk
The Company is exposed to the exchange risk by the sale, purchases, liquid funds and credits thereof, which are denominated in other currencies but the functional currency of the Company; nevertheless, the currency in which most transactions are made is RON.

Exposure to the currency risk

The currencies exposing the Company to this risk are primarily EUR. The resulted differences are included in the Statement on the aggregate result and they do not affect the cash flow until the settlement of the debt. On September 30th, 2017, the Company holds cash and cash equivalents, trade receivables and business debts in foreign currency; the remaining financial assets and financial liabilities are denominated in RON.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

c. Market Risk (continued)
Currency Risk (continued)

The exchange rates of the national currency in reference to EUR and USD, calculated as average of the exchange rates recorded over the reporting year and the previous year, as well as the exchange rates communicated by the National Bank of Romania on the last day of the year, were:

Currency	Average exchange rate		Spot exchange rate on the reporting date	
	September 30th, 2017	January 1st, 2017	September 30th, 2017	January 1st, 2017
EUR	4.5978	4.5173	4.5991	4.5411
USD	3.8576	4.2820	3.8977	4.3033

Sensitivity analysis

September 30th, 2017	EUR 1EUR =4.5991	RON 1 RON	TOTAL
Cash and cash equivalents	322,161	3,924,026	4,246,187
Marketable securities	-	3,089,788	3,088,788
Trade receivables and other receivables	377,979	16,805,420	17,183,398
Total financial assets	**700,140**	**23,819,234**	**24,519,374**
Investment credit	-	(1,842,047)	(1,842,047)
Leasing credits	-	(276,215)	(276,215)
Business debts and other debts	(2,734,798)	(3,820,222)	(6,555,020)
Total financial liabilities	**(2,734,798)**	**(5,938,484)**	**(8,673,282)**

January 1st, 2017	EUR 1EUR =4.5411	RON 1 RON	TOTAL
Cash and cash equivalents	232,919	4,770,085	5,003,004
Marketable 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**
Business debts and other debts	(1,122,777)	(2,924,083)	(4,046,860)
Total financial liabilities	**(1,122,777)**	**(2,924,083)**	**(4,046,860)**

The Company did not conclude hedging contracts in terms of the liabilities in foreign currency or the exposure to the interest rate risk.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

c. Market Risk (continued)

Currency Risk Sensitivity Analysis

The Company is primarily exposed to EUR. The table below presents in detail the sensitivity of the Company to a 5% increase/decrease of RON in reference to the respective currencies. 5% represents the sensitivity rate used in the reports to the management as regards the currency risk.

The sensitivity analysis comprised only the monetary items in the balance denominated in foreign currency and presents the change of the conversion thereof in RON at the end of the reporting period, as a consequence of a 5% variation of the exchange rate in reference to the exchange rate on the respective date. A positive number indicates an increase of the result and of the equity, where the functional currency consolidates in reference to the respective currency.

September 30th, 2017	**EUR 1EUR =4.5991**	**RON 1 RON**	**TOTAL**
Net Asset / (Liability) position	(2,034,658)	17,880,750	15,846,092
Profit / (Loss)	**(101,733)**		**(101,733)**

January 1st, 2017	**EUR 1EUR =4.5411**	**RON 1 RON**	**TOTAL**
Net Asset / (Liability) position)	(833,363)	17,830,051	16,996,688
Profit / (Loss)	**(41,668)**	**-**	**(41,668)**

Interest Rate Risk

The interest rate risk is the risk for the value of the financial instruments to fluctuate due to the changes of the interest rate on the market. The revenue and cash flow of the company cannot be affected by the interest rate fluctuation on the market, as the Company no longer cash credit contracts at the end of the period.

Exposure to the interest rate risk

On the reporting date, the company does not hold floating or fixed interest-bearing financial instruments.

d. Capital Management

The goals of the Company in the management of the capitals are those of providing the protection and ability to reward the shareholders thereof, to maintain an optimal structure of the capital, in order to reduce the capital costs.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

24. FINANCIAL INSTRUMENTS (continued)

d. Capital Management (continued)

The Company monitors the volume of the attracted capital based on the degree of indebtedness. This rate is calculated as ratio of the net debts and total equity. The net debts are calculated as total liabilities net of cash. The total capital is calculated as the equity plus the net debts.

	September 30th, 2017	January 1st, 2017
Total liabilities	**8,673,282**	**4,049,137**
Cash and cash equivalents	4,246,187	5,003,004
Marketable securities	3,089,788	3,046,521
Total equity	**53,129,182**	**51,483,417**
Net debt indicator	**-0.16**	**-0.08**

25. COMMITMENTS AND CONTINGENCIES

(a) Taxation

The taxation system in Romania is in a phase of consolidation and harmonization with the European legislation. Nevertheless, there are still different interpretations of the tax legislation. In certain situations, the tax authorities can differently treat certain aspects, proceeding to the calculation of additional taxes and duties and of the related delay interests and penalties (0.05% per day). In Romania, the fiscal year remains open for tax verification for 5 years. The management of the Company considers that the tax liabilities included in these financial statements are appropriate.

(b) Taken out Insurance

At the end of the 3rd quarter of 2017, the Company has insurance policies taken out for tangible assets.

(c) Legal Actions

The Company is subject to a number of legal actions resulted in the normal course of business.

Besides the amounts already recorded in these financial statements as provisions or adjustments for the impairment of the receivables and described in the notes, the amounts related to other legal actions shall be recognized upon obtaining a final and irrevocable sentence /upon collections.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

25. COMMITMENTS AND CONTINGENCIES (continued)

(c) Legal Actions (continued)

At the end of the 3rd quarter of 2017, the Company is involved in legal actions as follows:

- 25 trials as plaintiff for the non-collected receivables, wherefor adjustments were established for the impairment of the trade receivables in a percentage of 100%;
- 24 trials as plaintiff contemplating the insolvency, bankruptcy claim, wherefor adjustments were established for the impairment of the trade receivables in a percentage of 00%;
- 100 trials as defendant contemplating occupational litigations, for which the release of certificates wherefrom the performance of work in the 2nd work group resulting, necessary for retirement, is requested. The management estimates that the result of these trials shall not have an impact on the financial status of the Company;

(d) Quality – Environment Compliance Programme

The Company has implemented the "Calitate-Mediu" Integrated Management System certified by the external auditor TÜV THÜRINGEN for ISO 9001: 2008 and ISO 14001: 2004. The certificate is for the fact that the application of the requirements corresponding to the reference standards has been proved and is certified, according to the certification procedures.

26. AFFILIATES

SIF Moldova is the majority shareholder of MECANICA CEAHLĂU SA, holding 63.3020 % of the total shares. The Company is part of the consolidation perimeter of SIF MOLDOVA.

Romanian Opportunities Fund. loc. Windward Caiman is a significant shareholder within MECANICA CEAHLĂU SA, holding 30.2068 % of the total shares.

Details on other affiliates with which MECANICA CEAHLĂU SA entered commercial relations: Transport Ceahlău SRL.

The affiliates of the Company and the relations therewith are presented below:

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

No transactions, owed and receivable amounts with SIF Moldova were identified, other than the owed dividends.

No transactions, owed and receivable amounts with Romanian Opportunities Fund. loc. Windward Caiman were identified.

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

26. AFFILIATES (continued)

The participating interests that the Company holds, on September 30th, 2017, in Transport Ceahlau SRL are presented thus:

	September 30th, 2017	January 1st, 2017
Shares unlisted on January 1st	**51,000**	**51,000**
Purchases	-	-
Assignments	-	-
Impairment adjustments	51,000	51,000
Balance on September 30th	**-**	**-**

The main scope of business of Transport Ceahlău SRL is represented by the road transport of goods, but the share of the performed activity is represented by general mechanics operations.

The report on the movement of participating interests on September 30th, 2017 is the following:

			Shareholding percentage	
	Purchase date	Sale date	September 30th, 2017	January 1st, 2017
Transport Ceahlau SRL	2004	-	24.28	24.28

The participating interests that the Company holds were registered at cost.

Information on the Transactions with the Affiliates

	September 30th, 2017	September 30th, 2016
a) Procurements of goods and services		
Transport Ceahlau SRL	-	96,869

b) Balance related to the procurements of goods and services – 39,882

Transport Ceahlau SRL

c) Sales of goods and services – 27,789

Transport Ceahlau SRL

d) Balance related to the sales of goods and services– 4,373

Transport Ceahlau SRL

NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

26. AFFILIATES (continued)

Information on the Transactions with the Affiliates (continued)

The prices agreed upon between the parties were mutually accepted, based on the types of products, services and other terms and conditions. Since the services, respectively the products, are not currently traded on the market, we cannot fully estimate whether they are compliant with the free and open market.

The Companies applies in the contractual relations with the affiliates the same internal policies as in the relations with the other contractual partners with which the company is not in special relations.

Transactions with the Key Management Staff

Loans granted to the Directors

The Company did not grant advance payments, credits or loans to the members of the management, executive and supervisory bodies on September 30th, 2017.

Benefits of the Key Management Staff

The managers' salary entitlements are established by the Board of Directors, in compliance with the legal provisions and those of the management contracts.

a) Granted salary entitlements

	September 30th, 2017	**September 30th, 2016**
Management contracts	484,181	584,750
Members of the Board of Directors	625,547	614,835

b) *Balance on September 30th* **30th,**

	September 30th, 2017	**September 2016**
Management contracts	22,415	18,863
Members of the Board of Directors	-	-

The individual financial statements were approved by the Board of Directors on October 23rd, 2017 and signed on behalf thereof by:

Warinschi Laura Elena,
Chief Executive Officer

Marian Gabriela,
Chief Financial Officer

S.C. MECANICA CEAHLAU SA
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STATEMENT

In compliance with the provisions of art.113, letter D paragraph 1 in the Regulation of the National Commission of Transferable Securities (currently the Financial Supervisory Authority) no. 1/ 2006, supplemented by the Regulation of the National Commission of Transferable Securities no. 31/2006, the undersigned Laura Elena Warinschi - Chief Executive Officer and Gabriela Marian – Chief Financial Officer, in charge of the elaboration of the financial Statements on September 30th, 2017, state the following:

- The financial statements on September 30th, 2017 have been elaborated in compliance with the Order of the Minister of Public Finance no. 2844 / 2016 for the approval of the accounting Regulations compliant with the International Financial Reporting Standards ("IFRS") and with the requirements of the accounting standards in Romania, regulated by the accounting Law no. 82/1991, republished;
- The financial statements on September 30th, 2017 provide an accurate and truthful image of the assets, liabilities, financial status, profit and loss account, the companies operates as an ongoing concern;
- The report of the Board of Directors comprises a correct analysis of the development and performances of the company, as well as a description of the main risks and uncertainties specific to the performed activity;
- On the date of this statement, we are not aware of other pieces of information, events, circumstances significantly altering the statements above.

This statement has been made this day of October 23rd, 2017 at the head office of the issuer, MECANICA CEAHLĂU SA, in 5 original counterparts, of which one counterpart for the issue, one counterpart for communication to Bucharest Stock Exchange, one counterpart for communication to the Financial Supervisory Authority and one counterpart for each affiant individual.

CHIEF EXECUTIVE OFFICER,	CHIEF FINANCIAL OFFICER,
Warinschi Laura Elena,	**Marian Gabriela,**

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