CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS
31 DECEMBER 2017

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION

CARBOCHIM S.A.

SEPARATE FINANCIAL STATEMENTS

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CARBOCHIM S.A.

STATEMENT OF REVENUE AND EXPENDITURE

(All amounts are expressed in RON unless otherwise stated)

	Note	31 December 2016	31 December 2017
Income	17	30,021,923	31,423,479
Other income	17	2,585,453	1,467,863
Changes in inventories of finished goods and production in progress		16,382	82,948
		32,623,758	32,974,290
Raw materials, goods and supplies used		(11,213,016)	(11,272,424)
Employees benefits expenses	18	(13,105,288)	(13,740,492)
Depreciation and amortization expenses		(2,400,810)	(2,222,562)
Other operating expenses	19	(4,613,609)	(4,431,681)
		(31,332,723)	(31,667,159)
Operating income		1.291.035	1.307.131
Financial income	20	1,621	6
Financial costs	20	(58,170)	(120,982)
Financial net result		(56,549)	(120,976)
Profit before tax		1,234,486	1,186,155
Income tax expense	21	(266,521)	(207,185)
Net profit for the year		967,965	978,970
Basic earnings and diluted earnings per action (RON per share)	23	0,20	0,20

STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in RON unless otherwise stated)

	Note	31 December 2016	31 December 2017
Other comprehensive income			
Profit for the year		967,965	978,970
Other comprehensive income:			
Gains / (losses) on revaluation of assets		0	0
Change of deferred tax recognized in the revaluation reserve		133,528	(79,168)
Other comprehensive income for the year, excluding taxes		133,528	(79,168)
Total comprehensive income of the year		1,101,493	899,802

STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in RON unless otherwise stated)

	Note	31 December 2016	31 December 2017
ASSETS			
Non-current assets			
Investment property	8	6,605,581	6,605,581
Other intangible assets	7	20,857	11,121
Tangible assets	6	50,964,860	53,184,726
Investments in equity instruments		38,000	38,000
Total non-current assets		57,629,298	59,839,428
Current assets			
Stocks	10	12,062,446	12,222,234
Trade receivables	11	6,845,623	8,205,506
Other current assets	11	75,704	170,541
Current income tax recoverable	11,21	0	0
Cash and cash equivalents	12	576,164	635,776
Total current assets		19,559,937	21,234,057
TOTAL ASSETS		77,189,235	81,073,485
EQUITY AND LIABILITIES			
Share capital			
Share capital	13	12,325,438	12,325,438
Adjustments in equity	13	-	0
Other components of equity		45,979,015	45,873,142
Retained earnings		6,831,926	7,837,601
Total equity		65,136,379	66,036,181
Long-term liabilities			
Long-term loans	14	-	-
Finance lease liabilities	15	206,926	202,015
Long-term provisions	5	172,490	196,045
Deferred tax liability	21	4,770,997	4,801,484
Total long-term liabilities		5,150,413	5,199,544

(All amounts are expressed in RON unless otherwise stated)

	Note	31 December 2016	31 December 2017
Current liabilities			
Current portion of long term loans	14	2,599,141	3,040,747
Current portion of finance lease liabilities	15	313,733	305,834
Trade payables and of other nature	16	3,870,455	6,440,457
Current income tax	16, 21	119,114	50,722
Total current liabilities		6,902,443	9,837,760
TOTAL LIABILITIES		12,052,856	15,037,304
TOTAL EQUITY AND LIABILITIES		77,189,235	81,073,485

The financial statements were authorized for issue by the Board of Directors on 19 March 2018 and were signed on its behalf.

Popoviciu Viorel-Dorin	Barabula Mihaela-Maria
Director	Chief Financial Officer

STATEMENT OF CASH FLOWS

(All amounts are expressed in RON unless otherwise stated)

	Note	31 December 2016	31 December 2017
Cash flows from operating activities			
Receipts from customers and other debtors		37,958,036	37,421,469
Payments to suppliers, employees and other creditors		(24,839,094)	(24,459,120)
Interest paid		(33,862)	(61,500)
Income taxes, social contributions, other taxes paid		(10,643,433)	(10,984,824)
Net cash from operating activities		2,441,647	1,916,025
		-	-
Cash flows from investing activities			
Payments for acquisition of shares		-	-
Payments to acquire property plant and equipment		(1,818,449)	(1,561,304)
Proceeds from sale of property plant and equipment		246,472	-
Interest received		1,621	6
Dividends received		-	-
Net cash from investing activities		(1,570,356)	(1,561,298)
Cash flows from financing activities			
Proceeds from issue of shares		0	0
Proceeds from loans		16,660,081	37,488,602
Payment of debts related to financial leasing		(1,014,819)	(554,057)
Dividends paid		(1,597,751)	(182,664)
Repayments of amounts borrowed		(16,210,518)	(37,046,996)
Net cash from financing activities		(2,163,007)	(295,115)
Cash flows - total		(1,291,715)	59,612
Cash at the beginning of period		1,867,879	576,164
Cash at the end of period	12	576,164	635,776

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments to the share capital	Other reserves	Profit or loss brought forward and not distributed	Total equity
Balance on 1 January 2016		12,325,438	-	45,785,212	7,896,306	66,006,956
Profit for 2016		-	-	-	967,965	967,965
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	61,725	(61,725)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution of profit the previous year in other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(1,450)	1,450	-
Deferred income tax resulted from reevaluation		-	-	-	-	-
Income tax resulted from reevaluation carried forward		-		133,528		133,528
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	(1,972,070)	(1,972,070)
Share capital increase		-	-	-	-	-
Total comprehensive profit		12,325,438	-	45,979,015	6,831,926	65,136,379
Balance on 31 December 2016		12,325,438	-	45,979,015	6,831,926	65,136,379

STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in RON unless otherwise stated)

	Notes	Share capital	Adjustments to the share capital	Other reserves	Result reported	Total equity
Balance on 1 January 2017		12,325,438	-	45,979,015	6,831,926	65,136,379
Profit for 2017		-	-	-	978,970	978,970
Other comprehensive income for the period						
Distribution of profit or loss in legal reserve		-	-	59,308	(59,308)	-
Movements in revaluation reserve		-	-	-	-	-
Distribution of the previous year profit in other reserves		-	-	-	-	-
Achievements of revaluation reserve		-	-	(86,013)	86,013	-
Deferred income tax acc. revaluation and legal reserve		-	-	(199,100)	-	(199,100)
Income tax resulted from reevaluation carried forward		-	-	119,932	-	119,932
Transactions with shareholders						
Dividends paid to shareholders		-	-	-	-	-
Share capital increase		-	-	--	-	-
Total comprehensive profit		12,325,438	-	45,873,142	7,837,601	66,036,181
Balance on 31 December 2017		12,325,438	-	45,873,142	7,837,601	66,036,181

The Company complies with national rules in force on the distribution of reserves to shareholders.

(All amounts are expressed in RON unless otherwise stated)

1. GENERAL INFORMATION

CARBOCHIM S.A. was set up as a joint-stock Company in 1991, by transforming the former I.I.S. CARBOCHIM and has its registered office in Romania, CLUJ-NAPOCA City, Piata 1 Mai nr. 3.

The Company was founded initially in 1949, for the production of coal, and the activity profile had changed by subsequent investment, leading to the production and sale of abrasive products: vitrified bonded grinding wheels, bakelite bonded grinding wheels, elastic bonded grinding wheels, mineral bonded abrasives, abrasive cutting and deburring grinding wheels, abrasive paper, cloth - paper combined, and volcano fiber. Moreover, the activity includes internal and external trade activities, services on maintenance and repair of machinery, as well as manufacturing and office space rental.

CARBOCHIM SA is an open Company, the Company's shares are listed on the Bucharest Stock Exchange in 2nd category, **CBC** symbol.

On 31 December 2017, the structure of financial instruments holders holding at least 10% of the share capital of Carbochim S.A. is as follows:

	Number of shares	**Percentage of ownership (%)**
IONESCU MIRCEA-PIETRO	1.238.396	25.1187
POPOVICIU VIOREL-DORIN	643.170	13.0456
POPA GHEORGHE TITUS DAN	617.796	12.5309
S.C. ELECTROARGEŞ S.A.	611.133	12.3958
Individuals	1.150.206	23.3299
Legal entities	669.474	13.5791
TOTAL	4,930,175	100

CARBOCHIM SA holds a participating interest in CARBOREF SA from Cluj-Napoca, of 25% of the share capital, an investment of RON 37,500.

In 2005, CARBOCHIM SA participates as a founding member to the establishment of Equipment Manufacturers and Importers Association for Wood Industry in Romania (A.P.I.E.L. - Romania), its contribution to the initial assets of the association being of RON 500, which represents a share of 7.14 %.

CARBOCHIM SA has no subsidiaries or shareholdings in other companies than those mentioned above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies applied in preparing of these financial statements are set out below. These policies have been consistently applied to all financial years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of Carbochim S.A. on 31 December 2017 have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The provisions of the Order of the Minister of Finance 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards.

In this respect, the statement of financial position, a component of the annual financial statements closed on 31 December 2017, includes information corresponding to the end of the reporting year and the end of the financial year prior to the reporting year. Moreover, the statement of comprehensive income includes information corresponding to the current financial year and the financial year prior to the reporting year.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the application of complex judgments by management in the process of applying the Company's accounting policies. The areas involving a higher degree of complexity and application of these reasons, or where assumptions and estimates have a significant impact on the financial statements, are presented in Note 4.

2.1.1 Changes in accounting policies and presentation of information

(a) *New and amended standards adopted by the Company*

The accounting policies adopted are consistent with those used in the previous exercise.
The following standards, amendments to existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are in force for the current period and have been adopted in the separate financial statements. The impact of these new and revised standards was reflected in the financial statements and estimated as non-material, except for the presentations made.

IAS 7: Information Presentation Initiative (Amendment)
The objective of these changes is to provide information to allow users of financial statements to evaluate changes in debt arising from financing activities, including changes occurring both in cash flows and non-monetary items. The amendments specify that a way to meet the presentation requirements is to provide a tabular reconciliation between the initial and final balances in the position of the financial position in the case of the debts resulting from financing activities, including changes in the cash flows related to the financing activity, changes resulting from obtaining or losing control over subsidiaries or other segments, the effect of changes in exchange rates, changes in fair value or other types of changes.

IAS 12. Recognition of deferred tax liabilities for unrealized losses (changes)
The objective of these amendments is to clarify the requirements for deferred tax assets related to unrealized losses in order to address the diversity in practice regarding the application of IAS 12 Income Tax. The specific problem of the fact that there is diversity in practice is refers to the existence of a temporary deductible difference in the decrease of a fair value, the recovery of an asset at a value greater than its carrying amount, probable future taxable profits and the combined valuation as compared to the separate valuation.

The IASB issued the IFRS Annual Improvements - 2014-2016 Cycle, which is a collection of amendments to IFRSs.

IFRS 12 "Presentation of interests in other entities":
The amendment clarifies that disclosure requirements in IFRS 12 other than those in summary financial information for subsidiaries, joint ventures and associates apply to the interests of an entity in a subsidiary, joint venture and associate that are classified as held for sale, held for distribution or discontinued operation in accordance with IFRS 5.

(b) *New standards, amendments and interpretations issued but not applicable for the financial year from 1 January 2017, therefore not adopted:*

- IAS 19: Modification, Reduction or Reversal of Employee Benefits Plan (Amendments)
The amendments enter into force for annual periods beginning on or after 1 January 2019 and early application is permitted. Changes require entities to use updated actuarial assumptions to determine the cost of current services and net interest for the remainder of the reporting period after changes, reductions or disbursements of the plan have occurred. Changes also clarify how accounting for

the change, reduction or settlement of a plan affects the application of the asset ceiling requirements. Changes have not yet been adopted by the EU.

- IFRS 9 Financial Instruments: refers to the classification, measurement and recognition of financial assets and liabilities.
The Standard enters into force for annual periods beginning on or after 1 January 2018 and early application is permitted. The final version of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39. Financial Instruments: Recognition and Measurement and Earlier Versions of IFRS 9. The Standard introduces new requirements for classification and measurement, depreciation and hedge accounting.

- IFRS 15 Revenue from Client Contracts: The Standard becomes operative for periods beginning on or after January 1, 2018. IFRS 15 establishes a new five-step model that will apply for the recognition of revenue arising from a contract concluded with a client (with limited exceptions), irrespective of the type of transaction or industry. Moreover, the requirements of the Standard will apply to the recognition and measurement of gains and losses on the sale of certain non-operating assets other than those that are not the result of the entity's ordinary activities (e.g., sale of tangible and intangible assets). An extensive disclosure will be provided, including disaggregation of total income, information on execution obligations, changes in the contractual balances of asset and liability accounts between periods and key judgments and estimates.

- IFRS 15 Revenue from contracts with customers: (clarifications)
Clarifications shall be applied for annual periods beginning on or after 1 January 2018 and early application is permitted. The purpose of the clarifications is to specify the intentions of the IASB when it elaborated the requirements of IFRS 15, in particular the accounting of performance obligations, modifying the formulation of the principle of "identifiable" assets, the considerations regarding the assignor and the assignee, including assessing whether an entity acts as a trustee or agent, as well as the application of the control and licensing principle, providing additional guidance on intellectual property accounting and royalties. Clarifications provide for additional practical solutions applicable to entities that either apply IFRS 15 retrospectively or choose to apply the modified retrospective approach.

- Amendment to IFRS 10. Consolidated financial statements and IAS 28. Investments in associates and joint ventures: sale or contribution of assets between an investor and its associate or joint venture. Changes refer to an inconsistency identified between the requirements of IFRS 10 and IAS 28, in relation to the sale and asset sharing between an investor and its associate or joint venture. The main consequence of the changes is that a total gain or loss is recognized when the transaction involves an enterprise (whether or not it is a subsidiary). A partial gain or loss is recognized when a transaction involves assets that are not an enterprise, even if they are in the form of subsidiaries. In December 2015, the IASB postponed indefinitely the date of entry into force of this amendment. Changes have not yet been adopted by the EU.

- **IFRS 16 Leases**: The Standard will enter into force for annual periods beginning on or after January 1, 2019. The Standard establishes the principles for the recognition, measurement, disclosure and disclosure of information about the leases of the two parties to a contract, and namely, the client (lessee) and the supplier (lessor). The new standard requires lessees to recognize the majority of lease contracts in their financial statements. Lessees will have a single accounting model for all contracts, with some exceptions. Lessor's account remains significantly unchanged.

- **IFRS 2: Classification and measurement of share-based payment transactions (amendments)**. Changes are effective for annual periods beginning on or after 1 January 2018 and early application is permitted.
The amendments provide for requirements to account for the effects of the conditions required to vest and the effects of the vesting rights on the valuation of cash-settled share-based payment transactions, share-based payment transactions with the net settlement feature of the source taxation as well as for changes to the terms and conditions applicable to a share-based payment that changes the transaction classification from a cash settlement transaction in a settlement transaction through equity. Changes have not yet been adopted by the EU.

- **IFRS 4: Application of IFRS 9 Financial Instruments in Accordance with IFRS 4 Insurance Contracts (amendment)**
Amendments enter into force for annual periods beginning on or after January 1, 2018. The amendments relate to the concerns raised by the implementation of the new IFRS 9 before the implementation of the new standard on insurance contracts that the Council develops to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from the application of IFRS 9 and an overlapping approach that would allow entities that issue IFRS 4 contracts to reclassify from the income statement in other items of comprehensive income some of the income and expenses generated by financial assets designated.

- **IAS 40: Transfers to Investment Property (amendment)**
The amendments enter into force for annual periods beginning on or after 1 January 2018 and early application is permitted.

Changes clarify when an entity needs to transfer real estate, including real estate under construction or development, into or out of real estate investment. The change foresees that a change in use takes place when the real estate meets or no longer meets the definition of real estate investments and there is evidence of change in use. A simple change of management's intention to use a building does not provide evidence of a change in use. Changes have not yet been adopted by the EU.

- IFRS 9: Advances with negative compensation (amendment)
The change shall become effective for annual periods beginning on or after 1 January 2019 and early application is permitted. The change allows for financial assets with prepayment characteristics that allow or require a party to a contract to either pay or receive reasonable compensation for early termination of the contract (so that from the perspective of the asset holder it is possible to exist "negative compensation") are measured at amortized cost or fair value through other comprehensive income. Changes have not yet been adopted by the EU.

- IAS 28: Long-Term Interests in Associates and Joint Ventures (Amendments)
The amendments enter into force for annual periods beginning on or after 1 January 2019 and early application is permitted. Changes refer to whether the valuation, and in particular the short-term interest depreciation in associates and joint ventures that are, in substance, part of the net investment in that associate or joint venture, should be governed by IFRS 9, IAS 28 or a combination of these two standards. The amendments clarify that an entity applies IFRS 9 Financial Instruments before applying IAS 28 to those long-term interests to which the equity method does not apply. In applying IFRS 9, the entity does not take into account the adjustments in the carrying amount of long-term interests that are generated by the application of IAS 28. Changes have not yet been adopted by the EU.

- IFRIC 22 Interpretation: Foreign currency transactions and prepayments.
The interpretation becomes effective for annual periods beginning on or after 1 January 2018 and early application is permitted.
Interpretation clarifies how transactions are recorded that include the receipt or payment of foreign currency advance payments. Interpretation covers transactions in foreign currency for which the entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of an advance amount before the entity recognizes the asset, the expense or the related income. The interpretation provides that, in order to determine the exchange rate, the transaction date is the date of initial recognition of the non-monetary asset paid in

advance or of the deferred income debt. If there are several payments or advance payments, the entity must determine a transaction date for each payment or cashing of the amount in advance.
This interpretation has not yet been adopted by the EU.

- **IASB issued Annual Improvements to IFRS - The 2014-2016 Cycle**, which is a collection of amendments to IFRSs.
The amendments enter into force for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been adopted by the EU.

• **IFRS 1 First-time Adoption of International Financial Reporting Standards:** This improvement removes short-term exemptions from the disclosures of financial instruments, employee benefits and investment entities applicable to companies that first adopt International Standards Financial Reporting.

• **IAS 28 Investments in Associates and Joint Ventures:** The amendment clarifies that the option to measure at fair value through profit or loss an investment in an associate or in a joint venture that is held by an entity which represents a joint venture or another qualifying entity, is available for each investment investment in an associate or in a joint venture for each individual investment at initial recognition.

2.2 Segment Reporting

A business segment is a distinctive component of the Company:

a) that engages in business activities from which it can get revenues from which can incur expenditure,

b) whose results from activities are examined periodically by the Company's chief operating decision maker in order to take decisions about resource allocation and assessment of segment performance, and

c) for which discrete financial information is available.
IFRS 8. The activity segments should apply to the separate financial statements of the Company as its own equity instruments are traded in a public market (BSE).

The presentation of information on products and services and geographic areas in which the Company carries out is activity is mandatory, even for those entities that identify a single reportable segment, considering the quantitative thresholds and aggregation criteria stipulated by the standard.

(All amounts are expressed in RON unless otherwise stated)

Considering the quantitative thresholds and aggregation criteria set by the standard in terms of business segments, the Company does not identify distinctive components in terms of the related risks and benefits.

Presentation of geographical areas in which the Company operates:

Outlet market	**Share (%)**	**Amount of revenue**
External Poland, Hungary, Germany, Belgium, Slovakia, Czech Republic)	3	1,032,457
Internal (Romania)	97	31,591,301
Total operating income	100	32,623,758

Disclosure of information on the Company's products and services

Product or service	**Share (%) 2016**	**Income Value 31 December 2016**	**Share (%) 2017**	**Income Value 31 December 2017**
Grinding wheels	52.57	17,151,511	56.20	18,531,802
Coated abrasives	36.09	11,771,650	36.50	12,037,216
Other products	0.72	235,509	0.42	138,430
Rental income	4.30	1,403,067	4.49	1,478,799
Revenue from sale of goods	2.01	654,499	1.59	523,659
Other income, including changes in stocks of finished goods and work in progress	4.31	1,407,522	0.80	264,384
Total operating income	100.00	32,623,758	100.00	32,974,290

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements are measured in the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in Romanian lei ("RON"), which is the functional and presentation currency of the Company.

Exchange rates on 31 December 2017 and 31 December 2016 are as follows:

	2017	**2016**
EUR	4.6597	4.5411
USD	3.8915	4.3033

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rate on the date of the transactions or valuation for items that are revalued. Gains and losses on exchange differences arising from these transactions and from the translation at the rate of year-end monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, unless they are registered in other items of the comprehensive income as financial instruments that are designated as hedging instruments for cash flow hedge, as well as financial instruments that are designated as hedging instruments of net investment.
Gains and losses on exchange rate, which refer to loans and leases, are presented in the income statement under "income or financial costs".

All other gains and losses on exchange are presented in the income statement under "other (losses) / gains – net".

2.4 Accounting of the hyperinflation effect

Romanian economy has recorded high levels of inflation in the past and was considered to be hyperinflationary as defined in IAS 29 "Financial Reporting in Hyperinflationary Economies".

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of purchasing power at 31 December 2003. Therefore, the values reported in terms of purchasing power at 31 December 2003 are treated as the basis for the accounting amounts of these financial statements.

The restatement was calculated at the first application of IFRS using the developments in the consumer price index ("CPI") published by the National Statistics Institute ("NIS").

2.5 Tangible assets

Land and buildings include factories, offices and commercial spaces.
The remaining tangible assets are mainly technological equipment used in the production process.

All classes of property, are presented at 31 December 2017 at fair value, determined by independent evaluators.
For buildings and equipment, we used the revalued amount at 31 December 2015 minus the depreciation losses for the years 2016 and 2017. The revaluated value at 31 December 2015 is used for land.

On 31 December 2017, no revaluation of assets was performed due to the fact that a market analysis made by a licensed assessor concluded that it is not necessary to re-evaluate only 24 months from the previous one and considering the industrial sector in which the Company operates.

Revaluations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the assets, subsequent to revaluation, equals its revalued amount.

Subsequent costs are included in the asset's carrying amount only when it is probable that future economic benefits related to that item will belong to the Company, and its cost can be measured reliably. The carrying amount of the replaced item is derecognised. All other repairs and maintenance expenses are recorded in the income statement in the financial period in which they are incurred.

The depreciation method used is the straight-line method.
Useful life of fixed assets is determined in accordance with the "Catalogue on classification and useful life of fixed assets", approved by Government Decision 2139 / 30 November 2004 updated. Given that this catalogue provides a choice of the normal functioning from a range with a minimum and a maximum value, the technical committee reviewed the conditions and environment in which the fixed assets operate and decided to use a life time equal to the middle range.

Land is not depreciated. Depreciation of other assets is calculated using the straight-line method to allocate their cost or revalued amount to the residual value, over the estimated useful lives, as follows:

Building	25-40 years
Machinery	10-15 years
Vehicles	3-5 years
Furniture, facilities and equipment	3-8 years

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

The carrying amount of the asset is reduced immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount and are recognized in "Other (losses) / gains – net" in the income statement.

On the sale of revalued assets, the amounts included in other reserves are transferred to retained earnings.

2.6 Intangible assets

(a) Trademarks and Licenses

Trademarks and licenses acquired separately are recorded at historical cost. Trademarks and licenses have a limited useful life and are carried at cost minus the accumulated depreciation.

The depreciation is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful life of 1-3 years.

2.7 Investment properties

Investment properties are real estate (land, buildings or parts of buildings) held by the Company in order to increase the value or rental or both, rather than for:
- be used in the production or supply of goods or services or for administrative purposes; and
- be sold in the ordinary course of business.

An investment property is measured initially at cost, including transaction costs. The cost of a purchased investment property consists of its purchase price plus any directly attributable expenditure (professional fees for legal services, the property transfer taxes and other transaction costs).

Company's accounting policy on further evaluation of real estate investments is based on the fair value model. This policy is applied uniformly to all investment property held. Measuring the fair value of investment properties is performed by evaluators members of the National Association of Assessors of Romania (ANEVAR).
The depreciation expense is no longer recognized, and the investment property is subject to revaluation with sufficient regularity in recognizing at fair value. Gains or losses resulting from the change in fair value of investment property are recognized in profit or loss in the period in which they occur.

On 31.12.2015, real estate revaluations were carried out by a licensed assessor.
On 31 December 2017, no revaluation of investment properties was performed due to the fact that a market analysis carried out by a licensed assessor concluded that it is not necessary to re-evaluate only 24 months from the previous one and considering the industrial sector in which the Company operates.

2.8 Investments in equity elements

Investments in equity elements include participating interests in CARBOREF SA from Cluj-Napoca in a proportion of 25% of the share capital and a contribution to the initial assets of the association A.P.I.E.L. Romania, which represents a share of 7.14%. The percentages held do not give us control or any significant influence on the Company's activity or association. Carboref SA is a Company listed on BSE, so the investment is valued at cost. The Company did not recognize adjustments for their impairment.

2.9 Impairment of non-financial assets

Assets that are subject to amortization are assessed for impairment whenever events or changes occur indicating that the carrying amount may not be recoverable. An impairment loss is recognized as the difference between the carrying amount and the recoverable amount of the asset. The recoverable amount is the higher of an asset's fair value minus the costs to sell and the value in use.

For the purpose of impairment testing, assets are grouped at the lowest levels for which there are identifiable independent cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1. Classification

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities payable than twelve months after the end of the reporting period. They are classified as current assets.

(b) *Financial assets available for sale*

Financial assets available for sale are non-derivatives that are either designated in this category or not classified in the first category presented. They are included in current assets unless the investment matures or the management intends to dispose of within twelve months after the end of the reporting period

(c) *Greenhouse gas emission certificate*

Starting January 1, 2013, the Company's plant is no longer subject to the greenhouse gas emission trading scheme under Directive 2009/29 / EC so that it has not received EUAs since 2013.

In 2014, the Company alienated all of the 2,196 certificates in the account at the beginning of the year, otherwise risking to lose them.

2.10.2. Recognition and assessment

Regular purchases and sales of financial assets are recognized on the trade date - the date on which the Company commits to purchase or sell the asset.

Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets available for sale are subsequently carried at fair value. Loans and receivables are carried at amortized cost based on the effective interest method.
Investments in equity that do not have a quoted market price in an active market and whose fair value cannot be measured reliably must not be designated at fair value through profit or loss.

2.11 Inventories

Inventories are stated at the lower of cost and net realizable value.
The cost of finished products is determined by the standard cost method.

The cost of production of finished goods and work in progress comprises the design costs, raw materials, direct productive labor force, other direct costs and appropriate indirect production costs (based on normal production capacity). Loan costs are not included.

Net realizable value represents the estimated selling price in the ordinary course of business, minus applicable variable selling expenses.

Where necessary, are recorded provisions for obsolete inventories and slow turning. Obsolete inventories identified individually are provisioned at integrated value or derecognised. For slow moving stocks, estimation of the age is performed by each major category, based on stock rotation.

2.12 Trade receivables

Trade receivables are amounts due from customers for stocks sold or services provided in the normal course of business. If you are expected to be collected within one year or less than one year (or later in the normal course of business), they will be classified as current assets. Otherwise, it will be presented as current assets.

Trade receivables are recognized initially at fair value and subsequently for claims with a credit period of more than six months, the assessment is made at amortized cost using the effective interest method less provision for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in current accounts with banks, other short-term investments with high liquidity and original maturity periods of up to three months and overdrafts from banks.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade payables

Trade payables are obligations to pay for goods or services that were acquired in the ordinary course of business from suppliers. Accounts suppliers are classified as current liabilities if payment is to be made within a year or less than one year (or later in the normal course of business). Otherwise, it will be presented as current liabilities. are recognized commercial lung. Trade payables are recognized initially at fair value and subsequently liabilities with a maturity of less than 6 months are measured at amortized cost based on the effective interest method.

2.16 Loans

Loans are recognized initially at fair value, net of transaction costs recorded. Subsequently, loans are stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value being recognized in the income statement over the period of loans, based on the effective interest method.

2.17 Current and deferred income taxes

Tax expense for the period includes current tax and deferred tax. Tax is recognized in the income statement unless it relates to the items recognized in other comprehensive income or directly in equity. In this case, the corresponding tax is recognized in other comprehensive income or directly in equity.

Current income tax expense is calculated based on tax regulations in force at the end of the reporting period. Management periodically evaluates positions in tax returns regarding situations in which applicable tax regulations are subject to interpretation. This constitutes provisions, where applicable, based on estimated amounts due to tax authorities.

Deferred income tax is recognized, based on the liability method, on temporary differences occurring between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, the deferred tax arising from the initial recognition of an asset or liability in a transaction other than a business combination and at the time of transaction affects neither the accounting profit nor taxable profit is not recognized. Deferred income tax is determined using tax rates (and laws) in force until the end of the reporting period and to be applied in the period in which the deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognized only to the extent in which it is probable to obtain in the future taxable profit from which temporary differences will be deducted.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax liabilities current tax liabilities and when the deferred tax assets and liabilities relate to the income taxes imposed by the same tax authority or the same taxable entity, or different taxable entities where there is an intention to offset balances on a net basis.

2.18 Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees for health, pension and unemployment funds. All employees of the Company are members of the Romanian State pension plan, which is a fixed contribution plan. These costs are recognized in the income statement together with the salary expenses.

(a) Obligations relating to pensions

According to the collective bargaining agreement, the Company must pay to the employees upon the retirement a compensatory amount equal to the gross salary. The Company recorded a provision for such payments (see Note 5).

(b) Other benefits

The Company supports the personnel costs of providing benefits such as medical services. These amounts primarily include implicit costs of annual medical checks.

(c) Termination of employment benefits

According to the collective bargaining agreement, in the case of collective redundancies, the Company will provide compensation as follows, depending on the seniority of such employees:

- For a seniority up to 10 years, 3 basic salaries of the redundant;
- For a seniority between 10 years and 15 years, 5 basic salaries of the redundant;
- For a seniority between 15 and 20 years, 7 basic salaries of the redundant;
- For a seniority between 20 years and 25 years, 9 basic salaries of the redundant;
- For a working experience of 25 years, 12 basic salaries of the redundant;

(d) Profit-sharing plans and bonuses

The Company awards to employees, in addition to wages, additional bonuses resulted from the salary, bonuses of payroll, vouchers and holiday bonuses. Employees can benefit from employee participation in profits fund, up to 10% share of the net profit as decided by the General Meeting of Shareholders.

2.19 Provisions

Provisions for liabilities are recognized when the Company has a present, legal or constructive obligation, as a result of past events; it is probable that an outflow of resources will be required in settlement of the liability; the amount has been reliably estimated.

If there are several similar obligations, the likelihood that an outflow will be required to settle the obligation is determined taking into account the whole class of obligations. A provision is recognized even if the likelihood of an outflow for an individual element is reduced.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized in interest expense.

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the normal course of business of the Company. Revenue is shown net of value added tax, returns, rebates and discounts and after eliminating sales within the Company.

The Company recognizes revenue when their value can be estimated reliably, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the activities of the Company, as shown below. The Company bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each engagement.

(a) Sale of finished products

The Company produces the full range of grinding wheels products, except super grinding wheels.

The main outlet market is the internal one, only max. 2% of deliveries being made in the foreign market.

The Company sells finished products through distributors, direct sales to business customers and through retail through its store.

Sales of finished goods are recognized when the Company has delivered products to customers.

The Company manages a store for the sale of grinding wheel products. Sales of products is recognized when the Company sells a product to a customer. Retail sales are usually paid in cash or bank card.

The finished products are often sold with volume discount. Sales are recorded based on the price specified in the sales and purchase agreement, net of estimated volume discounts and estimated returns at the time of sale. The experience gained is used for the estimation and provisioning for discount and returns Volume discount is estimated based on anticipated annual purchases. It is considered that there are no funding elements, as sales are made with a credit period of 60 days in accordance with the normal market practice.

(b) *Income from royalties*

Income from royalties are recognized on an accrual basis, according to the relevant contractual provisions.
The Company has leased real estate investments in order to obtain income.

2.21 Interest income

Interest income is recognized using the effective interest method.

2.22 Dividend income

Dividend income is recognized when determining the entitlement to receive those amounts.

2.23 Leases

Leases for tangible assets where the Company undertakes all the risks and benefits of ownership are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lesser of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between liabilities and finance charges. Obligations related to rent, net of finance charges are included in other long-term liabilities. The interest element of the finance cost is recorded in the income statement over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the obligation for each period. Property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset.

Leases in which a significant portion of the risks and benefits of ownership is held by the lessor are classified as operating leases. Payments made under operating leases are recognized as an expense in the income statement on a straight line basis over the period of the lease.

2.24 Distribution of dividends

The distribution of dividends to shareholders is recognized as a liability in the financial statements in the period in which the dividends are approved by the Company shareholders.

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

By the nature of the activities performed, the Company is exposed to various risks including: market risk (including currency risk, interest rate risk on fair value, interest rate risk on cash flow and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

(i) Foreign exchange risk
The Company is exposed to currency risk through exposure to different currencies, especially the USD and EUR. Currency risk is associated to assets and liabilities recognized, in particular loans.

The Company does not undertake formal action to minimize currency risk related to its operations; therefore, the Company does not apply hedge accounting against risk.

The following table shows the Company's exposure to possible changes in exchange rates applied at the end of the reporting period:

(All amounts are expressed in RON unless otherwise stated)

	On 31 December 2016			On 31 December 2017		
	Monetary financial assets	Monetary Financial liabilities	Net amount statement of financial position	Monetary financial assets	Monetary financial liabilities	Net amount statement of financial position
RON	7,292,042	5,892,937	1,399,105	8,725,304	5,092,294	3,633,010
EUR	202,168	1,216,432	(1,014,264)	283,002	4,947,481	(4,664,479)
USD	3,282	0	3.282	3,516	0	3.516
Total	7,497,492	7,109,369	388,123	9,011,822	10,039,775	(1.027,953)

The above analysis includes only monetary assets and liabilities items.

The following table shows the manner in which the items in the income and equity ranges based on a 10% change in exchange rates applied by the National Bank of Romania at the balance sheet in relation to the functional currency of the Company, with all other variables constant, as follows:

	2017	2016
EUR	5.1256	4.9953
USD	4.2806	4.7337

Impact on profit or loss account:

	2017
EUR increased by 10%	(466,448)

	2016
EUR increased by 10%	(101,426)

(ii) Interest rate risk

The Company is exposed to interest rate risk through its long and short-term loans, most of which have variable rates, related to ROBOR index for RON loans, EURIBOR or EURLIBOR for loans in EUR.

The Company has entered into interest-bearing loan agreements with Unicredit Bank, Banca Comerciala Romana si cu Raiffeisen Bank.

The status of committed loans was the following

(All amounts are expressed in RON unless otherwise stated)

- On 31 December 2016

Financial institution	Currency	Interest rate	Threshold	Loan balance on 31 December 2016 (RON)
Unicredit Bank	RON	Negociated	800,000	584,283
Banca Comerciala Romana	RON/ EUR	Negociated	2,000,000	804,501
Raiffeisen Bank	RON/ EUR	Negociated	3,740,000	1,210,357
Total				**2,599,141**

- On 31 December 2017

Financial institution	Currency	Interest rate	Threshold	Loan balance on 31 December 2017 (RON)
Unicredit Bank	RON	Negociated	800,000	658,788
Banca Comerciala Romana	RON/ EUR	Negociated	2,000,000	920,665
Raiffeisen Bank	RON/ EUR	Negociated	3,740,000	512,466 948,828
Total				**3,040,747**

On 31 December 2017, a possible increase in the interest rate of 1% would have an effect on the income statement of RON 623.

(b) Credit risk

Credit risk is mainly related to cash and cash equivalents and trade receivables. The Company has developed a number of policies whose application ensures that the sales of products and services takes place to adequate customers. The carrying amount of receivables, net of provisions for doubtful debts, represents the maximum exposure to credit risk.

The credit risk of trade receivables that are not impaired, but not outstanding, can be assessed through internal analysis since there is no information about external risk indicators for customers.

	31 December 2016	31 December 2017
Clients for which the recovery of claims is under 30 days	2,855,133	3,157,985
Clients for which the recovery of claims is between 30 and 90 days	2,525,171	2,989,170
Clients for which the recovery of claims is between 90 and 180 days	438	40,438
Total	5,380,742	6,187,593

(All amounts are expressed in RON unless otherwise stated)

Although the collection of receivables could be influenced by economic factors, management believes that there is not a significant risk of loss exceeding the provisions already created.

Cash is placed with financial institutions which, at the time of creation, were considered to present a minimal risk of default.

Bank's financial indicators	**Bank**	**31 December 2016**	**31 December 2017**
Baa2	Raiffeisen Bank	4,671	3,894
Baa2	BRD	2,900	13,978
n/a	Treasury	3,614	6,069
Baa3	BCR	107,294	96,958
n/a	Unicredit Tiriac Bank	0	17,545
n/a	Piraeus Bank Romania	943	0
n/a	CEC Bank	416,458	416,458
Total		535,880	554,902

Where:

Financial institutions quoted with indicator D shows a modest financial power, with a possible need for external support and the financial institutions listed with indicator E shows a very modest financial strength with a high probability of external support needed periodically.

(c) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

Forecasts of cash flows are made by the Company’s finance department, which monitors forecasts of the Company’s liquidity needs to ensure that there is sufficient cash to meet the operational requirements, while always maintaining a sufficient margin in undrawn committed lending facilities, so the Company does not violate the limits of loans or arrangements relating to loans for all credit facilities.

(All amounts are expressed in RON unless otherwise stated)

The maturity of financial liabilities is analyzed in the table below:

	Up to 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
On 31 December 2016				
Loans (Note 14)	2,599,141	-	-	-
Financial lease (Note 15)	313,733	206,926	-	-
Trade payables and of other nature (Note 16)	3,870,455	-	-	-
Current income tax	119,114			
Total	**6,902,443**	**206,926**	-	-
On 31 December 2017				
Loans (Note 14)	3,040,747	-	-	-
Financial lease (Note 15)	305,834	202,015	-	-
Trade payables and of other nature (Note 16)	6,440,457	-	-	-
Current income tax	50,722			
Total	**9,837,760**	**202,015**	-	-

3.2 Capital management

Company's capital management objectives aim at protecting the ability of the Company to continue its work in the future, so as to bring profit to shareholders and benefits to other stakeholders and maintain an optimal capital structure to reduce the cost of capital.

Like other companies operating in this sector, the Company monitors the capital on the basis of indebtedness indicator. This indicator is calculated by dividing the net debt to the total capital. Net debt is calculated by subtracting from the total loans (including "current and long-term loans", as shown in the statement of financial position) cash and cash equivalents. Total capital is calculated by adding the "equity" in the statement of financial position net debt.

In 2017, the Company's strategy, unchanged from 2016, was to maintain the indebtedness coefficient as low as possible to maintain the significant ability to borrow funds for future investment if and when necessary.

(All amounts are expressed in RON unless otherwise stated)

Indebtedness indicators on 31 December 2017 and 2016 were as follows:

	2016	2017
Total loans	3,119,800	3,548,596
Less: cash and cash equivalents	576,164	635,596
Total liability	2,543,636	2,913,000
Total equity	65,136,379	66,036,181
Total equity and liabilities	67,680,015	68,949,181
Indebtness ratio	4%	4%

3.3 Fair value measurement

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The fair value of financial instruments that are not traded in an active market is determined by using the valuation techniques.

It is considered that the carrying value minus the provision for impairment of trade receivables and payables approximates their fair values. The fair value of financial liabilities with a settlement period of more than 6 months is estimated by discounting the future contractual cash flows at the current interest rate on the market available to the Company for similar financial instruments.

Fair value measurement is performed taking into account the following hierarchy:

a) level 1 - prices quoted in active markets for identical assets and liabilities
b) level 2 - data other than quoted prices that are observable for the asset or liability
c) level 3 - data for assets and liabilities that are not based on observable market data

Presentation at the fair value of financial assets and financial liabilities on 31 December 2017:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalent	635,776	-	-
Receivables and other receivables	-	8,376,047	-
Financial liabilities:			
Loans	-	3,548,596	-
Trade payables and other nature	-	6,440,457	-
Current income tax	-	50,722	-

Presentation at the fair value of financial assets and financial liabilities on 31 December 2016:

	Level 1	Level 2	Level 3
Financial assets:			
Cash and cash equivalent	576,164	-	-
Receivables and other receivables	-	6,921,327	-
Financial liabilities:			
Loans	-	3,119,800	-
Trade payables and other nature	-	3,870,455	-
Current income tax	-	119,114	-

4. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the given circumstances.

4.1 Critical accounting estimates and assumptions

The Company develops estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the actual results. Estimates and assumptions for which there is a considerable risk to cause significant adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Income tax

The Company is subject to income tax in one jurisdiction (Romania). There are many transactions and calculations for which the ultimate tax determination is uncertain. The Company recognizes liabilities to financial audit based on estimates predict whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts initially recorded, such differences will impact the assets and liabilities of current and deferred income tax in the period in which this determination is performed.

(b) Pension-related benefits

The present value of pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate.

Any changes in these assumptions will impact the carrying amount of pension obligations. The Company uses the National Bank of Romania benchmark interest rate as the discount rate for pension obligation at the end of each year.

5. APPLICATION FOR THE FIRST TIME OF IFRS

On 31 December 2012 the Company prepared the first financial statements under IFRS.
In preparing the statement of financial position according to IFRS on 1 January 2011 and 31 December 2011, the Company adjusted amounts reported previously in financial statements prepared in accordance with the Oreder of the Ministry of Public Finance 3055/2009.
The main restatement adjustments under IFRS of financial statements in accordance with the Order of the Miniser of Public Finance 3055 were as follows:

a) Tangible assets

The Company has not calculated in previous periods depreciation expenses of tangible conservation. When adopting IFRS, tangible assets kept in storage still pays off for as long as they have not been used.

In order to present them at the fair value, the Company land have undergone revaluation. This revaluation was conducted at the end of 2010 and at the end of 2011 and 2012.

The remaining categories of tangible assets did not record significant fluctuations in fair value until the end of 2012, their results are properly reflected in the financial statements.

b) Investment property

On adoption of IFRS, the Company applies the fair value method of presentation of buildings listed in this category. The depreciation expense is no longer recognized, and investment property is subject to a reassessment at the end of each financial year for the recognition at fair value. Revaluation is recognized in the income statement.

c) Provisions for leaves not taken

The Company estimates for the days of leaves not taken and for the year ended, a provision for the registration of the salary expenditure in the corresponding period.

d) Provision for pensions

According to the Collective Bargaining, each employee receives compensation equal to a salary upon retirement. In recognition of this expenditure, the Company recorded a provision for the entire period in which the employee works in the Company. The value of this provision is up to date using the reference rate of interest according to the National Bank of Romania.

(All amounts are expressed in RON unless otherwise stated)

e) Recognition of an asset or deferred tax liabilities (IAS 12)

When adopting the IFRS, the Company calculates and records the deferred tax impact, determined based on temporary differences between accounting and tax basis of balance sheet items.

6. TANGIBLE ASSETS

Movements of tangible assets are as follows:

	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Tangible asset in progress	Total
On 1 January 2016					
Cost or valuation	55,086,346	29,834,418	237,298	511,771	85,669,833
Accumulated depreciation	(10,681,071)	(22,321,770)	(154,079)	-	(33,156,920)
Net book value	44,405,275	7,512,648	83,219	511,771	52,512,913

Year closed on 31 December 2016

	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Tangible asset in progress	Total
Net initial book value	44,405,275	7,512,648	83,219	511,771	52,512,913
Inflow	-	174,970	-	729,024	903,994
Transfers	280,045	550,562	18,460	(849,067)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflow, net	-	(136,293)	(4,549)	(67,352)	(208,194)
Transfers to real estate investments	-	-	-	-	-
Amortisation expense	(764,156)	(1,387,256)	(12,349)	-	(2,163,761)
Amortisation of fixed means under conservation	(80,092)	-	-	-	(80,092)
Net final book value	43,841,072	6,714,631	84,781	324,376	50,964,860

(All amounts are expressed in RON unless otherwise stated)

On 31 December 2016	**Land and buildings**	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Tangible asset in progress**	**Total**
Cost or valuation	55,366,391	30,423,657	251,209	324,376	86,365,633
Accumulated depreciation	(11,525,319)	(23,709,026)	(166,428)	-	(35,400,773)
Net book value	43,841,072	6,714,631	84,781	324,376	50,964,860

Year closed on 31 December 2017

	Land and buildings	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Tangible asset in progress**	**Total**
Initial net book value	43,841,072	6,714,631	84,781	324,376	50,964,860
Inflows	-	444,588	-	4,724,886	5,169,474
Transfers	7,889	133,181	3,677	(144,747)	-
Gain on revaluation	-	-	-	-	-
Loss on revaluation	-	-	-	-	-
Outflow, net	-	(21,015)	-	(724,126)	(745,141)
Transfers to investment property	-	-	-	-	-
Expense on depreciation	(772,666)	(1,339,219)	(12,490)	-	(2,124,375)
Depreciation of fixed assets in conservation	(80,092)	-	-	-	(80,092)
Net final book value	42,996,203	5,932,166	75,968	4,180,389	53,184,726

On 31 December 2017	**Land and buildings**	**Equipment and vehicles**	**Furniture, facilities and equipment**	**Tangible asset in progress**	**Total**
Cost or valuation	55,374,280	30,740,301	254,886	4,180,389	90,549,856
Accumulated depreciation	(12,378,077)	(24,808,135)	(178,918)	-	(37,365,130)
Net book value	42,996,203	5,932,166	75,968	4,180,389	53,184,726

(All amounts are expressed in RON unless otherwise stated)

Fair value of tangible assets

An independent assessment of land, buildings and other categories of property and equipment was conducted by an independent auditor to determine the fair value of tangible assets on 31 December 2015. The net revaluation surplus was recorded in other comprehensive income and presented in "other reserves" in equity.

On 31 December 2017 a market study conducted by an independent auditor for the need of carrying out a revaluation on 31 December 2017 concluded that it is not necessary to carry out a revaluation as at 31 December 2017, only 24 months from the previous one and given the industrial sector in which the Company operates.

Presentation of the fair value of tangible assets on 31 December 2017:

	Level 1	**Level 2**	**Level 3**
Land	-	30,848,407	-
Buildings and special constructions	-	12,147,796	-
Total land and buildings	**-**	**42,996,203**	**-**
Equipment and vehicles	**-**	**5,932,166**	**-**
Furniture, fixtures and equipment	**-**	**75,968**	**-**

Presentation of the fair value of tangible assets on 31 December 2016:

	Level 1	**Level 2**	**Level 3**
Land	-	30,848,407	-
Buildings and special constructions	-	12,992,665	-
Total land and buildings	**-**	**43,841,072**	**-**
Equipment and vehicles	**-**	**6,714,631**	**-**
Furniture, fixtures and equipment	**-**	**84,782**	**-**

Vehicles and equipment include the following amounts for which the Company is the lessee, within finance leases:

	2016	**2017**
Cost	2,551,279	1,284,053
Accumulated depreciation	411,441	375,639
Net book value	2,139,838	908,414

(All amounts are expressed in RON unless otherwise stated)

For committed loans, the Company recorded the following guarantees over the tangible assets:
Buildings

	2016	2017
Cost	16,134,809	10,687,105
Accumulated depreciation	4,856,270	3,394,406
Net book value	**11,278,539**	**7,292,699**

Land related:

	2016	2017
Cost	8,818,960	5,945,288

On 31 December 2017, the following tangible fixed assets (land and buildings), current assets and available bank accounts are mortgaged under the loan agreements the company has concluded with the financial institutions Unicredit Bank Cluj, Banca Comerciala Romana Cluj and Raiffeisen Bank Cluj:

No.	Subject matter of mortgage or pledge	Value of mortgage or pledge	Beneficiary of mortgage or pledge	Mortgage rank
1.1	Land with building located in P-ta 1 Mai nr. 3 registered in Cluj-Napoca Land Register 309072	RON 2,000,000 + interest and associated fees	BANCA COMERCIALA ROMANA	I
1.2	Land with building located in P-ta 1 Mai nr. 3registered in Cluj-Napoca Land Register 305138 and Land Register 305138-C1-U1	RO 2,000,000 + interest and associated fees	RAIFFEISEN BANK	I
2.1	Pledge for the inventory of finished products	RON 800,000 + interest and associated fees	UNICREDIT BANK	-
2.2	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 800,000 + interest and associated fees	UNICREDIT BANK	

(All amounts are expressed in RON unless otherwise stated)

2.3	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 2,000,000 + interest and associated fees	BANCA COMERCIALA ROMANA	-
2.4	Pledge on current and future available funds / credit balances on present and future accounts and sub-accounts opened at the bank under the Agreement pledge, registered with the Electronic Archive of Pledges	RON 13,740,000	RAIFFEISEN BANK	-

We mention that on 17 February 2017, the mortgage in favor of Unicredit Bank was canceled from the Land Registry 261371, the net book value of the buildings at 31 December 2017 was RON 3,509,741 and the corresponding land RON 2,873,673. The credit line in the amount of RON 800,000 will be secured only with the mortgage on the stocks of finished products and the present and future cash availability / credit balances in its present and future accounts and sub-accounts opened at the bank under the real movable security collateral agreement, registered with the Electronic Archive of Real Movable Guarantees

The carrying amount that would have been recognized had the assets would have been recorded under the cost model are shown in the table below. This cost represents the cost at the date of transition to IFRSs.

Description	Land and buildings	Equipment and vehicles	Furniture, facilities and equipment	Tangible asset in progress and advances	Total
Year closed on 31 December 2016					
Cost	50,362,621	21,993,278	251,210	324,377	72,931,486
Accumulated depreciation	11,674,329	18,030,031	166,427	0	29,870,787
Net book value	38,688,292	3,963,247	84,783	324,377	43,060,699
Year closed on 31 December 2017					
Cost	50,369,693	22,239,765	254,886	4,180,389	77,044,733
Accumulated depreciation	11,886,983	18,065,590	178,918	0	30,131,491
Net book value	38,482,710	4,174,175	75,968	4,180,389	46.913.242

(All amounts are expressed in RON unless otherwise stated)

7. INTANGIBLE ASSETS

	Trademarks and Licenses
On 01 January 2016	
Cost or valuation	217,519
Accumulated depreciation	(188,238)
Net book value	29,281
Year closed on 31 December 2016	
Initial net book value	29,281
Inflows	9,187
Depreciation expense	(17,611)
Final net book value – intangible assets	**20,857**
On 31 December 2016	
On 01 January 2017	
Cost or valuation	226,707
Accumulated depreciation	(205,850)
Net book value	20,857
Year closed on 31 December 2017	
Initial net book value	20,857
Inflows	8,359
Depreciation expense	(18,095)
Final net book value – intangible assets	**11,121**
Tangible assets in progress - initial	0
Inflows	0
Outflows	0
Accounting value – intangible assets in progress	**0**

8. INVESTMENT PROPERTY

On 01 January 2016	**Buildings**
Cost or valuation	5,779,239
Net book value	5,779,239
Inflows	1,046,342
Earnings / (loss) from fair value	-
Outflows	220,000

(All amounts are expressed in RON unless otherwise stated)

Final net book value	6,605,581
On 31 December 2016	
Cost or valuation	6,605,581
Net book value	6,605,581
Year closed on 31 December 2017	**Buildings + Land**
Inflows	-
Earnings / (loss) from fair value	-
Outflows	-
Final net book value	6,605,581
On 31 December 2017	
Cost or valuation	6,605,581
Net booj value	6,605,581

9. FINANCIAL INSTRUMENTS

	31 December 2016	31 December 2017
Active		
Receivables and other receivables	6,921,327	8,376,047
Cash and cash equivalents	576,164	635,776
	7,497,491	9,011,823
Total Assets	6,921,327	8,376,047
Liabilities		
Loans	2,912,874	3,346,581
Trade payables and otherwise	3,870,455	6,440,457
Current income tax	119,114	50,722
Total Liabilities	6,902,443	9,837,760

Accounting classifications and fair values:

31 December 2017	Note	Amortized cost	Total carrying amount	Fair value
Financial assets (RON)				
Cash and cash equivalents	12	635,776	635,776	635,776
Receivables and other receivables	11	8,376,047	8,376,047	8,376,047
Total Financial Assets		**9,011,823**	**9,011,823**	**9,011,823**

(All amounts are expressed in RON unless otherwise stated)

Financial liabilities (RON)				
Loans	14	3,346,581	3,346,581	3.346,581
Trade payables and otherwise	16	6,440,457	6,440,457	6,440,457
Current income tax		50,722	50,722	50,722
Total Financial Liabilities		**9,837,760**	**9,837,760**	**9,837,760**

10. INVENTORY

	31 December 2016	31 December 2017
Materials	3,944,650	4,067,416
Inventory items	105,164	104,989
Finished goods	7,862,402	7,900,222
Goods	342,348	336,098
Provisions on impairment of inventories	(192,118)	(186,491)
Total inventories	12,062,446	12,222,234

	31 December 2016	31 December 2017
On 1 January	212,945	192,118
Provisioned during the year (Note 15)	0	0
Reversal	(20,827)	(5,627)
On 31 December	192,118	186,491

11. TRADE RECEIVABLES AND OTHER RECEIVABLES

	31 December 2016	31 December 2017
Customer receivables	7,074,992	8,397,558
Provisions on impairment of receivables from customers	(229,369)	(192,052)
Trade receivables and other receivables	6,845,623	8,205,506
Deferred charges	43,279	90,254
Other receivables	31,988	79,849
Other long-term receivables (on a period exceeding 3 months)	438	438
Provisions on impairment of other receivables	0	0
Current income tax to be recovered	0	0
Total	75,704	170,541
Total receivables after provisioning	6,921,327	8,376,047

(All amounts are expressed in RON unless otherwise stated)

The fair value of receivables and other receivables is equal to their nominal value.

Trade receivables and other receivables are denominated in the following currencies:

	31 December 2016	31 December 2017
RON	6,726,343	8,093,996
EUR	194,984	282,051
Other currencies (USD, GBP)	-	-
Total receivables	6,921,327	8,376,047

The analysis or receivables by maturity is presented in the following table:

	31 December 2016	31 December 2017
During the maturity period	5,380,742	6,187,593
Maturity period exceeded but without the risk of depreciation	1,540,585	2,188,454
Total	6,921,327	8,376,047

The analysis on the seniority of outstanding receivables, but not provisioned are as follows:

	31 December 2016	31 December 2017
Up to 3 months	1,396,898	2,008,559
Between 3 and 6 months	133,538	153,134
More than 6 months	10,149	26,761
Total	1,540,585	2,188,454

The analysis of provision movement for the amortization of receivables:

	31 December 2016	31 December 2017
On 1 January	226,602	229,369
Receivables provisioned during the year	26,593	36,135
Provision reversal	(23,826)	(73,452)
On 31 December	229,369	192,052

(All amounts are expressed in RON unless otherwise stated)

12. CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2017
Cash in hand and in bank	62,432	126,827
Performance guarantees under 3 months	-	-
Cash collateral at the bank - letters	-	-
Other cash equivalents	-	-
Short-term deposits	513,732	508,949
Total	576,164	635,776

	31 December 2016	31 December 2017
Cash in hand and in bank in RON	51,966	122,360
Cash in hand and in bank in USD	3,282	951
Cash in hand and in bank in EUR	7,184	3,516
Short-term deposits in RON	513,732	508,949
Short-term deposits in EUR	-	-
Total	576,164	635,776

Bank	31 December 2016	31 December 2017
Raiffeisen Bank	4,671	3,895
BRD	2,900	13,978
Trezorerie	3,614	6,069
BCR	10,021	4,468
Unicredit Ţiriac Bank	0	17,545
Piraeus Bank Romania	943	0
Cash in hand and other cash equivalent	40,283	80,873
Short-term deposits BRD	0	0
Short-term deposits BCR – manager securities	97,274	92,490
Short-term deposits – CEC BANK – recorded dividends	416,440	416,440
Short-term deposits – CEC BANK - sureties	18	18
	576,164	635,776

(All amounts are expressed in RON unless otherwise stated)

In 2016, the amount of RON 416,440 representing the dividends to the shareholders: SCOP LINE SA (RON 213,645), BENJAMIN UNITED SRL (RON 342), ALFA LINE SA (RON 90,422) and MATTERA COM SA (RON 112,031) was registered with the CEC BANK SA. The amounts were recorded on the basis of an Ordinance issued on 25 September 2015 by the Directorate for the Investigation of Organized Crime and Terrorism in File No. 394 / D / P / 2007.

	31 December 2016	31 December 2017
Cash and cash equivalents	567,164	635,776
Total current portions of loans	2,599,141	3,040,747
	3,166,305	3,676,523

13. EQUITY

	31 December 2016	31 December 2017
Share capital	12,325,438	12,325,438
Adjustments of share capital	-	-

	Value	Number of shares	Value of share (RON)	Percentage of ownership(%)
Ionescu Mircea-Pietro	3,095,990	1,238,396	2.5	25.1187
Popoviciu Viorel-Dorin	1,607,925	643,170	2.5	13.0456
Popa Gheorghe Titus Dan	1,544,490	617,796	2.5	12.5309
S.C. ELECTROARGEŞ S.A.	1,527,833	611,133	2.5	12.3958
Individuals	2.875,515	1,150,206	2.5	23.3299
Legal entities	1,673,685	669,474	2.5	13.5791
Total	12,325,438	4,930,175		100

At the time of transition to IFRS, the Company calculated and recognized the hyperinflationary economy by applying IAS 29.

The restatement was calculated using the evolution of the consumer price index ("CPI") published by the National Statistics Institute ("NIS"). The indices used, determined on the corresponding prices for December 1990 (1990 = 100) for 13 years and conversion factors were the following:

(All amounts are expressed in RON unless otherwise stated)

Month, Year	Movements in consumer price indices	Index	Conversion Factor
February 1991	7.0%	123	1.363
March 1996	1.7%	8,291	20.19
February 2001	2.3%	101,419	1.65
August 2003	0.28%	157,446	1.06

DIVIDENDS

During 2017, the Company did not appropriate any dividends to owners.

14. LOANS

	31 December 2016	31 December 2017
Loans from banks	2,599,141	3,040,747
Loans from shareholders	-	-
Total loans	2,599,141	3,040,747
Current portion of loans	2,599,141	3,040,747
Long-term portion– loans from banks	-	-
	2,599,141	3,040,747

In November 2017, the Company signed with RAIFFEISEN BANK S.A. a term SME Investment Initiative loan agreement amounting to RON 2,500,000 for a period of 3 years, to finance 80% of the investment representing the acquisition of new equipment. The loan withdrawals will take place in the first part of 2018 for the purpose of paying the debt to the supplier, which as at 31 December 2017 was RON 2,534,877 and is included in current financial statements as Current Debt.

The collaterals for this facility are: the mortgage on current accounts opened at the bank, the mortgage on the equipment subject to the investment, and a 60% financial guarantee granted by the EIF.

(All amounts are expressed in RON unless otherwise stated)

The credit facility provided under this Contract benefits from European Union support through the SME Initiative Program, funded by the European Union through the ERDF and Horizon 2020 and by the European Investment Fund and the European Investment Bank.

The fair value of loans at the end of each reporting period coincides with their carrying amount at that date.

	31 December 2016	31 December 2017
RON	2,599,141	2,091,919
EUR	0	948,828
	2,599,141	3,040,747

The effective average annual interest rate on bank loans for the year 2017 was of 2.20% (for the year 2016 being 1.54%).

15. FINANCE LEASE

	31 December 2016	31 December 2017
Up to one year	313,733	305,834
Between 1 year and 5 years	206,926	202,015
Current value of finance lease	520,659	507,849

	31 December 2016	31 December 2017
Up to one year	325,159	315,472
Between 1 year and 5 years	211,906	204,818
Future finance charges	(16,406)	(12,441)
Current value of finance lease	520,659	507,849

The effective average annual interest rate of the finance lease for the year 2017 was of 2.08% (for the year 2016 was of 2.44%).

(All amounts are expressed in RON unless otherwise stated)

16 . SUPPLIERS AND OTHER CREDITORS

	31 December 2016	31 December 2017
Suppliers	1,847,745	4,406,772
Amounts owed to personnel	594,462	572,315
Interest payable	2,741	3,533
Dividends payable	838,888	656,224
VAT payable	193,773	298,173
Other liabilities to the State	302,641	361,333
Deferred income	0	0
Customers in credit and sundry creditors	83,588	118,133
Inventory surpluses in the form of noncurrent assets	6,617	23,974
Total	3,870,455	6,440,457

	31 December 2016	31 December 2017
EUR	695,774	3,490,804
USD	-	-
RON	3,174,681	2,949,653
	3,870,455	6,440,457

The amount of RON 2,534,877 that is found in the debt to the suppliers as at 31 December 2017 represents the equivalent in RON of the debt to the external supplier who delivered us a piece of equipment at the end of December 2017 and will be paid in the first part of 2018 the investment loan contracted from Raiffeisen Bank.

(All amounts are expressed in RON unless otherwise stated)

17. ANALYSIS OF REVENUE BY CATEGORY

	31 December 2016	31 December 2017
Revenue from sale of finished goods	29,158,670	30,707,448
Revenue from sale of goods	654,499	523,659
Revenue from services rendered	208,754	192,372
Total	30,021,923	31,423,479

Other operating income

	31 December 2016	31 December 2017
Gain / (loss) from sale of fixed assets	20,475	(21,015)
Other income	**1,161,911**	**10,079**
Gain on revaluation of tangible assets	0	0
Gain on fair revaluation of property investment	0	0
Rental income	1,403,067	1,478,799
Total	2,585,453	1,467,863

Other operating income as at 31 December 2016 recorded revenues of RON 1,155,160 representing dividends distributed in 2001, 2006, 2007, 2009, 2011 and 2012, outstanding until 31 December 2016 and for which the right of the shareholders to ask for their payment is prescribed.

18. WAGES AND OTHER COSTS RELATED

	31 December 2016	31 December 2017
Salary expenses	10,301,881	10,801,453
Salary contribution expenses	2,347,051	2,496,290
Employee luncheon vouchers	456,356	442,749
Total	13,105,288	13,740,492

	31 December 2016	31 December 2017
Average number of employees	222	217
Number of employees	222	230
Salary of administrative staff (managers, including related social contributions)	1,314,841	1,391,050
Board of Directors (including related social security contributions)	827,138	827,223

(All amounts are expressed in RON unless otherwise stated)

19. OTHER OPERATING EXPENSES

	31 December 2016	31 December 2017
Other third-party services expenses	744,724	877,940
Royalties and rental expenses	148,638	50,355
Utilities expenses	1,815,945	1,721,996
Maintenance and repair expenses	350,897	310,085
Insurance expenses	110,233	118,850
Damages and penalties expenses	138	33,913
Other provisions expense / (reversal)	-	23,555
Net provision for receivables expense / (reversal)	2,767	(37,317)
Postage and other fees	52,149	45,801
Expenses on commissions and fees	8,368	10,243
Entertainment, advertising and publicity expenses	145,824	99,649
Net (gain) / loss from exchange differences from operating activities	(5,031)	(1,715)
Net provision for slow moving inventories or impaired expense / (reversal)	(20,827)	(5,627)
Banking and related expenses	44,099	46,251
Travel expenses	205,868	184,559
Other operating expenses	862,623	793,803
Shipping costs	147,192	159,340
Total	**4,613,609**	**4,431,681**

In 2017, an audit fee of EUR 8,000 was paid to the auditor for auditing the financial statements as at 31 December 2016

In 2017, the Company paid to the City Hall of Cluj-Napoca an amount of RON 5,621, which represents late payment for the additional difference of RON 13,026 set for tax on land during the tax inspection which verified the period 01 January 2012 – 31 December 2016.

(All amounts are expressed in RON unless otherwise stated)

20. FINANCIAL RESULT

	31 December 2016	31 December 2017
Interest expense		
- Loans	36,603	62,293
- Financial leases	20,808	10,590
Net result from exchange rate differences	759	48,099
Financial costs	58,170	120,982
Interest income	1,621	6
Other financial income	0	0
Other financial income	1,621	6
Net financial result	(56,549)	(120,976)

21. INCOME TAX

Description	31 December 2016	31 December 2017
Net income	967,965	978,970
Tax rate according to national regulations	16%	16%
Items similar to income	1,123,282	993,699
Items similar to expenses	(36,181)	(28,656)
Deductions	(2,812,071)	(2,614,586)
Non-taxable income	(78,000)	(126,604)
Non-deductible expenses	2,957,439	2,796,131
Total	2,122,434	1,998,954
Tax expense	(339,589)	(319,833)
Tax credit	67,917	63,967
Total	(271,672)	(255,866)
(Expense) / revenue with Ddeferred tax	5,151	48,681
(Expense) / revenue with income tax	(266,521)	(207,185)

(All amounts are expressed in RON unless otherwise stated)

21. INCOME TAX (CONTINUED)

	1 January 2016	Movement in deferred tax	31 December 2016	Movement in deferred tax	31 December 2017
Deferred tax assets	39,056	(26,241)	12,815	10,051	22,866
Deferred tax liabilities	(4,948,731)	164,919	(4,783,12)	(40,538)	(4,824,350)
Asset / (liability) from deferred tax - net	(4,909,675)	138,678	(4,770,997)	(30,487)	(4,801,484)

Deferred tax liabilities	**Tangible assets**	**Provisions**	**Total**
On 1 January 2016	(4,947,298)	(1,433)	(4,948,731)
Movement in deferred tax	173,253	(8,334)	164,919
On 31 December 2016	(4,774,045)	(9,767)	(4,783,812)

Deferred tax liabilities	**Tangible assets**	**Provisions**	**Total**
On 1 January 2016	14,783	24,273	39,056
Movement in deferred tax	(1,968)	(24,273)	(26,241)
On 31 December 2016	12,815	0	12.815
Asset / (liability) from deferred tax - net	(4,761,230)	(9,767)	(4,770,997)

Deferred tax liabilities	**Tangible assets**	**Provisions**	**Total**
On 1 January 2017	(4,774,045)	(9,767)	(4,783,812)
Movement in deferred tax	(43,265)	2,727	40,538
On 31 December 2017	(4,817,310)	(7,040)	(4,824,350)

(All amounts are expressed in RON unless otherwise stated)

Deferred tax liabilities	**Tangible assets**	**Provisions**	**Total**
On 1 January 2017	12,815	0	12,815
Movement in deferred tax	-	10,051	10,051
On 31 December 2017	12,815	10,051	22,866
Asset / (liability) from deferred tax - net	(4,804,495)	3,011	(4,801,484)

22. AFFILIATES

The list of Company affiliates is as follows:

Affiliate	**Explanations**
CARBOREF SA Cluj-Napoca	CARBOCHIM SA holds 25% of the share capital of CARBOREF SA. D-l Popoviciu Viorel is member of both the Board of Directors of CARBOCHIM SA (Board composed of 5 persons), and of CARBOREF SA (Board composed of 3 persons) until March 2015, when the company became CARBOREF SRL and a single director remained (Mr. Ioan Mihut, who owns 70% of the social shares). Deliveries represent the equivalent rent and utilities under contract 2249 / 13 December 2012. Purchases are procurements of auxiliary materials.
EURO CLUB SRL Timişoara	D-l Popa Dan – Director of CARBOCHIM SA holds 50% of EUROCLUB SRL and is the Director of EUROCLUB SRL together with another person. Deliveries are deliveries of grinding wheel products in order to sell them as authorized dealer (according to contract no. 35001/2008, and the addendum 20/2016).
AUTO EUROPA SRL Timişoara	D-l Popa Dan – Director of CARBOCHIM SA holds 50% of AUTOEUROPA SRL and is the director together with another person AUTOEUROPA SRL
ELECTROARGES SA Curtea de Argeş	ELECTROARGES SA holds 12.40% of the CARBOCHIM SA share capital
SERVICE AUTOMOBILE 2 SA, Cluj-Napoca	Mr. Turcu Iacob Ovidiu – Director of CARBOCHIM SA holds 41.88% of SERVICE AUTOMOBILE 2 SA and is the representative of the Director of DACIA SERVICE CLUJ FELEAC
DACIA SERVICE CLUJ FELEAC SA, Cluj-Napoca	Mr. Turcu Iacob Ovidiu – Director of CARBOCHIM SA, starting 26 April 2013 he holds 95.66% of DACIA SERVICE FELEAC SA and is Director together with two persons

(All amounts are expressed in RON unless otherwise stated)

The analysis of balances and transactions with affiliates:

Balances on 1 January 2016	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	1,555	-	-
EURO CLUB SRL	122,922	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	124,477	-	-

Transactions carried out during 2016:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	9,773	27	-
EURO CLUB SRL	692,893	-	-
AUTOEUROPA SRL	-	4,165	-
ELECTROARGES SA	523	-	-
SERVICE AUTOMOBILE 2 SA	834	9,365	-
DACIA SERVICE FELEAC SA	1,432	5.660	-
Total	705,455	19,217	-

Balances on 31 December 2016	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	837	-	-
EURO CLUB SRL	142,228	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	957
DACIA SERVICE FELEAC SA	-	-	-
Total	143,065	-	-

Transactions carried out during 2017:	**Sales**	**Expenses**	**Loans**
CARBOREF SA	10,051	1,607	-
EURO CLUB SRL	(3,149)	-	-
AUTOEUROPA SRL	-	315	-
ELECTROARGES SA	687	-	-
SERVICE AUTOMOBILE 2 SA	14,179	-	-
DACIA SERVICE FELEAC SA	18,768	550	-
Total	40,536	2,472	-

Balances on 31 December 2017	**Receivables**	**Other receivables**	**Payables**
CARBOREF SA	-	-	-
EURO CLUB SRL	-	-	-
AUTOEUROPA SRL	-	-	-
ELECTROARGES SA	-	-	-
SERVICE AUTOMOBILE 2 SA	-	-	-
DACIA SERVICE FELEAC SA	-	-	-
Total	**-**	**-**	**-**

The amounts are stated in RON and inclusive of VAT.

On 31 December 2017, the Board of Directors of the Company has the following structure:

- Popoviciu Viorel Dorin, member of the Board of Directors and Chairman of the Board. Holds 643,170 shares.

- Popa Gheorghe Titus Dan, member of the Board of Directors. Holds 617,796 shares

- Ionescu Mircea Pietro, Member of the Board of Directors. Holds 1,238,396 shares.

- Turcu Iacob Ovidiu, Member of the Board of Directors. Holds 164 shares.

- Crisan Viorel Vasile, Member of the Board of Directors. Holds 7,609 shares.

The executive management of the Company is:

- Popoviciu Viorel Dorin, Chief Executive Officer
- Barabula Mihaela Maria, Chief Financial Officer
- Giurgiu Liana, Sales Director
- Carean Nastasia, Technical – Production Director

23. EARNINGS PER SHARE

Company shares are listed on the second category of the Bucharest Stock Exchange.

Basic earnings per share is calculated by dividing the profit attributable to the Company's equity holders of the average number of ordinary shares existing during the year. The diluted earnings per share coincides with the basic earnings per share.

(All amounts are expressed in RON unless otherwise stated)

	Year closed on 31 December 2016	Year closed on 31 December 2017
Profit attributable to equity holders of the Company	967.965	978.970
Weighted average of number of shares	4,930,175	4,930,175
Basic earnings and diluted earnings per share (RON per share)	0.20	0.20

24. CONTINGENCIES

Litigation

The Company is subject to a number of lawsuits, most representing insolvency proceedings of doubtful clients. The Company's management believes that these actions will not have a material adverse effect on the economic performance and financial position of the Company.

Taxation

The taxation system in Romania has undergone many changes in recent years and is under a phase of adaptation to the jurisprudence of the European Union. As a result, there are still different interpretations of tax law. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and interest and penalties for late payment (in 2017, the late payment fee is of 0.01% per day of delay, plus default interest at the rate of 0.02% per day of delay). In Romania, the tax year remains open for tax inspection for 5 years. The Company's management believes that tax liabilities included in these financial statements are appropriate.

Tax legislation existing at the time of preparation of financial statements for companies reporting under the International Financial Standards is in an early stage of development. As a result, it is possible that the tax authorities have different interpretations from those included in these financial statements. Since the Company maintains the revaluation method for tangible assets, and also in order to reduce the tax related risk, the Company decided to keep the balance of the account 105 "Revaluation reserves" at the date of transition to IFRS, the existing amounts in this account on 31 December 2010 in the financial statements prepared according to the Order of the Ministry of Public Finance 3055/2009.

Financial crisis

Recent volatility in international and Romanian financial markets:

The current global liquidity crisis that began in mid-2007 resulted in, among other things, a low level of capital market funding, lower liquidity levels in the financial sector and occasionally higher interbank lending rates and volatility very high stock exchanges. Also, the RON exchange rate volatility and the main currencies used in international trade was very high. Currently, the full impact of the current financial crisis is still impossible to predict and totally preventable.

Management is unable to reliably estimate the effects on the financial position of the Company to a potential decrease in liquidity of financial markets, an increase in the volatility of the exchange rate of the national currency and the continuation of the recession. The management believes that it has taken all the necessary measures to ensure the continuity of the Company under current conditions.

Revaluation of properties held at fair value

The real estate market in Romania has been severely affected by the recent volatility in financial markets which resulted in restricting access to credit for companies and individuals. Therefore, the accounting value of tangible assets at fair value has been updated to reflect the market conditions at the balance sheet date. Due to the volatility of the real estate market in Romania, it is possible that the fair values of the Company's assets relating to property be modified in the future.

25. SUBSEQUENT EVENTS

In the Current Report issued on 20 March 2018 to publish the agenda of the Ordinary General Meeting of Shareholders of 26 April 2018, convened for approval of the Financial Situations of 2017, the following shall be submitted for approval:

- appropriation of the net profit of 2017 in the amount of RON 978,969.72 as follows: to the legal reserves the amount of RON 59,307.74, to the dividends the amount of RON 887,431.50 representing a gross dividend of RON 0.18 / share and other reserves (own financing sources) the difference of RON 32,230.48.

- appropriation of dividends in the amount of RON 345,112.25, i.e. a gross dividend of RON 0.07 / share, of the net profit of 2015 remained unpaid amounting to RON 682,821.94.