ANNUAL REPORT

AT 31.12.2016

OF THE BOARD OF DIRECTORS

- elaborated according to the NCMV Regulation nr.1/2006-

Headquarters: **Cluj Napoca, 1st May Square, nr.1-2, Cluj**

Telephone/ fax number: **0264/425861; 0264/425053**

Number and registration date with the Trade Registry Office: J12/15/1991

Fiscal identification code: **199117**

Tax attribute: **RO**

Share capital: **6.231.454 lei**

Number of shares: **6.231.454**

Shares of the Napoca S.A. Construction Company traded on the Bucharest Stock Exchange

Nominal value of shares: **1.00 RON/share**

CONTENT

INTRODUCTION

The company was established in 1991 on the basis of the Law no. 15/1990 and the Cluj Prefect's Decision no. 566/ December 1990 through the division of the Cluj Building Trust.

Currently, the company is entirely privatized, 100% of the capital being of Romanian origin.

The entity operates in accordance with the Romanian legislation and its status. The main activity of the company is reflected by the CAEN code 4120 – residential and non-residential buildings construction. The firm also produces concrete, mortars, sorted aggregates, different metallic works, woodworks, aluminum works mostly destined for construction activities. Moreover, it provides transport services and machinery work for the main activity, in a small amount, for third parties.

In 2016, the company was only active on the domestic market.

On the 31st of December 2016 the company's share capital is 6.231.454 RON according to a number of 6.231.454 share, with a nominal value of 1,00 RON/share.

The shareholder structure is as follows:

- IT TRANSILVANIA SA holds 4.199.003 shares, respectively 67,384 % of the share capital;
- ARD INVEST LLC, hold 612.303 shares, respectively 9,826 % of the share capital;
- Dimitriu Ştefan Florea holds 387.194 share, respectively 6,214 % of the share capital;
- Other stockholders hold 1.032.214 shares, respectively 16,576 % of the share capital.

INTRODUCTION

The Board of Directors is made up of three members and headed by a chairman, this position is held by Ms. Cachita Floarea Doina.

At the moment of the report the Board of Directors is made up of:

- ✓ Cachita Floarea Doina - chairman
- ✓ Alexandescu Ioana - member
- ✓ Bene Alexandra - member

The financial statements audit was carried out by INTERFISC LLC from Satu Mare.

Development strategies state

In the financial year 2016 the company planned to carry out works based on its profile, specifically: civil engineering, track repairs, water supply, roads and bridges using its own technological resources and qualified personnel.

Based on the concluded contracts, the company carried out works for both private clients and those financed from the state budget.

The main construction projects underway at the end of the year 2016 are the following:

- Demolition, expansion, floor separation for the Someș S.A. Water Company office building;
- Building stationary platforms for airplanes and handling surfaces – stage I CLUJ NAPOCA AVRAM IANCU INTERNATIONAL AIRPORT A.R.;
- Modernization works on the Departure Terminal – Regrouping Zone CLUJ NAPOCA AVRAM IANCU INTERNATIONAL AIRPORT A.R.;
- The modernization of the agricultural operating roads in Geaca, Cluj County;
- Sidewalks in Floresti, Avram Iancu street, Cluj County;
- Sidewalks in Luna de Sus on the county road, right side facing Vlaha, Floresti, Cluj County;

- Restoration and expansion of the airplane parking platform at Fetesti; contract signed with the Ministry of National Defense;
- Emergency intervention works through the consolidation/repair of the structural/non-structural elements of the existing building specifically the facades of the New York Hotel in Cluj Napoca, contract signed with NAPOCAMIN LLC;
- Restoration and modernization of the movement and aircraft expansion areas at the Satu Made Airport;
- Restoration of the Satu Mare Production Base, THE SOMEȘ-TISA WATER BASINES ADMINISTRATION;
- Energetic modernization at SGA Sălaj and car cover outfitting on the premises, Sălaj County, THE SOMEȘ-TISA WATER BASINES ADMINISTRATION.

In the 2016 financial year, the company has carried out its activity with an average number of 207 employees, the turnover being 76.553.336 RON out of which 84,56 % from mounting constructions and 15,44 % from concrete and output sales and miscellaneous activities.

INCOME AND EXPENSES BUDGET DRAFT

The fundamental aspects of the income and expenses budget for the year 2017 are the following: the company currently has contracts signed for construction works and is planning on continuing to participate in public works auctions; continuously carrying out its activity, not having reasons to defer any activities for a period of at least one year.

ACTIVITY ANALYSIS OF THE COMPANY

1.1. Current or future activity which is about to be carried out by the company

a) The Napoca S.A. Construction Company carries out the following activities: construction works, including artwork, concrete, mortars and sorted aggregates production, miscellaneous wood and aluminum confections. Furthermore, it also ensures transport services and machinery work for the main activity, in a small amount, for third parties.

b) Establishment date of the entity

The company was established in 1991 on the basis of the Law no. 15/1990 and the Cluj Prefect's Decision no. 566/ December 1990 through the division of the Cluj Building Trust.

c) Mergers or significant reorganizations of the entity, its branches or controlled companies done during the financial period.

During the financial year of 2016 there were no mergers or significant reorganizations of the entity.

d) Acquisitions or asset sales.

During the financial year 2016, machinery and transport vehicle have been acquired in the amount of 4.704.372 RON and machinery and transport vehicle have been sold in the amount of 2.911.777 RON.

1.1.1. General evaluation elements

a) The unit has registered a gross profit of 1.359.384 RON at the end of the fiscal year 2016 for which an income tax of 241.581 RON was incurred, in comparison with the previous year, when the registered gross profit was in the amount of 298.514 RON.

b) On the 31st of December 2016 the turnover had a value of 76.553.336 RON, registering and increase of 91,13 % from the year 2015 when it was had a value of 40.051.889 RON.

c) The company does not carry out export activities.

d) The total expenses associated to the year 2016 are in the amount of 84.262.193 RON, a 112,93 % increase from the previous year when they were recorded in the amount of 39.571.882 RON.

e) Liquidity:

On the 31.12.2016 the petty cash and cash at bank were in the amount of 6.291.213 RON.

- Current ratio:

Current ratio on the 31.12.2015 = Current Assets / Current Liabilities = 1,49

Current ratio on the 31.12.2016 = Current Assets / Current Liabilities = 1,20

- Acid test ratio:

Acid test ratio on the 31.12.2015 = Liquid Assets / Current Liabilities = 0,46

Acid test ratio on the 31.12.2016 = Liquid Assets / Current Liabilities = 0,14

During this year there has been a sensible decrease in the indicators displayed above, due to the increase in current liabilities, however, the percentages are reasonable in comparison with the previous period.

Furthermore, the supply has been done only on an order basis, thus reducing inventory costs.

1.1.2. **The technical evaluation of the company**

a) The many outlets for the goods/ services as well as the distribution method:

Goods/Services	**Outlets**	**Distribution methods**
Construction and assembly works	Internal	Auction, negotiation, on demand
Concrete and mortar sales	Internal	Orders
Machinery works	Internal	Orders, on demand
Output sales	Internal	Orders, on demand

b) The ratio of each category of goods and services in the incomes and the turnover of the company for the last three years:

Good/Services	**2014**		**2015**		**2016**	
	Turnover	**Income**	**Turnover**	**Income**	**Turnover**	**Income**
Construction and assembly works	76.09	73.34	77.81	78.76	84.56	75.60
Concrete and mortar sales	2.96	2.85	3.52	3.56		
Machinery works	1.96	1.89	3.49	3.53	1.58	1.41
Output sales	18.97	18.28	9.97	10.09	13.86	12.39

The company is planning on offering new goods and services during the coming financial year.

1.1.3. The evaluation of the technological and material supply activity of the company

a) The main suppliers are:

Country of Origin	Supplier	Item
Romania	Napocamin	Sorts, aggregates
Romania	Electro Vest	Iron
Romania	HOLCIM	Cement
Romania	Denisrom	Diesel

b) The company is not significantly reliant on a single supplier, whose loss would negatively impact its incomes.

The extent of the materials and raw materials inventory:

Materials and raw materials inventory	**Value -RON-**
Materials and raw materials	1.910.297
Semi-finished goods, work in progress	8.178.230
Finished goods	429.452
Small inventory	7.059
Raw materials and consumables at third parties	
Advances for materials	1.249.470

1.1.4. Sale activity evaluation

On the domestic market the sales volume on the 31st of December 2016 was of 76.553.336 RON, and on the 31.12.2015 is was of 40.051.889 RON. On the export market the company does not register any sales. The company continuously attends public works auctions, in order to close new construction contracts in accordance with their current capabilities.

With respect to competitors, the company is on a competitive market, taking into account that it is not the only option for clients. Its main competitors are: Cluj-Napoca Transilvania Constructions, Cluj-Napoca Installations Group, Bucharest Hydro construction, Works and Repairs Entrepreneurship.

1.1.5. Evaluation of aspects regarding the company's' employees

a) The average number of employees on the 31st of December 2016 was 207, during the year being several hirings and departures from the company.

   The competency level of the employees is according to the position they hold.

b) The company's' employees are not assembled in a union.

   The rapport between the manager and the employees is one of collaboration, guidance and control.

   There are no elements of conflict between the manager and the employees.

1.1.6. **The main activity of the issuer does not affect the environment above the legal norms.**

There are not litigations nor predictions of such regarding any breaches of environmental protection.

1.1.7. **The research and development evaluation of the company**

The entity does not conduct research and development activities.

There have been no funds allocated for research and development during 2016**.**

1.1.8. **The risk management evaluation of the entity**

Price risk: The entity practices prices according to the evolution of the construction market, in some cases even below the market price, due to certain circumstances.

Credit risk: The company has engaged in two credits to finance its production activities for the periods in which the production is not cashed.

Liquidity risk: During 2016, in case of the General Consolidated Budget debts, there has been a payment schedule file obtained for the fiscal obligations, the rescheduling ends in October 2017.

Cash-flow risk: There are periods when the input cash flow is lower than the output.

b) Describing the company's' policies and objectives regarding risk management:

The company continuously monitors the demand on the domestic construction market, it attends auctions in order to sign new contracts, collect cash from the clients and settle its obligations by payment, compensations, debt assignments etc.

The is a permanent concern for staff and technological improvement in order to use the most up to date work methods.

1.1.9. **Elements of outlook regarding the entity's' activity**

a) Referring to the year 2016, the entity has not registered major capital expenses.

b) In 2016 the incomes derived from the main activity have maintained the same parameters in comparison to 2015; in 2016 the incomes derived from the sale of outputs have increased with 54,7% compared to the previous year.

THE COMPANY'S' TANGIBLE ASSETS

2.1. The location and characteristics of the main production capabilities of the company:

Production Capabilities	Characteristics	Location
The production base is made up of the aggregates sorting station, prefabricated, woodworks, auto park and machinery shop.	Functional	Cluj Napoca, Fabricii de Zahăr Street, nr.163

2.2. There are no current and predicted issues regarding ownership rights concerning the tangible assets owned by the company.

THE MARKET OF SECURITIES ISSUED BY THE COMPANY

3.1. The securities issued by the company are traded on the Bucharest Stock Exchange, starting with the 27.04.2016 on the regulated market of the B.S.E.

Subscribed and paid in share capital on the 31.12.2016 is of 6.231.454. RON, related to the 6.231.454 nominal shares at a value of 1 RON / share.

3.2. The company has not shared dividends in the last 3 years.

3.3. The company has not carried out purchase activities on its own shares.

3.4. The company does not have branches.

3.5. The company has not issued bonds or other debt securities.

THE COMPANY'S MANAGEMENT

4.1. a) The administrative ruling of the company is insured by the Board of Directors made up of the following members:

- ✓ Cachita Floarea Doina - chairman
- ✓ Alexandescu Ioana - member
- ✓ Bene Alexandra - member

b) There is no accord, agreement or family connection between the members of the Board of Directors and any other person, which is why they were appointed in this position.

c) The members of the Board of Directors do not own shares in the company.

Associates of the company:

- IT Transilvania Invest SA Cluj Napoca
- ARD Invest SA Cluj Napoca
- NAPOCAMIN LLC

c) The members of the Board of Directors have not been involved in any litigations or administrative procedures in the last 5 years.

4.2. The executive ruling of the company is accomplished by:

General Director - Eng. Canta Dănuț Dorel

Deputy General Director - Bene Alexandra

Economic Director – Maier Marioara

The members of the executive ruling have not been involved in any litigations or administrative procedures in the last 5 years**.**

FINANCE AND ACCOUNTING STATEMENT

THE ECONOMIC AND FINANCIAL STATEMENT

1. BALANCE SHEET:

				(RON)
INDICATOR		**2014**	**2015**	**2016**
1	A. NON CURRENT ASSETS	44.268.077	43.731.017	48.372.115
2	B. CURRENT ASSETS	40.403.053	47.554.588	55.686.612
3	I. INVENTORY	7.039.909	4.489.054	11.403.084
4	II. RECEIVABLES	19.388.498	28.479.079	36.976.982
5	III. SHORT TERM INVESTMENTS			1.015.333
6	IV. PETTY CASH AND CASH AT BANK	2.964.961	6.363.792	6.291.213
7	C. SUNDRY DEBTORS			276.190
8	D. SHORT TERM DEBTS UP TO ONE YEAR	35.908.237	31.703.795	46.279.778
9	E. NET CURRENT ASSETS/ NET CURRENT LIABILITIES	4.494.816	15.850.793	9.683.024
10	F. TOTAL ASSETS (-) CURRENT LIABILITIES	48.762.893	59.581.810	58.055.139
11	G. LONG TERM DEBTS OVER 1 YEAR	1.747.498	14.235.370	12.244.214
12	H. RISK AND EXPENSES PROVISIONS	5.106.801	3.788.699	3.135.381
13	I. SUNDRY CREDITORS			
14	J. CAPITAL AND RESERVES			
15	I. SUBSCRIBED AND PAID IN SHARE CAPITAL	6.231.454	6.231.454	6.231.454
16	II. PREMIUM RELATED TO CAPITAL			
17	III. REEVALUATION RESERVE	19.862.860	19.438.732	19.438.732
18	IV. RESERVES	3.871.382	1.377.924	1.377.924
19	V. RETAINED EARNINGS	3.422.514	14.248.129	14.509.631
20	VI. FINANCIAL EARNINGS	8.520.384	261.502	1.117.803
21	PROFIT DISTRIBUTION			

22	OWN CAPITAL - TOTAL	41.908.594	41.557.741	42.675.544
23	PUBLIC PATRIMONY			
24	CAPITAL- TOTAL	41.908.594	41.557.741	42.675.544
	ASSETS = LIABILITIES	84.671.130	91.285.605	104.058.727
	NUMBER OF ACTIONS	6.231.454	6.231.454	6.231.454

2. PROFIT AND LOSS ACCOUNT

				(RON)
INDICATOR		2014	2015	2016
1	NET TURNOVER	44.547.083	40.051.889	76.553.336
2	OPERATING INCOME	46.117.494	39.855.842	84.994.871
3	OPERATING EXPENSE	34.403.195	38.471.435	83.765.345
4	OPERATING PROFIT OR LOSS	11.714.299	1.384.407	1.229.526
5	FINANCIAL REVENUES	102.667	14.554	626.708
6	FINANCIAL EXPENSES	1.509.774	1.100.447	496.850
7	FINANCIAL PROFIT OR LOSS	-1.407.107	-1.085.893	129.858
8	CURRENT PROFIT OR LOSS	10.307.192	298.514	1.359.384
9	EXTRAORDINARY INCOME			
10	EXTRAORDINARY EXPENSES			
11	EXTRAORDINARY PROFIT OR LOSS			
12	TOTAL REVENUES	46.220.161	39.870.396	85.621.579
13	TOTAL EXPENSES	35.912.969	39.571.882	84.262.195
14	GROSS EARNINGS	10.307.192	298.514	1.359.384
15	INCOME TAX	1.786.808	37.012	241.581
16	NET EARNINGS	8.520.384	261.502	1.117.803

ECONOMIC INDICATORS

- **Patrimonial solvency**

Patrimonial solvency 2015 = Own capital / Total assets x 100 = 45,52%

Patrimonial solvency 2016 = Own capital / Total assets x 100 = 41,00%

The patrimonial solvency reflects the company's ability to pay its due debts. This indicator is considered optimum when its value exceeds 30 %, indicating the percentage of equity in the total liabilities.

- **Degree of indebtedness**

Degree of indebtedness 2015 = Total debts / Total assets x 100 = 50,32 %

Degree of indebtedness 2016 = Total debts / Total assets x 100 = 56,20%

This indicator shows the extent to which the company finances its activity from sources other than its own (credits, state and supplier debts). Within normal conditions the degree of indebtedness should be around 50 %. A value below 30 % indicates a restraint in using credits and loans, and over 80 %, a high reliance on credits which is an alarming situation for the company.

- **Carrying amount of shares**

Carrying amount / share 2014 = Net Assets / Number of shares = 6,72

Carrying amount / share 2015 = Net Assets / Number of shares = 6,67

Carrying amount / share 2016 = Net Assets / Number of shares = 6,84

CORPORATE GOVERNANCE

The Napoca S.A. Construction Company upholds the relevant principles of corporate governance which apply to issuers of the regulated market, Standard category, administered by the market operator Bucharest Stock Exchange S.A., in terms of transparency within communication with stakeholders, the integrity of the financial reporting process and the efficiency of internal control. For this fiscal year, the issuer plans on continuing the formalization of internal corporate governance processes, to develop and upgrade the procedures and policies pertinent at the present moment and to revise the general conditions of conformity, as they are described inside the BVB Corporate Governance Code, applicable to issuers of the regulated market, Standard category.

CORPORATE GOVERNANCE CODE STIPULATIONS	COMPLIANT	NON-COMPLIANT OR PARTIALLY COMPLIANT	REASON FOR NON-COMPLIANCE
A.1. All entities must have an internal regulation code of the Board, which includes the terms of reference/responsibilities of the board and the key leadership roles of the entity and which applies, amongst others, to the General Principles of Section A.		PARTIALLY COMPLIANT	The terms of reference/responsibilities of the Board and the key leadership roles of the entity are included inside the content of the Articles of Incorporation. The internal regulation of the Board of Directors is in development.
A.2. The provisions for managing conflicts of interest must be included in the Board's internal regulation code. At all times, the members must notify the Board in respect to any conflicts of interest which arose or may arise and to abstain from participating in discussions (including via non-attendance, except situations in which non-attendance would impede meeting the quorum) and from voting on the approval of a measure regarding the matter stemming the conflict of interest.		PARTIALLY COMPLIANT	There are no provisions regarding conflict of interest management within the Articles of Incorporation. Regardless, the guideline of the Corporate Governance Code is applied.
A.3. The Board of Directors or the Supervisory Board must incorporate at least five members.		NON-COMPLIANT	According to the Articles of Incorporation, the Board of Directors consists of three members. This stipulation will be altered in order to comply with the provisions of the Corporate Governance Code.

A.4. A majority of the Board of Directors members cannot have an executive role. At least one member of the Board of Directors must be impartial, in terms of Standard category entities. As for Premium category entities, a minimum of two non-executive members must be impartial. Each impartial member of either the Board of Directors or the Supervisory Board must submit a statement during his or her nomination for election or re-election, as well as whenever a change occurs in his or her status, indicating the aspects based on which the member is considered to be impartial in terms of his or her status and acumen.			The majority of members in the Board of Directors is formed by non-executive directors. AT least one member of the Board of Directors is impartial.
A.5. Any other semi-permanent professional commitments and obligations of a member of the Board, including executive and non-executive roles inside the boards of non-profit companies and institutions, must be revealed to potential shareholders and investors, before the member's nomination and during the member's term.		NON-COMPLIANT	This provision is presently being implemented.
A.6. A member of the Board must reveal to the Board information regarding any interaction with a shareholder who controls, explicitly or via affiliation, shares representing over 5% of all voting rights. This stipulation applies to any type of interaction which could alter the member's stance in regards to decision-making processes in the Board.	COMPLIANT		
A.7. The entity must designate a Secretary of the Board, responsible for facilitating the Board's activity.	COMPLIANT		

A.8. The provision regarding corporate governance will advise on whether or not an evaluation of the Board under the administration of its President took place and, if so, will summarize the key actions taken and their outcome. The entity must have a policy or guide regarding the Board's evaluation, mentioning the purpose, criteria and frequency of the evaluation procedure.			The entity will establish a policy or guide in respect to the Board's evaluation, including the purpose, criteria and frequency of the evaluation procedure.
A.9. The provision regarding corporate governance must contain information regarding the number of meetings of the Board and committees during the past year, the attendance of members (in person or by proxy) and a report of the Board and its committees regarding their activity.		NON-COMPLIANT	This request will be included in the Declaration regarding corporate governance.
A.10. The provision regarding corporate governance must include information referring to the exact number of impartial members inside the Board of Directors or the Supervisory Board.		NON-COMPLIANT	This request will be included in the Declaration regarding corporate governance.
A.11. The Board of the entities inside the Premium category must establish a nominating committee, consisting of non-executive members, which will lead the nominating procedure for new members of the Board and will make recommendations to the Board. The majority of the members in the nominating committee must be impartial.		NON-COMPLIANT	Not applicable.

B.1 The Board must establish an audit committee, in which at least one member is to be an impartial, non-executive director. The majority of the members, including the president, must have proven that they are relevantly qualified for the roles and responsibilities of the committee. At least one member of the audit committee must have relevant audit or accounting experience, applicable and proven. In the case of Premium category entities, the audit committee must have a minimum of three members and the majority of the audit committee members must be impartial.		NON-COMPLIANT	No Audit Committee has been established until the present time. Provided that the conditions are met and its necessity demonstrated, an Audit Committee will be founded.
B.2. The president of the audit committee must be an impartial, non-executive member.		NON-COMPLIANT	Not applicable. See reason B.1.
B.3. One of the responsibilities of the audit committee is to carry out an annual evaluation of the internal control system.			Not applicable. See reason B.1.
B.4. The evaluation must focus on the efficiency and the extent of the internal audit function, the level of adequacy in risk management and internal control reports disclosed to the Board's audit committee, the promptitude and efficacy with which the executive leadership resolves any deficiencies or weaknesses, identified following internal audit procedures, and the presentation of relevant reports to the attention of the Board.		NON-COMPLIANT	Not applicable. See reason B.1.
B.5. The audit committee must evaluate any conflicts of interest in regards to transactions between the entity and its subsidiaries and any affiliates.		NON-COMPLIANT	Not applicable. See reason B.1.
B.6. The audit committee must evaluate the efficiency of the internal control and risk management systems.		NON-COMPLIANT	Not applicable. See reason B.1.
B.7. The audit committee must monitor the exercising of generally-accepted legal and internal audit standards. The audit committee must receive and evaluate the reports of the internal audit team.		NON-COMPLIANT	Not applicable. See reason B.1.

B.8. Whenever the Code mentions reports or analyses initiated by the audit committee, these must be followed by periodical (at least on an annual basis) or ad-hoc accounts which must be forwarded to the Board subsequently.		NON-COMPLIANT	Not applicable. See reason B.1.
B.9. No shareholder can be granted preferential treatment, discriminating other shareholders, in regards to transactions and agreements carried out between the entity and shareholders and their affiliates.	COMPLIANT		
B.10. The Board must adopt a policy through which it will ensure that any transaction between the entity and other entities with which it has close relationships, whose value is equal or more than 5% of the net assets of the entity (based on to the last financial report), is approved by the Board subsequent to a mandatory notification of the Board's audit committee and disclosed appropriately to the shareholders and potential investors, to the extent that these transactions fall under the category of events which must be reported according to requirements.		NON-COMPLIANT	This provision is to be evaluated by the Board of Directors.
B.11. All internal audits must be carried out by a division which is structurally separate (the internal audit department) or by employing an impartial, third-party body.	COMPLIANT		
B.12. In view of ensuring the fulfillment of the internal audit department's main operations, the department must report at a functional level to the Board through the Audit Committee. For administrative purposes and for purposes relating to leadership's responsibility to monitor and reduce risk, the department needs to report directly to the General Director.		PARTIALLY COMPLIANT	The internal auditor reports directly to the Board of Directors and to the General Director, as the Audit Committee is yet to be established.
C.1. The entity must publish the remuneration policy on its online page and to include, in its annual report, a statement regarding the implementation of the remuneration policy during the respective financial year.		NON-COMPLIANT	To be implemented.

D.1. The entity must establish an Investor Relations service, publicly indicating the person or persons responsible, or the organizational unit. In addition to the information required by legal provisions, the entity must include, on its online page, a bilingual section dedicated to investor relations in Romanian and English, containing all the investor-relevant information, including:		PARTIALLY COMPLIANT	The entity has established an Investor Relations service and has included a dedicated section on their webpage in Romanian.
D.1.1. The main corporate regulations: Articles of Incorporation, the procedures regarding the general assembly of the shareholders;		PARTIALLY COMPLIANT	
D.1.2. The professional resumes of the members of leadership structures within the entity, other professional commitments of the Board members, including executive and non-executive roles in other boards of directors or non-profit institutions;		NON-COMPLIANT	To be implemented.
D.1.3. Current and periodical reports (trimestral, bi-annual and annual) – at least the ones mentioned in section D.8. – including current reports with in-depth information regarding non-compliance to the current Code;	COMPLIANT		
D.1.4. Information regarding general assemblies of stakeholders: daily agenda and informative documents; the election procedure for Board members; the arguments consolidating the candidate nominations for Board elections, including their professional resumes; the shareholders' queries regarding the daily agenda points and the entity's response and adopted measures;	COMPLIANT		
D.1.5. Information regarding corporate events, such as dividend payments and other shareholder deliveries, or other events which led to the granting or restricting of shareholder rights, including time limits and the applicable principles of these operations. The corresponding information will be published based to a timeline which will allow shareholders to endorse investment rulings.	COMPLIANT		Insomuch as these events occur, the provision will be upheld.

D.1.6. The name and contact information of a person who could provide relevant information when requested;	COMPLIANT		
D.1.7. The entity's presentations (i.e. slideshows for investors, slideshows regarding trimestral outcomes), financial reports (trimestral, bi-annual and annual), audit and annual reports.	COMPLIANT		
D.2. The entity will have a policy in regards to the annual distribution of dividends or other benefits towards the shareholders, proposed by the General Director or Direction and approved by the Board, designed as a set of guidelines which the entity aims to uphold when it comes to net profit distribution. The principles of the policy of annual profit distribution towards shareholders will be published on the entity's online page.		NON-COMPLIANT	To be implemented.
D.3. The entity will adopt a policy in regards to projections, whether these are publicly disclosed or not. Projections refer to the quantifiable conclusions of studies looking to establish the global impact of a number of factors during a future timeframe (the alleged premises): due to its nature, this forecast has a high level of uncertainty, as the actual results may greatly vary from the initially-established outcome. The policy regarding projections will establish their frequency, their timeframe of interest and their content. If published, the projections may only be included in the annual, bi-annual or trimestral reports. The policy concerning projections will be included on the entity's online page.		NON-COMPLIANT	To be implemented.
D.4. The directives of the shareholders' general assemblies must not limit the shareholders from attending general assemblies or from exercising their rights. Any modification to the directives will be effective beginning with the next shareholder assembly, at the earliest.	COMPLIANT		

D.5. The external auditors will be in attendance of the shareholder general assembly at the moment of their report presentations in front of this assembly.		NON-COMPLIANT	
D.6. The Board will brief the shareholder general assembly on a short assessment of the internal control and significant risk management systems, as well as offer the Board's appreciation of certain matters to be decided upon by the general assembly.		PARTIALLY COMPLIANT	
D.7. Any financial specialist, consultant, expert or analyst may attend the shareholder assembly, provided they have been invited by the Board beforehand. Accredited members of the press may attend the assembly, as well, except if the President of the Board decides otherwise.		NON-COMPLIANT	
D.8. The trimestral and bi-annual financial reports will include information in both Romanian and English concerning the key factors which influence adjustments in sales, operating profit, net profit and other relevant financial indicators, bot h from one fiscal trimester to the next, as well as from one year to the next.		NON-COMPLIANT	
D.9. An entity will arrange at least two meetings or teleconferences with its analysts and investors each year. The information provided on these occasions will be published under the Investor Relations section of the entity's online page at the time of said meetings/teleconferences.		NON-COMPLIANT	The possibility of organizing such events will be taken into consideration based on any requests forwarded by the investors.
D.10. In case an entity supports different acts of artistic and cultural manifestations or sportive, educational and scientific activities and if it believes that their impact on the entity's innovative and competitive character is adjacent to its mission and strategy of development, then the entity will publish its policy in regards to its involvement in the respective events.		NON-COMPLIANT	Such a policy is non-applicable at the moment. If it is believed that such events would have an impact on the entity's innovative and competitive character and if they are contiguous to its mission and strategical development, this policy will be developed.

Chairman of the Board of Directors

Ec. CACHITA Floarea Doina

Napoca S.A. Construction Company

Headquarters: Cluj Napoca, 1st May Square, no. 1-2, Cluj County

Fiscal identification code: RO199117

Registration number with the Trade Registry Office: J12/15/1991

Individual Financial Statements

On the 31st of December 2016

Drawn up according to the International Financial Reporting Standards adopted by the European Union, by treating the individual Financial Statements drawn up in accordance with the Accounting Regulations, approved through the OMPF nr.1802/2014, with the alterations and ulterior additions, whose financial period is equivalent to the calendar year

Financial position statement on the 31st December 2016

in RON	Nota	31st December 2015	31st December 2016
ASSETS			
Intangible assets			
Tangible assets		39.931.643	45.184.338
Financial assets		3.799.374	3.187.777
Other long term assets			
Assets regarding deferred tax			
Total long term assets		**43.731.017**	**48.372.115**

Short term receivables		22.681.716	30.867.506
Other receivables		5.797.363	6.109.476
Sundry debtors			276.190
Petty cash, cash at bank		6.363.792	6.291.213
Other current assets, including inventory		12.711.717	12.418.417
Total current assets		**47.554.588**	**55.962.802**
TOTAL ASSETS		**91.285.605**	**104.334.917**
Capital		6.231.454	6.231.454
Capital adjustments			
Reevaluation reserve		19.438.732	19.438.732
Reserve		1.377.924	1.377.924
Retained earnings		14.248.129	14.509.631
Current result		261.502	1.117.803
Total own capital		**41.557.741**	**42.675.544**
Debts			
Commercial debts		31.703.795	46.279.778 30.031.644
Provisions		3.788.699	3.135.381

Other debts	14.235.370		12.244.214
TOTAL DEBTS	49.727.864		**61.659.373**
TOTAL OWN CAPITAL AND DEBTS	**91.285.605**		**104.334.917**

General director,

CANTA Daniel Dorel

Economic director,

Maier Marioara

NAPOCA S.A. CONSTRUCTION COMPANY
Headquarters: Cluj Napoca, 1st May Square, nr.1-2, Cluj
Fiscal identification code: 199117
Number and registration date with the Trade Registry Office: J12/15/1991

GLOBAL RESULT STATEMENT, on the 31st December 2016

In RON	31st December 2015	31st December 2016
Services rendered	35.353.274	65.939.077
Sale of goods purchased for resale	3.998.619	10.614.259
Other operating revenues	503.949	8.441.535
Operating revenues	**39.855.842**	**84.994.871**
Consumables	7.833.586	30.443.278
Electricity, heating and water	155.638	232.043
Goods for resale	3.991.672	10.378.585
Personnel expenses	4.561.820	8.948.578
Third party services	21.071.509	29.700.433
Other taxes, duties and similar expenses	303.959	208.151
Depreciation of tangible and intangible assets	1.574.146	1.015.408
Other operating expenses	-1.020.895	2.838.869
Operating expenses	**38.471.435**	**83.765.345**
Operating Profit or Loss	**1.384.407**	**1.229.526**
Financial revenues	14.554	626.708
Financial expenses	1.100.447	496.850
Net financial revenues	**-1.085.893**	**129.858**
Earnings before taxes	**298.514**	**1.359.384**
Income tax expenses	37.012	241.581
Deferred tax	0	
Net Profit of the period	**261.502**	**1.117.803**
Other elements of the global result		
Other elements of the global result after taxation		
Total global result of the period	**261.502**	**1.117.803**

General director,

CANTA Daniel Dorel

Economic director,

Maier Marioara

NAPOCA S.A. CONSTRUCTION COMPANY
Headquarters: Cluj Napoca, 1st May Square, nr.1-2, Cluj
Fiscal identification code: 199117
Number and registration date with the Trade Registry Office: J12/15/1991

OWN CAPITAL ADJUSTMENTS STATEMENT
on the 31st of December 2016

	Capital Nominal value	Reserves	Reevaluation reserves	Retained earnings	Global result of the period	Profit redistribution	Total own capital
Balance on the 1st of January 2016	**6.231.454**	**1.377.924**	**19.438.732**	**14.248.129**	**261.502**		**41.557.444**
Increases	-			261.502	1.117.803		1.117.803
Decreases	-				261.502		
Balance 31st of December 2016	**6.231.454**	**1.377.924**	**19.438.732**	**14.509.631**	**1.117.803**	**0**	**42.675.544**

General director,

CANTA Daniel Dorel

Economic director,

Maier Marioara

EXPLANATORY NOTES ON THE FINANCIAL STATEMENTS

Reporting entity

Financial statements for the fiscal period ending on the 31st of December 2016 pertaining to the Napoca SA Construction Company, which is a trading company, with its headquarters in Romania. The address and headquarters is in Cluj Napoca, 1st May Square no. 1-2, Cluj County. The company was founded in 1991 and its registration number at the Trade Registry Office is J12/15/1991.

On the 31st of December 2016, the company's' shareholders structure is the following:

Running number	Name		%	
a)	IT Transilvania Invest SA Cluj Napoca		67.384%	
b)	ARD Invest LLC Cluj Napoca		9.826%	
c)	Other companies and persons		22,79%	
	TOTAL		100%	

The parent company is IT Transilvania Invest SA Cluj Napoca, with which there have been no financial or commercial transactions during the period. There have been consolidated financial statements drawn up the parent company. Transactions with affiliate parties are described in the affiliate party note.

The record of the shares and shareholders is kept under conditions of the law by the Central Depository S.A. Bucharest.

2. Drawing up basis

a) Declaration of conformity

The individual financial statements are drawn up by the company according to the International Financial Reporting Standards ("IFRS"), obtained by the amendment financial data disclosed in the annual financial statements drawn up for the financial year ended on the 31st of December 2016 according to the accounting regulations approved through OMPF NR. 1802/2014, with the alterations and ulterior additions

Starting with the financial year 2012, the companies whose transferable securities are admitted to be traded on the regulated market are obligated to adhere to the IFRS when drawing up their individual financial statements.

b) Financial Statements presentation

The individual financial statements are disclosed according to the requirements of the IAS 1 Presentation of financial statements. The entity has adopted a liquidity based presentation in the case of the financial position statement and an income and expense based one, depending on their type, in case of the global result statement, considering that these methods of presentation offer more credible and relevant information than others based on the methods allowed by the IAS 1.

c) The functional and presentation currency

The company's' management considers as functional currency, as it is defined in the IAS 21 *The effects of changes in foreign exchange rates*, the Romanian leu (RON). All the individual financial statements are disclosed in RON, rounded to the nearest RON value, the currency which the company has chosen as presentation coin.

d) Evaluation basis

The individual financial statements have been drawn up using the historic cost model, except the land and buildings which are evaluated under the assumed cost model.

The accounting policies mentioned below have been consistently applied for all the periods disclosed in these financial statements.

These financial statements have been drawn up based on the activity continuity principle.

e) The use of estimations and reasoning

The preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS) entails the use, by the management, of certain estimations, reasoning and hypotheses which affect the application of the accounting policies as well as the reported value of assets, liabilities, incomes and expenses. The reasoning and hypotheses associated with these estimations are based on previous experience as well as other factors considered reasonable in this context. The results of these estimation form the basis of the reasoning of the accounting values, the assets and liabilities which cannot be obtained from other data sources. The obtained results may differ from the forecast values.

The reasoning and hypotheses are revised periodically by the company. The revision of the accounting estimates is acknowledged in period in which the estimates are revised, if the revisions only affect that period, or, in both the period revised as well as future periods if they affect both periods.

The preparation of individual financial statements in accordance with the IFRS entails the use, by the management, of professional reasoning, estimations and hypotheses which affect the application of the accounting policies and the reported value of assets, liabilities, incomes and expenses. The actual results may differ from the forecast values.

The estimations and hypotheses are revised periodically. The revisions of the accounting estimates are acknowledged in the period of the revision and in future affected periods.

3. Significant accounting policies

The accounting policies have been consistently applied on all the periods disclosed in the financial statements drawn up by the company.

The individual financial statements are drawn up based on the hypothesis that the company will continue its activity in the foreseeable future. To evaluate the applicability of this hypothesis the company analyses the forecast pertaining to future cash inflows.

4. Estimations

The company initially recognizes financial assets (credit, receivables and deposits) on the date of initiation. All other financial assets are initially recognized at the transaction date, when the company becomes part of the contractual obligations of the instrument.

The company unregisters a financial asset when the contractual obligations expire on the cash flows generated by the asset or when the rights to cash in these flows are transferred, through a transaction by which the risks and benefits generated by the ownership right on the financial asset is significantly transferred. Any involvement in the transferred financial asset which is created or kept by the company is recognized separately as an asset or liability.

5. Financial risk management and financial instruments

Assets and financial liabilities are compensated and, in the financial position statement, the net value is only present when the Entity has the legal right of compensating the amounts and either intents to discount them on a net basis, or achieves the asset and estinguishes the obligation simultaneously.

The Entity holds the following current assets: cash and cash equivalents, receivables and investments held by due date.

Receivables
Receivables are financial assets with fixed or determinable payments which are no longer quoted on an active market. Such assets are initially evaluated at their fair value, plus any directly-attributable transactioning costs. Following the initial appraisal, receivables are evaluated at their amortized cost by calculating the effective interest rate minus the value of depreciation losses. Receivables include commercial receivables and others.

Cash and cash equivalents

Cash and cash equivalents include cash balance, running accounts and reimbursable with due dates of up to three months after the acquisition date, for which there is an insignificant risk of fair value fluctuation and which are utilised by the Entity in handling its short-term commitments.

Investments held by due date

Investments held by due date are current financial assets with fixed or determinable payments and a fixed due date, for which the Entity has firm intention and capability of keeping up to the due date. Investments held up to the due date are intially appraised at their fair value, plus any directly-attributable transactioning costs. Following the initial appraisal, they are evaluated through their cost, minus any depreciation losses.

Current financial liabilities

The Entity intially appraises the current financial liabilities at the time of the transaction, when the Entity becomes the subject of the contractual provisions of the instrument. These are intially appraised at the fair value plus any other directly-attributable transactioning costs. Following the initial appraisal, these financial liabilities are evaluated at their amortized cost using the calculation of effective interest.
The Entity Societatea retracts a financial liability when the contractual obligations are fulfilled, annuled or expired.
The Entity holds the following current financial liabilities: loans, financial lease contracts, indemnities for subcontractors, commercial liabilities and others.

Social capital – ordinary shares

Ordinary shares are classified as part of the equity. Supplementary costs directly-attributable to ordinary shares and share options placements are acknowledged as a reduction of equity to the net value of fiscal bills.

1. Tangible assets

Appraisal and evaluation

Tangible assets are initially evaluated as cost by the Entity. The cost of a tangible asset element consists of the buying rate, including taxes beyond retrieval, after the deduction of any price reductions of a commercial nature and any costs with can be attributed directly to bringing the asset to the location and status necessary in order for it to be employed for the desired purpose by the directorate, such as: employee expenditure, costs derived directly from the construction or acquisition of the asset, costs of placement development, initial costs of delivery and handling, costs of instalation and assemblage, occupational fees.

The cost of a tangible asset element contructed by the entity includes:

- the cost of materials and direct staff expenditures;
- any other costs directly-attributable to bringing the assets to a stage necessary for its desired employment.

Reclassification as real estate investment

When the employment of a property is changed from real estate used by the owner into a real estate investment, the property is appraised to the book value of the transferred real estate and it does not modify the cost of the respective property in pursuance of appraisal or the presentation of infomration. The Entity has reclassified, at the time of its transfer to IFRS, a series of terrains, buildings and investments in transit from real estate property to real estate investments after being analyzed in conformity with IAS 40 *Real Estate Investments.*

Subsequent costs

Subsequent costs are only capitalized when they raise the value of incoming incorporated economic, in the asset to which they are destined. Costs of repairment and upkeep are acknowledged in profit or losses when they are dealt with.

Amortization

The elements of tangible assets are amortized starting with the date when they are utilizable or functional and, for assets constructed by the entity, from the date when the asset is finalized and ready for use.

Amortization is calculated using the liniar method along the life cycle of assets, as follows:

Constructions	8-60 years
Equipment	2-15 years
Means of transportation	2-15 years
Furnishing and other tangible assets	4-15 years

Land plots are not subjected to amortization, only land contructions are, for an asset life cycle of 24 years.

Amortization is generally recorded in the proift or loss, except the situation in which the amount is included in the accounting value of another asset.

Leased assets are amortized during the shortest period of time between the duration of the leasing contract and the asset life cycle, except the situation in which it is estimated, at a reasonable certainty level, that the Entity will obtain the ownership rights at the end of the lease.

The amortization methods, the estimated asset life cycles, as well as the residual values are revised by the leadership of the Entity on each reporting occasion and amended, if necessary.

The selling or annulment of tangible assets

The tangible assets which are sold or annuled are eliminated from the balance, together with the corresponding amortization accumulated. Any profit or loss resulting from such an operation are included in the current profit or loss.

Intangible assets
Recording and assesment

Intangible assets acquired by the Entity which have predetermined life cycles are assesed by their cost minus the amortization and the depreciation loss accumulated.

Research and development

Expenses on research activities, conducted with the purpose of gaining knowledge, scientific insight or new techniques, are recorded in the profit or loss as they are carried.

Development activities imply a plan or project which targets new or substantially improved products or processes. The development costs are capitalized only if they can be justified, the product or proces is feasible from a technical and commercial standpoint, the future economic benefits are are probable and the Entity aims and has the necessary resources in order to finalize the development and to use or sell the asset. The capitalized expense includ the cost of materials, direct personell costs and administrative costs which are directly-attributable to preparing the asset for its predetermined utilization and to the costs of the capitalized debt. Other development costs are recorded in profit or loss as they are carried.

Subsequent costs

Subsequent costs are capitalized only when they increase the value of future economic benefits incorporated in the asset to which they pertain. All other expenses, including expenses for the commercial fund and internally-generated trademarks, are recorded inside the the profit or loss as they are carried.

Amortization

Amortization is calculated based on the cost of the asset minus its rezidual value.
Amortization is recorded in the profit or loss using the liniar method for intangible asset's estimated life cycle, assets other than the commercial fund, starting with the date of their availability for use. The estimated life cycle durations for the current and comparable periods of time are as follows:

- software 1-3 years

The amortization methods, the life cycle durations and the resiudal values are revised at the end of each fiscal year and are amended, if necessary.

Real estate investments

Real estate investments are properties owned either in order to rent them, or to increase capital value, or both, but not for selling during the course of the main activity, nor for use in production, goods supply aor adiminstrative services.

Real estate investments are initially recorded by their cost and, subsequently, recorded through their cost minus accumulated amortization and depreciation losses.

The cost includes expenses which can be directly-attributed to the acquisition of real estate investments. The cost of real estate investments performed in-house includes the cost of materials and the cost of workforce, plus other costs directly-attributable to bringing real estate investments to a condition for for their utilization purpose, as well as the costs of capitalized debt.

The Entity appraises real estate investments included in the balance at the time of its transition to IFRS, to their presumed costs which represents the fair value at the time of the last re-evaluation (December 31st, 2008), performed previous to the transition time, minus any amortization acumulated subsequently and any accumulated depreciation losses up to December 31st, 2008.

2. Inventory

Recording and evaluation

Inventory is appraised at a minimum between the cost and the realizable value.

The cost of the inventory is based on the First In, First Out principle (FIFO) and includes the expenses registered for the acquisition of inventory, expenses of production or processing and other expenses carried to bring the inventory to its current state and location.

Inventory which is used in retail is evauated at its sell price.

The Entity owns, inside the inventory, appartment flats which are destined for selling and which have been built in-house. The costs pertaining to building these flats include:

1. buying price;
2. custom taxes and other charges (except taxes which are subsequently recovered from fiscal authorities);
3. transportation costs;
4. handling costs;
5. other costs which may be attributed to the direct acquisition of finite products, materials and services; \
6. costs directly-attributable to the produced units (i.e. manual installation);
7. systematic allocation of fixed production expenses (i.e. amortization, maintenance of the production departments and machinery, costs regarding management and administrations services etc);
8. systematic allocation of variable production expenses (i.e. indirect materials, indirect manual labour etc. Which vary propotionally to the productions volume);
9. general oncosts, other than those direclt-attributable to production;
10. costs of indebtment.

The net realizable value is the sell price estimated throughout the normal course of the activity minus the estimated costs for wrapping up and the costs required for the sale conclusion.

Reclassification through real estate investment

When the purpose of an element is changed from the inventory category to the real estate investment one, these are recorded at the accountable value of the transferred inventory elements.

3. Current construction accounts

Construction conracts are regulated through IAS 11 *Construction contracts.* Current constructions represent the gross value which is projected as receivable from the clients for the work undertaken up to that point. The evaluation is performed by the cost plus the acknowledget profit to the present poitn minus the amounts invoiced for the undertaken works and recorded losses. The costs includes all the expenses directly-related to specific projects and an allocation of administrative expenses both fixed and variable, processed during the contractual activities of the Entity on the basis of normal operational capacity.

Current contructions are disclosed as part of commercial liability in the financial position statement for all the contracts for which the carried costs plus recorded profits surpass the invoiced amounts for undertaken work and perceived losses. If the invoiced amounts for the undertaken work and the recorded losses surpass the carried costs plus the perceived profit, then the discrepancy is disclosed in the financial position statement as advance income. Advance payments receivable from the clients are disclosed as income registered in advance in the financial position statement.

Asset depreciation

Non-financial assets

The accountable value of the Entity's non-financial assets, other than assets pertaining to delayed taxes, are revised with each reporting occasion in order to verify the existence of depreciation index. If such an index exists, the retrievable value of the correspondent assets will be estimated.

A loss in depreciation is recorded when the accountable value of the asset or of its cash-generating unit surpasses the retrievable value of the asset or of its cash-generating unit. A cash-generating unit is the smallest identifiable group which generates cash The depreciation losses are recorded in the global results statement.

The retrievable value of an asset or of a cash-generating unit is the maximum between the utilization value and and its fair value, except for costs registered for selling that asset or unit. In order to determine the utilization value, future forecasted cash flows are discounted using an discount rate prior to taxes, which reflects the current market conditions and the risks pertaining to the respective asset.

Depreciation losses recorded in former periods of time are evaluated within each reporting occasion in order to determine whether they have diminished or dissappeared. The depreciation loss is resumed if a change occured in the estimates used to determine the retrieval value. The depreciation loss is only resumed if the accountable value of the asset does not surpass the accountable value which would have been calculated, net through amortization and depreciation, if the depreciation loss would not have been registered.

Financial assets

The depreciation losses pertaining to financial assets available for sale are recorded through the re-classification of accumulated losses in the fair value reserves, from the Entity's capital in profit or loss. The cumulated loss which has been re-classified from the owned capital in profit or loss is the discrepancy between the acquisition cost, net through repayment of principal, amortization and current fair value, minus any depreciation loss recorded beforehand in profit or loss. The adjustments of the depreciation losses, directly-attributable to the application of the effective interest method are reflected as a component of interest income. If, at a prior time, the fair value of a liability instrument, depreciated and available for sale, rises, and the rise can be associated objectively to an event which took place after the depreciation loss has been recorded in the profit/loss, then the depreciation loss is re-assumed, and the value of it is again recorded in the profit or loss. Nonetheless, any subsequent retrieval of the fair value of a capital instrument available for sale is recorded under other elements of the global result.

Dividends to be distributed

Dividends are treated as a distribution of the profit in the period they have been declared and approved by the General Shareholders Assembly, Dividends declared before the reporting date are recorded as obligations at the reporting date.

Dividends distributed to the shareholders, proposed or declared after the reporting period, as well as other similar distributions allotted from the determined profit, based on the IFRS and included in the annual financial statements, do not have to be acknowledged as liabilities at the end of the reporting period.

2. Reevaluation reserves

The last accounting reevaluation of the fixed assets has been done on the 31st of December 2014. The lands and buildings owned by the company have been reassessed by an authorized company.

At the time of the transition to the International Financial Reporting Standards, the company has assessed the tangible assets and the real estate assets at the assumed cost. The assumed costs attributed to the respective assets have been the values established on the

31st of December 2008, as a result of the reevaluation. With the transition to the IFRS, the reevaluation reserve in the balance, as well as the reserve which represents the realized reevaluation reserve surplus, have been added to the retained earnings. To quantify the fiscal impact, according to IFRS 12, the deferred profit income tax was recorded.

Starting with the data of the transition to the IFRS, the company chose as evaluation model, the depreciation cost model for all assets and liabilities.

3. Legal reserves

The legal reserves constitute 5% of the gross statuary profit at the end of the year until the total legal reserves reach 20% of the nominal subscribed and paid in share capital according to the legal stipulations. These reserves are deducted from the income tax calculation and are not distributed until the company's' liquidation.

4. Related parties

The parties are considered related in the case in which either one of them has the possibility of directly or indirectly controlling the other, either by ownership, contractual rights, familial relations or of any other nature, as defined in IAS 23 Related party disclosures.

5. Employees benefits

Short term benefits

The requirements with the short term benefits of the employees are evaluated without being discounted and the expense is acknowledged as the services are being rendered. A debt is recognized at the value at which it is expected to be paid within short term plans of granting cash bonuses or participation in the profit if the company has the legal or implicit obligation to paid that sum for previous services rendered to the employees and if the obligation can be credibly estimated.

Short term employee benefits include salaries, bonuses and social security contributions. Short term employee benefits are acknowledged as an expense when the services are rendered.

Determined contribution plans

The company performs payments in the names of its employees to the pension system of the Romanian state, the social security and unemployment fund, during its regular activity.

All company employees are members and also have the legal to contribute (through social contributions) to the Romanian state pension system (a contribution plan determined by the state). All related contributions are acknowledged in the profit or loss of the period when they are done. The company has no additional obligations.

The company is not engaged in any private pension system and, as such, has no other obligations in this regard. The company is no engaged in any other post-retirement benefits system. The company has no obligation to render ulterior services to ex or current employees.

Long term employee benefits

The net obligation of the company regarding the benefits related to long term services is represented by the value of the future benefits the employees have earned in exchange for the services rendered by these in the current and future period.

The company has the obligation of granting benefits to the employees, at the retirement date, according to the collective labour agreement.

Benefits for the termination of the work contract

The benefits for the termination of the work are acknowledged as an expenses when the company can prove without a doubt, the commitment to the official detailed plan of work either to terminate the contract before the normal retirement date, either to offer benefits for work contract termination as a result of voluntary unemployment encouragement. The expenses for the closing a contract for voluntary unemployment is acknowledged if the company has made a voluntary unemployment leave encouragement, it is probable that the offer to be accepted, and the number of those of people who accept can be estimated credibly. If the benefits are due, more than 12 months after the reporting period, these are discounted to the present value.

6. Provisions

A provision is acknowledged if, after a previous event, the company has a present legal or implicit obligation which can be estimated in a credible manner and it is possible that an economic benefits exit might be necessary in order to extinguish the obligation. Provisions are determined through discounting the forecasted future cash flow by using a before-tax rate which reflects current evaluations of the market regarding the time value of the money and the risks associated with the debt. The amortization of the discount is recorded as financial expense.

Guarantees

A guarantee provision is recorded when the products or services being covered by the guarantee are sold. The Entity has established provisions for guarantees in regards to the construction work performed for its clients.
The value of the provision is based on historical information in regards to granted guarantees and is estimated through calculating the average of all results possible divided by the fulfillment probability of each one. Starting with 2011, the provisions have been recorded at the level of good-completion guarantee quotes specified in the agreements, quotes which have been applied to the values of recorded income.

7. Income

✓ *Sale of goods*

Income based on sale of goods during the current activity are evaluated at the fair value of the received or receivable counter-performance, minus returns, commercial discounts and volume rebates. Income is recorded when the significant risks and benefits associated with the property right have been transferred to the client, the recovery of the counter-performance fee is probable, the associated costs and returns of goods can be reliably-estimated. However, it is possible that some discounts or rebates can be granted and their value can be reliably-evaluated; at that point, these are recorded as an income reduction as sales are reported.

The period of time during which the transfer of risks and benefits takes place varies according to the individual terms in the sale agreements.

When it comes to agreements involving payment by installments or in the case of the due date being postponed above the usual limits, an interest-only strip is recorded.

Rendering of services

The income from services rendering is recorded inside the profit or loss proportionally with the execution stage of the transaction at the time of the report. The execution stage is evaluated in association with the undertaken work analysis.

Construction contracts

Contractual income include the initial value agreed upon in the contract plus any modification of the contracted work, any claims and stimulus payments, as far as it is likely that these will lead to obtaining an income and can be reliably-estimated. When the result of a construction contract can be estimated reliably, the income of the contract is recorded within the profit or loss, proportionally with the contract's stage of execution. The stage of execution is known as the method of percentage completion of the contract. According to this method, the contractual income is correlated with the contractual costs sustained in order to reach the execution stage; a direct result is reporting the income, the expenses and profit, which can be attributed to the percentage of work undertaken. When the result of a construction contract cannot be feasibly estimated, the income of the contract is recorded only within the limits of the sustained costs inside the contract, which have a high probability of being recovered.

The contract's expenses are recorded as they are performed, except the case in which they create an asset which is associated to a future contractual activity. A forecasted loss pertaining to the contract is immediately recorded in the profit or loss.

Income from rent

Incomes from rent, related to the real estate investments, are acknowledged as income, linearly, during the lease contract. The stimulus adherent to the leases are recognized as an integrative part of the total rent income for the duration of the lease contract. The incomes from renting other properties are acknowledged as other revenues.

8. The leasing contract

Assets acquired through leasing

The assets owned by the company based on a leasing contract, which substantially transfers all the risks and benefits related to the ownership right to the company, are classified as financial leasing. At the initial acknowledgment, the asset in leasing is valued at its smallest value between is real value and the up to date value of the minimum lease payments. Ulterior to its acknowledgment the asset is recorded according to the accounting policy applicable to that asset.

Assets owned in other contracts are classified as operational leasing and are not recognized in the financial position statement of the company.

Leasing payments

Payments done during operational leasing contracts are recognized in the linear profit or loss for the duration of the leasing contract. The stimulus related to the operational leasing contracts are acknowledged as an integrated part of the total leasing expenses, for the duration of that contract.

Minimum leasing payments done during a financial leasing contract are allocated between the financial expenses and due debt reduction. The financial expense is allocated to each period, based on the leasing contract, so that there is a constant periodic rate of interest proportionate to the balance left to be paid.

9. Financial incomes and expenses

The financial incomes include those related to interests from investment funds and other financial incomes. The income from interest is recognized in the profit or loss, based on the accounting commitments, using the effective interest rate method.

The financial expenses include the interest expenses related to the credits and other financial expenses.

All debt costs which are not directly attributable to the acquisition, construction or production of assets with a long production cycle, are acknowledged in the profit or loss using the effective interest rate method.

Profits or losses from exchange rate differences concerning assets and financial debts are reported on a net basis, either as financial income or expenses depending on the currency fluctuations, net gain or net loss.

10. Taxes

Income tax expenses contain both the current and deferred tax.

The income tax is acknowledged in the global result statement or in other elements of the global result if the tax is related to elements of capital.

Current tax

The current tax is the tax paid related to the recorded profit in the current period, determined based on applied percentages, at the reporting date and all adjustments related to previous periods.

For the financial period closed on the 31st of December 2016, the income tax rate was of 16% (31 December 2015: 16%). The tax rate for incomes generated from taxable dividends was of 16% (31 December 2015: 16%).

Deferred tax

The deferred tax is determined by the company using the balance sheet method, for those temporary differences which appear between the fiscal calculation basis of the asset and liabilities tax and their accounting value, used for the individual financial statements reporting.

The deferred tax is calculated based on taxation percentages which are expected to be applicable to the temporary differences upon their resumption based on the legislation at the reporting date.

Receivables and debts with deferred tax are only compensated when there is a legal right to compensate the debts and receivables with the tax and if these are related to the tax collected by the same fiscal authority for the same entity under taxation or for fiscal authorities which want to accomplish current receivables or debts settlement with the tax using a net basis, or the assets and liabilities related will be done simultaneously.

The receivable regarding deferred tax is recognized by the company only in the percentage in which it is likely to generate future profit, which can be used to cover the fiscal loss. The receivable regarding deferred tax is revised upon the closing of a financial period and is reduced as the fiscal benefit related is improbable of being accomplished. The additional taxes which appear from the redistribution of dividends are recognized at the same date as the payment obligation of the dividends.

Fiscal exposures

In order to determine the value of the current and deferred tax rate, the Entity takes into account the impact of uncertain fiscal positions and the possibility of supplementary tax and interest appearing. This evaluation is based on estimations and hypotheses and may imply a series of reasoning cases concerning future events. New information may become available, thus determining the Entity to modify its reasoning in regards to the accuracy of the existing fiscal obligations estimates; such modifications of fiscal obligations have an effect on tax rate expenses during the period of time in which such a forecast is made.

11. Earnings per share

The Entity discloses the basic and diluted earnings per ordinary share. The basic earnings per share is determined through dividing the profit or loss attributable to the ordinary shareholders of the Entity to the weighted average number of ordinary shares pertaining to the reporting time period. The diluted earnings per share is determined by adjusting the profit or loss attributable to the ordinary shareholders and the weighted average number of ordinary shares to the diluting effects generated by the potential ordinary shares.

12. Segment reporting

A segment is a distinct component of the Entity which supplies certain products or services (operating segment) or supplies products and services to a certain geographical environment (geographical segment) and which is exposed to risks and benefits, different ones than the other segments. At 31 December 2015 and 31 December 2016, the Entity has identified operating segments and did not identify significant reportable geographical segments.
Segment reporting results, which are presented to the Entity's directorate (the main operational stakeholder), include elements which can be directly-attributed to a segment, as well as elements which can be allocated on a reasonable basis. The elements which are not allocated mainly contain corporate assets (first and foremost the Entity's headquarters), expenses pertaining to the headquarters, receivables and liabilities regarding income tax, earnings originating from asset disposal, income and expenses on provisions.

13. Assets and contingent liabilities

Contingent liabilities are not recorded in the financial statements. They are disclosed, except the case in which the possibility of a resource outflow presenting with economic benefits is removed.
A contingent asset is not recorded in the financial statement; it is disclosed when an economic benefits inflow is probable.

14. Subsequent events

Financial statements reflect events which are subsequent to the end of year, events which provide additional information on the Entity's position at the time of the report or events which may indicate a potential infringement of the principle of continuing operations (events which determine adjustments). Events which are ulterior the end of the year and do not constitute events which would determine adjustments are disclosed in the footnotes when considered significant.

4. Determining fair values

Certain accounting policies of the Entity and informational disclosure requirements bring the need to determine the fair value of the assets and the financial and non-financial liabilities. In this case, the fair value of assets and liabilities is determined according to IFRS 13.

5. Segments of activity

The entity has three reportable segments, as follows:

- Construction work: includes income and expenses associated with rendering services regarding civil, agricultural and industrial construction work;
- Special construction work: monuments, places of worship, reparations;
- Production of: concrete, mortar, mosaics and wooden, metal or aluminum installations.

The Entity applies the same management principle, both for the reportable segments and for the activity segments included under "All other segments." As such, the Entity draws up an income and expenses budget at the beginning of each financial year-to-date.

Moreover, if necessary, during the financial year-to-date, the Entity will revise the income and expenses budget I order for it to reflect any changes in both internal and external circumstances.

General Director	Economic Director
Canta Dănuț Dorel	Maier Marioara

STATEMENT

In conformity with the provision of article 30 of the Law no. 82/1991, the General Director of the entity, Canta Dănuț Dorel and the Economic Director, Maier Marioara, assume responsibility for drawing up the annual financial statements at 31.12.2016 and confirm that:

- The accounting policies applied during the compilation of the annual financial statements are in conformity with the applicable accounting regulations;
- The annual financial statements offer an accurate image of the financial position, financial performance and of other information regarding the undertaken activity;
- The juridical person performs its activity on a continuous basis.

General Director	Economic Director
Canta Dănuț Dorel	Maier Marioara

THE INDEPENDENT FINANCIAL AUDITORS' REPORT
on the financial statements during the accounting period which ended on the 31.12.2016 at the
NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA

I. REPORT BENEFICIARIES

The beneficiaries of the current report are: the stockholders and the management of the NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA.

II. THE AUDITED FINANCIAL STATEMENTS AND THE RESPONSABILITIES INVOLVED

1. Report on the financial statements

We have audited the annual financial statements from the NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA which entail the situation of the company's financial position on the 31st of December 2016, the overall result, the movements in capital, the cash flow situation, a summary of the meaningful accounting policies and other explanatory notes.

The financial statements pertain to:

- Net Assets/ Total Capital 42 675 544 RON
- The net results of the accounting period 1 117 803 RON

2. The responsibility for the preparation and presentation of the financial statements

The management of the NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA is responsible for the preparation and accurate presentation of the financial statements in accordance with the International Financial Reporting Standards adopted by the European Union and for the internal control which the management considers necessary to avoid any errors or fraudulent actions during the preparation of the financial statements.

3. The auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on the audit which was done. We have conducted the audit in accordance with the International Audit Standards adopted by the Financial Auditors Chamber in Romania. These standards demand that we comply with the ethical demands and that we plan and conduct the audit in such a way that we are reasonably assured that the financial statements do not contain any major distortions.

III. THE AUDIT AND THE COVERAGE AREA

1. An audit involves:

- test based examination of the probing (justifying) elements which account for the amounts and the information entailed in the financial statements;
- evaluation of the adopted accounting principles and the significant estimations done by the entity's management for the elaboration of the financial statements;
- evaluation of the overall presentation of the financial statements.

During the risk assessment, the auditor analyzes the internal control system which is relevant for the elaboration and accurate presentation of the entity's financial statements with the purpose of planning the

required audit procedures for the given circumstances, but not for the reason of expressing an opinion regarding the efficiency of the company's internal control system. During the audit we also evaluate the degree of adequacy of the accounting policy used and the measure of reasonableness in which the given accounting estimations are done by the management as well as the overall presentation of the financial statements.

2. The audit needs to be done and planned in such a manner that it allows the us to obtain a reasonable assurance that the financial statements do not contain significant errors and are drawn up according to the general financial accounting reporting framework.

3. The assurance obtained by us, as a result of applying the professional standards, tests and financial audit specific procedures are the basis of our opinion expressed on the situation of the financial statements.

4. The audit was done according to the International Audit Standards (IAS) adopted by the Financial Auditors Chamber in Romania. These standards demand that the audit be planned and executed as to obtain a reasonable assurance that the financial statements do not contain significant errors.

We consider that the audit evidence obtained are sufficient and adequate for us to form a basis for our audit opinion.

IV. THE AUDITORS' OPINION

In our opinion, the financial statements drawn up by the NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA accurately show, under all significant aspects the financial position of the NAPOCA S.A. CONSTRUCTION COMPANY IN CLUJ-NAPOCA at the date of December 31st 2016, as well as of the financial performance and cash flow for the financial period according to the International Financial Reporting Standards adopted by the European Union.

Conf. univ. dr. POP VASILE RADU
Financial Auditor
Registered at The Financial Auditors Chamber in Romania under the no. 3081/2009

INTERFISC S.R.L.
C.A.F.R. authorization no. 970/2009