Translation from Romanian

SOCIETATEA ELECTROARGES S.A.
CURTEA DE ARGES

STAND ALONE FINANCIAL STATEMENTS ON 31st DECEMBER 2016

Prepared in accordance with the Ordinance 2844/2016 of the Public Finances Ministry for approval of the accounting regulations in accordance with International Financial Reporting Standards

Content	Page
Statement of financial position on December 31st 2016	3
Statement of comprehensive income on December 31st 2016	4
Statement of changes in equity on December 31st 2016	5
Cash flows statement on December 31st 2016	6
Notes regarding the financial statements on December 31st 2016	7
Reporting entity	7
Basis of financial statements preparation	8
Principles, policies and accounting methods	14
Intangible assets	35
Tangible assets and investment property	36
Financial assets	39
Short-term investments	40
Other financial assets	41
Investments in associates	41
Trade receivables and payables and other obligations	42
Inventories	45
Cash and cash equivalents	46
Equity	46
Provisions	48
Turnover volume, structure and evolution	49
Tax on profit	51
Retained earnings	52
Earnings per share	53
Average number of employees	54
Related party transactions	55
Commitments and contingencies	58
Objectives and policies for financial risk management	58
Operating segments	62
Further events after the reporting period	62
Sources of estimation uncertainty	62

SOCIETATEA ELECTROARGES S.A.
CURTEA DE ARGES
STAND ALONE FINACIAL STATEMENTS ON 31st DECEMBER 2016

STATEMENT OF FINANCIAL POSITION ON DECEMBER 31st 2016

-LEI-

	01.01.2016	31.12.2016
Assets		
Fixed assets		
Tangible assets	26,448,627	24,749,148
Intangible assets	317,929	364,606
Goodwill	0	0
Investment property	0	0
Financial assets	16,268,295	18,354,184
TOTAL FIXED ASSETS	**43,034,851**	**43,467,938**
Current assets		
Inventories	25,243,214	19,582,446
Trade and other receivables	15,871,737	17,126,264
Other receivables	9,979	8,152
Short-term investments	13,572,935	15,772,548
Cash and cash equivalents	5,314,229	15,533,792
TOTAL CURRENT ASSETS	**60,012,094**	**68,023,202**
TOTAL ASSETS	**103,046,945**	**111,491,140**
Trade and other payables	20,421,222	16,376,661
Loans with short-term interest	0	0
Other payables	5,570,376	12,936,497
SHORT-TERM PAYABLES	**25,991,598**	**29,313,158**
Long-term loans	3,670,153	1,188,214
Long-term deferred income		
TOTAL LONG-TERM PAYABLES	**3,670,153**	**1,188,214**
Current tax liabilities		
Deferred tax liabilities		
TOTAL PAYABLES	**29,661,751**	**30,501,372**
Deferred income – from which investment subsidies	**5,737,060**	**4,779,224**
Provisions	**106,409**	**3,710,224**
Share capital	8,085,027	6,976,465
-Subscribed capital	8,085,027	6,976,465
-Share capital adjustment to hyperinflation	0	0
Share premium	3,774,986	0
Capital reserves	1,617,005	1,617,005
Legal reserves adjustment to hyperinflation	2,540,349	2,540,349
Reserves from tangible assets revaluation	1,781,471	1,769,778
Reserves from revaluation	0	0
Retained earnings from revaluation reserves surplus	12,734,901	12,746,594
Other reserves	25,967,754	25,831,074
Other reserves adjustment to hyperinflation	3,309,306	3,309,306
Profit carried forward	0	0
Retained earnings from the adoption of IFRS	0	0
Cumulative profit	7,730,926	16,577,153
Profit sharing	0	0
TOTAL EQUITY	**67,541,725**	**72,500,220**
TOTAL PAYABLES AND EQUITY (TOTAL LIABILITIES)	**103,046,945**	**111,491,140**

The financial statements from page 1 to page 63 have been approved by the Board of Directors and authorized for issuing on 22.03.2017.

General Director,	Economic Director,
Ion Gavrila	Roxana Scarlat

STATEMENT OF COMPREHENSIVE INCOME ON DECEMBER 31st 2016

		-LEI-
	31.12.2015	**31.12.2016**
Sold production	166,773,426	191,640,500
Income from sale of goods	1,165,466	2,061,654
Revenue related to the product stocks costs	1,203,267	1,659,082
Revenue from trade discounts	-55,142	-41,343
Revenue from production assets		9,767
Other operating income	1,067,833	861,471
Income from subsidies	8,921	51,815
TOTAL OPERATING INCOME	**170,163,771**	**196,243,061**
Raw material and consumables expenses	130,311,535	146,217,809
Expenses on goods	1,121,275	1,958,569
Trade discounts received	0	19
Expenses on personnel benefits	15,281,908	16,766,906
Value adjustments on fixed assets	2,418,343	2,920,977
Expenses	2,418,343	2,920,977
Income	0	0
Value adjustments on current assets	457,558	0
Expenses	459,444	0
Income	1,886	0
Value adjustments on provisions	63,065	3,603,751
Expenses	155,647	3,763,256
Income	82,582	159,505
Other operating costs	8,763,322	8,597,033
TOTAL OPERATING COSTS	**158,417,006**	**180,065,026**
OPERATING PROFIT	**11,746,765**	**16,178,035**
Financial income	3,260,038	4,430,004
Financial expenses	5,221,731	648,717
FINANCIAL RESULT	**(-)1,961,693**	**3,781,287**
TOTAL INCOME	**173,423,809**	**200,673,065**
TOTAL EXPENSES	**163,638,737**	**180,713,743**
GROSS PROFIT	**9,785,072**	**19,959,322**
TAX INCOME EXPENSE	**2,054,146**	**3,382,169**
NET PROFIT	**7,730,926**	**16,577,153**
TOTAL COMPREHENSIVE INCOME FOR THIS PERIOD	**7,730,926**	**16,577,153**
BASIC/DILUTED EARNINGS PER SHARE	**0.0956**	**0.2376**

The financial statements from page 1 to page 63 have been approved by the Board of Directors and authorized for issuing on 22.03.2017.

General Director,
Ion Gavrila

Economic Director,
Roxana Scarlat

STATEMENT OF CHANGES IN EQUITY

On December 31st 2016, situation is as follows:

-LEI-

	share capital	share premium	legal reserve	other capital reserves	revaluation reserves	Earnings on equity instruments	retained earnings	total equity
on 01.01.2016	8,085,027	3,774,986	1,617,005	25,967,754	7,828,699	0	20,268,254	67,541,725
profit / (loss) period							16,577,153	16,577,153
other elements of the comprehensive income	-	-	-				-7,730,926	-7,730,926
increases	778,931				11,693	1,132,496		1,923,120
reductions	1,887,493	3,774,986		136,680	11,693			5,810,852
total comprehensive income	-1,108,562	-3,774,986	-	-136,680	0	1,132,496	8,846,227	4,958,495
on 31.12.2016	6,976,465	0	1,617,005	25,831,074	7,828,699	1,132,496	29,114,481	72,500,220

The financial statements from page 1 to page 63 have been approved by the Board of Directors and authorized for issuing on 22.03.2017.

General Director,
Ion Gavrila

Economic Director,
Roxana Scarlat

CASH FLOW STATEMENT

The transition from the general accounting principles locally accepted to IFRS has no significant effect on the cash flow statement.

Indirect method ***- LEI-***

Item name	Cash flow 01.01.2016	Cash flow 31.12.2016
A	**2**	**4**
+/- Business income	7,730,926	16,577,153
+ Depreciation included in cost	2,418,343	2,920,977
- Changes in inventories (+/-)	2,964,706	(-)5,660,768
- Changes in receivables (+/-)	(-)654,282	(+)1,254,527
+ Changes in suppliers and client lenders (+/-)	2,498,515	(-)4,154,171
- Changes in other asset items (+/-)	(-)4,560,675	(+)1,931,183
+ Changes in other liability items	(-)8,372,855	(-)8,199,928
A = Cash flow from operating activities	**6,525,180**	**9,619,089**
+ Amounts from sale of assets and fixed assets	70,740	2,618
- Acquisitions of tangible assets	4,927,277	699,690
+ =B Cash flow from investment activities	**(-)4,856,537**	**(-)697,072**
+ Changes in loans (+/-) of which: * Short-term loans	(-)3,049,965 (-)5,630,563	(-)2,481,939 0
+ Paid dividends	3,316,466	3,779,485
+ = C Cash flow from financial activities	**266,501**	**1,297,546**
+Liquid assets at the beginning of 2013	3,379,085	5,314,229
+ Net cash flow (A+B+C)	**1,935,144**	**10,219,563**
= Liquid assets at the end of the period	5,314,229	15,533,792

The financial statements from page 1 to page 63 have been approved by the Board of Directors and authorized for issuing on 22.03.2017.

General Director, Economic Director,
Ion Gavrila Roxana Scarlat

NOTES ON THE FINANCIAL STATETEMENTS
for the financial year ending on December 31st 2016

REPORTING ENTITY

S.C. ELECTROARGES S.A. Curtea de Arges was established as a joint stock company following the reorganization and the concomitant division under Law 15/1990 and in accordance with the Government Ordinance no. 1224/22 from November 1990 of IPEE ELECTROARGES Curtea de Arges into two separate companies: S.C. ELECTROARGES S.A – electrical consumer goods manufacturer and IPEE S.A. - passive electronic components manufacturer.

Registered office: Curtea de Arges, strada Albesti, nr. 12
Telephone no.: 0248/724000, 0763/676160
Fax no.: 0248/724 004
E-mail: faxsecretariat@gmail.com
Tax Registration Code: RO156027
Trade Register Registration no. and date: J03/758/1991

S.C. ELECTROARGES S.A. CURTEA DE ARGES, a fully privately owned company, is traded on the market regulated by the Bucharest Stock Exchange, under the second category, with quarterly and annual financial reporting obligations, in accordance with art.227 of „Law 297 on the capital market" and the CNVM Regulation no. 1/2006 on the issuers and securities operations and we found that they were met.

S.C.ELECTROARGES S.A.'s object of activity:

- manufacturing electrical consumer goods;
- manufacturing electronic machinery and devices;
- executing industry-specific tools, devices, checkers.

Electroarges SA's activity is conducted under the Environmental Permit no. 205 reviewed on 07.01.2015, issued by the Pitesti Regional Agency for Environmental Protection and the Water Management Permit no. 290/09.2016 issued by the National Administration of „Apele Romane" – Arges Water Department – Vedea Pitesti, issued for the activity of manufacturing electrical appliances CAEN Code 2971/2751, taking place in Curtea de Arges, str. Albesti, nr. 12, Arges County.

Subscribed and paid capital on 31.12.2016 is 6,976,465 lei, representing 69,764,650 shares with a nominal value of 0.10 lei/share.

On 31.12.2016, the ownership structure was as follows:
-36.8375% - Constantin Relative Investments SRL;
-48.7285% - natural persons
-14.4341% - legal persons

BASIS OF PREPARATION

This set of financial statements is prepared in accordance with the International Financial Reporting Standards. The company adopted the report according to IRFS on December 31st 2012.

The company presented all IRFS changeover effects in the financial year 2012, ended on December 31st 2012.

S.C. ELECTROARGES S.A.'s stand alone financial statements were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (IFRS). These financial statements represent the company's stand alone financial statements according to IFRS.

The company prepared financial information which are in accordance with the IFRS applicable for the period ended on December 31st 2016, together with data related to the comparative period and for the financial year ended on December 31st 2015.

The main accounting policies applied in preparing these stand alone financial statements in accordance with the IFRS are shown below. Unless is otherwise specified, these policies have been consistently applied to the financial years presented.

- The land and the buildings owned by the entity have been accounted in the fiancial statement prepared in accordance with the general accounting principles locally accepted based on the revaluations carried out on December 31st 2012. The company chose to consider these assets as the deemed cost at the date of revaluation because they are generally compatible with the fair value on the date of changeover to IFRS.

The accrual accounting and going concern principles were applied when preparing the stand alone financial statements.

The accounts are kept in lei in accordance with the Romanian Accounting Regulations (''RCR''). The accounts have been restated to reflect the differences between the accounts according to RCR and those according to IFRS.

Declaration of conformity

The Company's financial statements have been prepared in accordance with the Ordinance 2844/2016 of the Public Finances Ministry on approval of the accounting regulations according to the International Financial Reporting Standards adopted by the European Union (IFRS) in force at the date of the Company's annual report, respectively on December 31st 2016.

The finacial statements contain the statement of financial position, the statement of comprehensive income, the statement of changes in equity, the cash flow statement and the explanatory notes.

In accordance with the Ordinance 881/2012 of the Public Finances Ministry on applying the International Financial Reporting Standards by the trading companies whose assets are admitted to trading on a regulated market and the Ordinance 2844/2016 of the Public Finances Ministry on approval of the accounting regulations according to the International Financial Reporting Standards, applicable to the trading companies whose securities are admitted to trading on a regulated securities market, the trading companies whose securities are admitted to trading on a regulated securitiues market are obliged, beginning with the financial year 2012, to apply the International Financial Reprting Standards (IFRS) when preparing the annual financial statements.

The Company applied and adopted earlier the following published standards, but applicable at a date later than the presentation of these financial statements:

-IFRS 9, ''Financial Instruments'' (effective for annual periods beginning on or after January 1st 2015); IFRS 9 specifies how an entity should classify and measure the financial assets, including some hybrid contracts. This requires that all financial assets to be:

- Classified based on the entity's business plan for managing financial assets and the contractual characteristics of the cash flow related to the financial asset.
- Measured initially at fair value plus some transaction costs, in the case of a financial asset that is not measured at fair value through the profit or loss account.
- Measured further at amortized cost or at fair value.

-IFRS 10 ''Consolidated Financial Statements'' (effective for annual periods beginning on or after January 1st 2014);

-IFRS 11 ''Joint Arrangements'' (effective for annual periods beginning on or after January 1st 2014);

-IFRS 12 ''Disclosure of interests in other entities'' (effective for annual periods beginning on or after January 1st 2014);

-IFRS 13 ''Fair Value Measurement'' (effective for annual periods beginning on or after January 1st 2013); The standard concentrates the definitions and reduces the complexity setting precise definitions for the fair value and a sole source for measuring the fair value, but also joint presentation requirements for many standards.

-IAS 19 ''Employee Benefits'': the amendment is effective beginning on of after January 1st 2013 and includes both fundamental changes such as quitting the corridor rule and the concept of expected return for the asset benefit plans, and simple clarifications and reformulations.

-IAS 27 ''Consolidated and Separate Financial Statements'' The modified version applicable only to the separate financial statements effective on January 2013

-IAS 28 (reviewed in 2011) ''Investments in Associates and Joint Ventures'' (effective for annual periods beginning on or after January 1st 2013);

- Amendments to ***IFRS 7*** ''Financial Instruments: Presentation – asset and liability offsetting (effective for annual periods beginning on or after January 1st 2013);

- Amendments to ***IAS 32*** ''Financial Instruments: Presentation" – asset and liability offsetting (effective for annual periods beginning on or after January 1st 2014.

The company anticipates that the adoption of these standards, revisions and interpretations will have no significant impact on its financial statements for the period in which they will be applied for the first time.

-Interpretation of ''***IFRIC 20***-Stripping Costs in the Production Phase of a Surface Mine'' effective on or after January 1st 2013; this interpretation is applicable for the waste disposal costs incurred in the surface mining activity during the production phase of the mine.

General Director,	Economic Director,
Ion Gavrila	Roxana Scarlat

Basis of measurement

The financial statements on December 31st 2016 have been prepared at historical cost, except the amount revalued as deemed cost for tangible assets and fair value for the property investments and financial instruments.

The financial statements have been prepared using the going concern principle.

In accordance with IAS 29 and IAS 21, the finacial statements of an entity whose functional currency is that of a hyperinflationary economy must be prepared in the current unit of measurement at the date of balance. Thus the values in the current unit of measurement on 31 December 2016 are treated as the basis for the carrying amounts in these separate financial statements and do not represent measured values, replacement cost, or any other measurement of the current value of the assets or the prices at which transactions would occur at this time.

Functional and presentation currency

The items included in the Company's financial statements are measured using the currency of the economic environment in which the entity operates („functional currency"), ie leul.
The financial statements are in lei, which is the Company's functional and presentation currency.

Foreign currency

Operations denominated in foreign currency are recorded in lei at the official exchange rate on the settlement date. Monetary assets and liabilities denominated in foreign currency at the date the statement of financial position is prepared are recorded in lei at the exchange rate on that day.

Profit or loss resulting from the settlement thereof and the conversion of monetary assets and liabilities denominated in foreign currency using the end of the financial year exchange rate are recognized in the financial year result. Non-monetary assets and liabilities which are measured at historical cost in foreign currency are recorded in lei at the exchange rate of the date of transaction.

Non-monetary assets and liabilities denominated in foreign currencies and which are measured at fair value are recorded in lei at the exchange rate of the date their fair value was determined.

The conversion differences are presented in the profit or loss account.

The exchange rates of the main currencies were the following:

Currency	Exchange rate Dec.31 2016	Exchange rate Dec.31 2015	Exchange rate Dec.31 2014
EUR	4.5411	4.5245	4.4821
USD	4.3033	4.1477	3.6868

Using professional estimates and judgments

The preparation of financial statements in accordance with the IFRS as adopted by the European Union requires from the part of the management to use some estimates and assumptions which affect the application of accounting policies, as well as the reported value of assets, liabilities, income and expenses. The estimates and judgments associated with them are based on historical data and other factors thought to be eloquent in the circumstances, and the result of these factors form the basis for judgments used in determining the carrying amounts of assets and liabilities for which no other evaluation sources are available. Actual results may be different from the estimates.

Estimates and judgements are periodically reviewed. The reviews of accounting estimate are recognized in the period in which the estimate is reviewed, if the review affects only that period, or in the current and future periods, if the review affects both the current and future periods. The effect of changing related to the current period is recognized as income or expense in the current period. If any, the effect on future periods shall be recognized as income or expense in those future periods.

The company management believes that any differences from these estimates will not have a significant influence on the financial statements in the near future.

In accordance with IAS 36, both intangible and tangible assets are assessed to identify if they present any indications of impairment on the date of the balance. If the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the carrying amount of such an asset to the recoverable amount. If the reasons for recognizing an impairment loss disappear in the subsequent periods, the net carrying value of the asset is increased to the net carrying amount that would have been determined had no impairment loss had been recognized.

Evaluation for impairment of receivables is made individually and is based on management's best estimate of the present value of cash flows that are expected to be received. The company reviews its trade and other receivables on every date of the financial position to assess whether to record impairment in the profit and loss account. In particular, the management's professional judgment is necessary for estimating the value and coordinating the future cash flows when determining the impairment loss. These estimates are based on assumptions about several factors and actual results may differ, resulting in future changes to adjustments.

Deferred tax assets are recognized for tax losses, to the extent that it is probable that taxable profit will exist that might cover the losses. It is necessary to exercise professional judgment in determining the amount of deferred income tax assets that can be recognized on the basis of probability in terms of the period and level of future taxable profit, as well as future tax planning strategies.

PRINCIPLES, POLICIES AND ACCOUNTING METHODS

According to IFRS – International Accounting Standard 8 ''Accounting Policies, Changes in Accounting Estimates and Errors'', *the accounting policies* represent the specific principles, basis, conventions, rules and practices applied by this entity when preparing and presenting the financial statements.

The company has selected and consistently applies the accounting policies for transactions, other events and similar conditions, unless a standard or an interpretation specifically requires or allows classifications of items for which it might be appropriate the implementation of different accounting policies. If a standard or interpretation requires or allows such a classification, then such an appropriate accounting policy must be selected and consistently applied to each category.

The company changes an acounting policy only if the change:

- is required by a standard or interpretation; or
- results in financial statements which provide reliable and more relevant information about the effects of transactions, other events or conditions on the financial position, financial performance or entity's cash flows.

We present a summary of the significant accounting policies that have been consistently applied to all the periods presented in the financial statements:

a) Intangible assets, tangible assets and property investments

a.1 Intangible assets

Initial evaluation

The company has chosen to be evaluated at acquisition or production cost (by itself) according to IAS 38 ''Intangible Assets''.

Evaluation after initial recognition

The company has chosen the cost model as its accounting policy for evaluating the intangible assets after the initial recognition.
The company has chosen to use the straight-line method of amortization for the intangible assets amortization.

To determine whether an intangible asset evaluated at cost is impaired, the company applies IAS 36. An impairment loss should be recognized immediately in the profit and loss account.

In order to present the profit and loss account, the earnings or losses arising with the termination of the use or the release of an intangible asset are detemined as the difference between income generated by the release of the asset and its depreciated value, including expenses incurred in removing it from the records, and must be presented as net value in the profit and loss account, according to IAS 38.

a.2 Tangible assets
Initial evaluation

Tangible assets are initially recognized at acquisition or production cost (if performed by itself) and are presented at the net accumulated amotization values and accumulated impairment loss.

The cost of purchased tangible assets is represented by the value of the considerations performed for acquiring such assets, as well as other costs directly attributable to bringing the assets to the location and condition necessary for them to operate in the manner intended by the management.
SC ELECTROARGES SA determined the threshold value recognition of a tangible fixed asset item (which qualifies for recognition under IAS 16) at 2,500 lei.

Evaluation after initial recognition

The company has chosen to use ***the revaluation model*** for evaluating of the tangible assets after initial recognition. Under the revaluation model, a tangible asset item whose fair value may be measured reliably shall be carried at a revalued amount, this being its fair value at the date of the revaluation minus any subsequent accumulated depreciation and any accumulated impairment losses.
Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the end of the reporting period.
The fair value of land and buildings is generally determined based on market evidence, by an assessment carried out by professionally qualified assessors.

The fair value of tangible asset items is usually their market value determined by evaluation.

The frequency of revaluations depends on changes in the fair value of the revalued tangible assets. If the fair value of an asset differs significantly from its carrying amount, a further revaluation is required.

When a tangible asset item is revalued, any accumulated depreciation at the date of the revaluation is treated by the company as follows: it is proportionately restated with the change in gross value of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Therefore, the frequency of revaluations depends on changes in the fair value of tangible assets. If the fair value of a tangible asset item revalued the date of balance differs significantly from its carrying amount, a further revaluation is required. When fair values are volatile, as the case may be for land and buildings, frequent revaluations may be needed. When fair values are stable over a long period of time, as may be the case with plant and machinery, evaluations may be required less often. IAS 16 suggests that annual revaluations may be needed if there are significant and volatile changes in values.

If a tangible asset item is revalued, then the entire class of tangible assets of which it belongs should be revalued.
The residual value and the useful life of the asset are reviewed at least at the end of the financial year.

Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary to be able to operate in the manner intended by management.
Depreciation of an asset ends at the first time between the date the asset is classified as held for sale (or included in a disposable group that is classified as held for sale) in accordance with IFRS 5, and the date that the asset is de-recognized.

Therefore, depreciation does not end when the asset is not used or is decommissioned, unless the asset is fully depreciated.
Land and buildings are separable assets and are accounted for separately even when they are acquired together.

Owned land is not depreciated.

If the cost of land includes the costs of disassembly, removal, restoration, these costs are depreciated over the time they generate benefits as a result of carrying these costs.
The depreciation method used reflects the unit's expected consumption pattern of the asset's future economic benefits.

The depreciation method used is the straight-line one, according to the company's accounting policy, conferred by Law 227/2015 approving the Tax Code.

Maintenance and repairs of fixed assets are to be expensed when they occur, and **improvements to assets** that increase their value or duration of life are capitalized.
The residual value and the useful life of an asset shall be reviewed at least at each end of the financial year. If expectations differ from previous estimates, the change(s) must be accounted for as change(s) in accounting estimates, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.

Company's depreciation policy

In accordance with IAS 36, both intangible and tangible assets are investigated to identify any indications of impairment at the date of balance. For intangible assets with indefinite useful live, impairment tests are performed annually, even if there is no indication of impairment.

If the carrying amount of an asset is greater than its recoverable amount, an impairment loss is recognized to reduce the net carrying amount of the asset to its recoverable amount. If the reasons for recognizing an impairment loss disappear in the next periods, the net carrying amount of the asset is increased to the net carrying amount that would have been determined had no impairment loss had been recognized.
The difference is shown as other operating income.

The carrying amount of a tangible asset item is recognized on release or when no future benefits are expected from its use or release. The revaluation surplus included in equity in respect of a tangible asset item is transferred directly to retained earnings when the asset is derecognized on release or scrapping.

Profit or loss resulting from derecognition of a tangible asset item must be included in profit or loss account when the item is derecognised.
If tangible asset items that were held for rental to others are being sold repeatedly, these assets will be transferred to inventories at book value at the time when they cease to be rented and are held for sale. Proceeds from the sale of these assets are recognized as income in accordance with IAS 18 "Revenue".

a) Financial assets

In accordance with **IAS 39, "Financial Instruments",** SC Electroarges SA classifies financial instruments held in ***Financial assets at fair value through profit or loss are recorded in this category.***
Financial assets represented by:
-fiancial instruments-shares purchased on the stock market from issuers through BSE at fair value - market value. According to the portfolio file, the positive results have been presented in the financial income accounts and the negative differences in the financial expense accounts.

- ''Shares in Associates" accounted at cost.
- "Securities available to sell" evaluated at fair value-market value. According to the portfolio file, the positive results have been presented in the financial income accounts and the negative differences in the financial expense accounts.

When separate financial statements are prepared, investments in subsidiaries, jointly controlled entities and associates that are not classified as held for sale (or included in a group to be ceded which is classified as held for sale) in accordance with IFRS5, must be accounted for either:

a) at cost, or
b) in accordance with IAS 39.

The cost method is a method of accounting whereby the investment is recorded at cost. The profit and loss account reflects income from the investment only to the extent that the investor is assigned portions of the company's net profits in which he invested that seem subsequent to the date of acquisition.

b) Investments in associates

An "associate" means an entity in which another entity has a participating interest and whose operating and financial policies are subject to **significant influences** exercised by the other entity. It is considered that an entity has significant influence over another entity where it has at least 20% of the voting rights of such entity's shareholders or associates. As a result, the existence of an associate implies the cumulative fulfillment of two conditions, namely holding a participating interest in the other entity and exercising significant influence over the operating and financial policies of such associate.

Investments in associates are accounted for in the consolidated statements by the equity method, where there is no control and they are initially recognized at cost, and where it has control they are accounted for item by item and the mutual transactions are removed.

Under IFRS 1, the company may choose to use derogation relating to investments in subsidiaries according to which an entity adopting IFRS for the first time may choose to present in the opening balance one of these two options:

- fair value determined according to IAS 39 at the date of transition, or
- accounting value according to the generally accepted principles prior to the date of transition.

The Company has no subsidiaries and has not issued bonds or other debt securities, but prepares consolidated financial statements, reaching the minimum limit of the consolidation threshold with the following companies: S.C. Mercur S.A., S.C. Elars S.A., S.C. Concifor S.A. and S.C. Amplo S.A.

c) Interests on loans

Interests on loans which are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized until the asset is ready for its intended use or sale. All other costs related to loans are recognized as expenses in the profit and loss account for the period in which they arise.

d) Government Grants

In accordance with IAS 20, government grants are recognized only when there is sufficient certainty that all the conditions attached to them will be met and that the grants will be received. Grants that meet these criteria are presented as other liabilities and are systematically recognized in the profit and loss account over the useful life of the assets to which they relate.

e) Inventories

In accordance with IAS 2 Inventories, these are assets that are:

- held for resale in the ordinary course of business
- in the course of production for such sale or
- in the form of materials and other consumables that will be used in the production process or for services

Inventories are stated at the lowest value between the cost and the net realizable value. Net realizable value is estimated based on the selling price related to the normal activity minus the estimated costs for completion and sale. For obsolete or slow moving inventories, adjustments are made based on management estimates.

Setting and resuming the impairment cost adjustments is done on the profit and loss account.

On the inventory outflow, the following evaluation methods are allowed: FIFO (first in - first out), CMP (weighted average cost) and LIFO (last in - first out), while IAS 2 "Inventories" allows only the methods FIFO and CMP. On transition to IFRS, the company used the FIFO evaluation method (method recognized by IAS 2) as an evaluation method on inventory outflow, the company choosing only for the adjustment of the impaired inventories recognized under the accounting provisions previously applicable, this being less than the adjustment at the net realizable value, required to apply the IFRS.

f) Receivables and other similar assets

With the exception of the derivative financial instruments which are recognized at fair value and the items denominated in a foreign currency, which are translated at the closing exchange rate, receivables and other similar assets are carried at amortized cost.

This amount may be considered as a reasonable estimate of the fair value, given that in most cases the due date is less than one year.

Long-term receivables are discounted using the effective interest method.

In order to present the annual financial statements, receivables are measured at the likely amount to be collected.

When it is estimated that a receivable will not be fully collected, in accounting are recorded adjustments for depreciation, in the amount not to be retrieved.

Deregistration of receivables occurs as a result of their cashing or by release to a third party.

Current receivables can also be deducted from records by mutual offsetting of the receivables and liabilities between third parties, under the law.

Deregistration of receivable whose cashing terms are prescribed is done after the company obtains documents showing that all the legal steps for their recovery have been taken. Receivables written off the records are registered in the order and track account off the balance sheet and are followed up further.

g) Cash and cash equivalents

For preparing the Cash Flow Statement, cash is considered the existing cash at the cash desk and in the current bank accounts.

Cash equivalents represent deposits and highly liquid investments with high liquidity, with due dates of less than three months.

h) Liabilities

A liability is a company's present obligation arising from past events and whose settlement is expected to result in an outflow of resources carrying economic benefits.

A liability is recognized in accounting and presented in the financial statements when it is probable that an outflow of resources carrying economic benefits will result from the liquidation of a present obligation (probability) and when the value at which this settlement will be achieved can be measured reliably (credibility).

Current liabilities are those debts that must be paid within a period of up to one year.

A liability shall be classified as short-term liability, also called current liability when:

a) is expected to be settled during the normal operating cycle of the company; or

b) is held primarily for trading;

c) is due within 12 months after the date of balance;

d) the company has no unconditional right to defer payment of the liability for at least 12 months after the date of balance.

All other liabilities must be classified as ***long-term liabilities*** even in situations where they must be settled within 12 months after the date of balance, if:

-the original term was for a period longer than 12 months;

-the company intends to refinance the long-term obligation and the intention is supported by an agreement to refinance or reschedule payments, which is completed before the financial statements are approved for publication.

Liabilities are carried at amortized cost, except for the derivative financial instruments which are stated at fair value.

Long-term liabilities are discounted using the effective interest method. The discount rate used in this regard is the rate in force at the end of the year for instruments representing liabilities with similar due dates. The carrying value of other liabilities is their fair value, as they are generally short-term due dates.

The company derecognizes a liability when the contractual obligations are paid or canceled or expired.

If the goods and services provided in connection with the current activities have not yet been invoiced, but the delivery was made and their value is available, that obligation is recorded as a liability (rather than a provision).

The amounts representing dividends distributed from the net profit of the reporting period are recorded in retained earnings in the coming year following that, upon approval by the general meeting of shareholders of this destination, to be reflected in the account 457 "Dividends to be paid".

i) Tax on profit including deferred tax

Tax on profit for the financial period includes current tax and deferred tax.

Tax on profit is recognized in the statement of comprehensive income or in other comprehensive income items if the tax relates to items recognized in equity.

Tax on current profit

Current payable tax is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that will never become taxable or deductible. Company's liability related to the tax on current profit is calculated using tax rates that have been required by law or a bill at the end of the year. Currently, the tax rate is 16%.

Deferred tax

Deferred tax is established using the balance method for temporary differences of assets and liabilities (differences between the carrying amounts presented in the company's balance sheet and their tax basis). Tax loss carried forward is included in the calculation of the deferred tax asset. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits shall be obtained, after offsetting the tax loss of previous years and the income tax recoveries.

Deferred tax assets and liabilities are offset when this right exists and when they are related to the income taxes levied by the same taxation authority. If the probability to realize deferred income tax asset is greater than 50%, then the claim is considered.
Otherwise a value adjustment is recorded for deferred tax asset.

j) Revenue recognition

Revenue is measured under IAS 18 "Revenue" at the fair value of the consideration received or receivable.

Revenue is reduced in accordance with the estimated value of customer returns, rebates and other similar items.

Sell of goods

Revenue from sale of goods is recognized when all the following conditions are met:

• The company has transferred to the buyers the significant risks and rewards arising from the ownership of the goods;

• The company no longer manages the goods sold at levels that would have done it as their owners and also no longer has effective control over them;

• the amount of the revenue can be measured reliably;

• it is probable that the economic benefits associated with the transaction will flow to the company; and

• transaction costs can be measured reliably.

Income from current activities is recognized when there is likely that the company will receive future economic benefits and when these benefits can be measured reliably.

The amount of revenue arising from a transaction is usually determined by an agreement between the entity and the buyer or user of the asset. Revenue is measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates granted.

The counter-trade is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or to be received. However, when the inflow of cash or cash equivalents is deferred, the fair value of the counter-trade may be less than the nominal value of the cash received or receivable.

This is the situation that applies in the case of delivery contracts with supplier’s credit condition, if the company can offer the buyer a loan without interest or may accept from him commercial paper with an interest rate lower than the market as consideration for the sale goods.

For commercial contracts signed as deferred payment supplier, the difference between the fair value and the nominal value of the consideration is recognized as **income of interest**. The fair value of the consideration is determined by discounting all future receipts using an implied rate of interest.

To update the amounts receivable in the future, the company chose to use the interest rate determined by internal procedure.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the revenue associated with the transaction must be recognized depending on the completion stage of the transaction on the closing date of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are met:

• amount of revenue can be measured reliably;

• it is probable that the economic benefits associated with the transaction will flow to the entity;

• the completion stage of the transaction at the date of balance can be measured reliably;

• costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

In recognition of revenue based on the completion stage of the transaction the company uses the "percentage of completion method". Under this method, revenue is recognized in the accounting periods in which the services are provided. Recognition of revenue on this basis provides useful information on the extent of performance activity and the performance during a period.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity.

When an uncertainty arises about the collectability of an amount already included in revenue, the amount which cannot be collected or the amount whose recovery has ceased to be probable is recognized more as an expense, rather than as an adjustment of the amount of revenue originally recognized.

When the outcome of a transaction involving the rendering of services cannot be estimated reliably, revenue should be recognized only to the extent of the expenses recognized which are recoverable.

Rental income is recognized in the linear profit and loss account, over the lease agreement period.

Dividends and interests

Dividend income is recognized when it is established the shareholder's right to receive payment. Dividend income is recorded at gross value, including tax on dividends, which is recognized as a current expense in the period in which the distribution was approved.

Income of interest is recognized on an accrual basis, by reference to the principal outstanding and the effective interest rate, the rate that exactly discounts the estimated future cash receivable.

k) Provisions

Provisions are made for the current obligations to third parties, where it is probable that the obligations will be settled and the amount necessary to settle the obligations can be estimated reliably. Provisions for individual obligations are settled at a value equal to the best estimate of the amount required to settle the obligation.

Provisions are grouped into categories and are made for:

a) litigations;

b) guarantees to customers;

c) decommissioning of tangible assets and other actions related thereto;

d) restructuring;

e) employee benefits;

f) other provisions.

When, based on the analysis made by the management together with lawyers on the company's chances to lose the case, the company concludes that the estimated chances to lose are higher than 51%, then a provision is made at the reliable estimated value.

Provisions for guarantees to customers are established according to estimates made by management and sales, technical and quality department on the costs of repairs within warranty. The level of expenditure with repairs during the warranty period is determined as a percentage of the turnover of the reporting year.

Provisions for restructuring

The implied obligation for restructuring arises where a company:

- has a detailed official plan for restructuring in which are highlighted: the activity or part of activity to which it relates, the principal locations affected, the location, function and approximate number of employees who will receive compensation for termination of their activity, expenses involved, the date when the restructuring plan shall be implemented

-created a legitimate expectation to those affected that the restructuring will be accomplished by starting to implement such restructuring plan or by communicating its main features to those who will be affected by restructuring

The provision for restructuring includes only the direct costs related to restructuring.

Provisions for employee benefits

For holidays not taken and other long-term benefits offered to employees (if they are stipulated in the employment contract) and those granted upon termination of employment, provisions are recorded during the financial year.

When they are recognized as liabilities towards employees, the value of the provisions shall be reversed through the proper revenue accounts.

Other provisions

In case liabilities are identified with uncertain timing or amount, which qualify for recognition under IAS 37 but they are not found in any of the categories identified above, they are recorded as other provisions.

At the end of each reporting period, the provision is revised and adjusted to reflect the current best estimate. When, following the review, it is found that there is likely to be needed an outflow of resources embodying economic benefits to settle the obligation, the provision must be annulled.

The company does not recognize a provision for losses on operating assets.

Forecasting operating losses indicate that certain operating assets may be impaired and in this case these assets are tested in accordance with IAS 36 Impairment of Assets.

I) Employee benefits

Short-term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the comprehensive income statement as the related service is provided.

Short-term benefits granted to employees include salaries, bonuses and social insurance contributions. Short-term benefits are recognized as expenses when the services are rendered.

The company makes payments on behalf of their employees to the Romanian state pensions system, health insurance and unemployment fund, in the normal course of business.

All company employees are members and have the obligation to contribute to the Romanian state pension scheme. All related contributions are recognized in the profit and loss account for the period when incurred. The company has no other further obligations.

The company does not operate any independent pension scheme and therefore does not have any obligations in this regard. The company does not adhere to any other post-employment benefit system. The company has no obligation to provide further services to current or former employees.

There is currently no plan that requires the company to provide benefits in the form of the entity's own shares (or other equity instruments).

Other benefits

The company grants severance payments on retirement and considering that they bring no future economic benefits, they are recorded at the date of granting, respectively the last month in which the person appears as an employee before retirement.

m) Bussines income

In accounting, the profit or loss is cumulatively determined from the beginning of the financial year.

Business income is determined as the difference between income and expenditure.
The final business income of the financial year is set at its closing and represents the final balance of the profit and loss account.

Profit distribution is carried out in accordance with the legal provisions in force.
The amounts representing reserves from the profit of the current financial year, on the basis of legal provisions, for example the legal reserve established under the provisions of Law 31/1990, is registered at the end of the current financial year.

The accounting profit remaining after this allocation is transferred at the beginning of the financial year following the year for which financial statements are prepared, in the account 1171 “Retained earnings representing the undistributed profit or uncovered loss", from where is distributed to other destinations determined by the general meeting of shareholders, under legal provisions.
Recording in accounting the destinations of the accounting profit is made after the general meeting of shareholders approved the distribution of profit, by recording the amounts representing dividends due to shareholders, reserves and other destinations, according to the law.

n) Earnings per share

IAS 33 "Earnings per share" requires that if an entity presents consolidated financial statements as well as separate financial statements, the presentation of Earnings per share is based only on consolidated information. If it chooses to present Earnings per share based on its separate financial statement, it must present such earnings per share information only on the statement of comprehensive income. In this case it does not have to present Earnings per share in the consolidated financial statements.
The company has chosen to present Earnings per share in these stand alone financial statements.

The company presents the **basic earnings per share ("CPA")** for its ordinary shares. Basic CPA is calculated by dividing the profit or loss attributable to the company’s holders of ordinary shares to the weighted average number of ordinary shares outstanding during the period.

The weighted average number of outstanding ordinary shares during the period = the number of outstanding shares at the beginning of period adjusted with the number of shares repurchased or issued during the period multiplied by a time-weighting factor.
The time-weighting factor is the number of days the shares have been in circulation, as a proportion of the total number of days in the period.

Earnings per share indicators – are determined in accordance with IAS 33 and are considering the **net profit** attributed to the share.

Earnings per share = net income / share capital

The average trading price of the company's shares on the BSE in 2016 was 1.0185 lei / share.

o) Legal reserve

According to the Romanian legislation, companies must assign a value equal to at least 5% of profit before tax, in legal reserves, until they reach 20% of the share capital. When this level has been reached, the company may make additional allocations of net profit only. The legal reserve is deductible within a 5% limit applied to the accounting profit, before determining the tax on profit. Because on 31.12.2015 the legal reserve value had reached the maximum threshold value of 20% of the share capital and in the course of 2016 there was a decrease of share capital, legal reserve value was diminished, in order not to exceed the legal limit.

p) Segment reporting

An entity must disclose information to enable the users of its financial statements to evaluate the nature and financial effects of the business activity in which it engages and the economic environments in which it operates.

An operating segment is a distinct component of the company engaging in activities which could get revenue and record expenses, including revenue and expenses related to transactions with any of the other components of the company and is subject to risks and benefits that are different from those of other segments.
The main reporting format segment of the company is the activity segmentation.

Given that the SC Electroarges SA shares are traded on the BUCHAREST STOCK EXCHANGE, and the company applies IFRS, this shows in the annual financial statements and the interim reports made in accordance with **IAS 34 Interim Financial Reporting** information on the operating segments, about its products and services, about the geographical areas in which it operates and on main customers.

In accordance with ***IFRS 8 "Operating Segments"***, an operating segment is a component of an entity:

• that engages in business activities from which it may get revenue and from which it may incur expenses (including revenue related to transactions with other components of the same entity)

• whose results of activity are examined periodically by the entity's chief operating decision maker in order to take decisions about allocating resources to segments and assessing its performance and

• for which separate financial information is available.

Operating segments often have similar long-term financial performance if they have similar economic characteristics. For example, we expect similar long-term average gross margins for two operating segments would be expected when their economic characteristics are similar. Two or more operating segments may be aggregated into a single operating segment if the aggregation is consistent with the basic principle of this IFRS, the segments have similar economic characteristics, and the segments are similar in each of the following aspects:

- the nature of products and services;
- the nature of production processes;
- type or class of customer for their products and services;
- the methods used to distribute their products or services; and
- if applicable, the nature of the regulatory environment, for example, bank sector, insurances or public utilities.

If the total external revenue reported by the operating segments constitutes less than 75 percent of the entity's revenue, additional operating segments should be identified as reportable segments until at least 75 percent of the entity's revenue is included in the reportable segments.

Considering the criteria for identifying operating segments and the quantitative thresholds described in IFRS 8, SC Electroarges SA has identified only one operating segment, namely the production segment.

INTANGIBLE ASSETS

Intangible assets include software, licenses and various software and are recorded in the account 205 "Concessions, patents, licenses purchased" and the account 208 "Other intangible assets"; They are depreciated by the straight-line method;
They are shown at historical cost, less the depreciation and the possible value adjustments. Evolution of intangible assets and their depreciation is shown in Table 1.

The company has no internally generated intangible assets or acquired through a government grant and also has no intangible assets with indefinite useful lives.

The company has no assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5.

For intangible assets, the useful lives were estimated at 3 years.
Intangible assets have the following structure:

- formation expenses (market research)	0 lei
- research and development expenses	0 lei
(new products and technologies)	
- other assets (software + license)	447,484 lei

- advances of intangible assets 21,648 lei

(research expenses-ongoing development)

they are measured at the acquisition or production cost, as applicable, decreased by the depreciation included in the costs when acquiring and until 31.12.2016.

The amortization method is the straight-line one, given the length of the useful life.

TANGIBLE ASSETS (IAS 16)

A tangible asset item that qualifies for recognition as an asset is measured at its cost.

Tangible assets are initially measured at the acquisition cost (for those purchased against payment), at the amount of intake (for those received as contribution in kind to the share capital formation / increase), respectively at fair value at the acquisition date (for those received free of charge).

For further recognition, the company has adopted the revaluation model.

The value of the revalued asset being its fair value at the date of the revaluation minus any further accumulated amortization and any further accumulated impairment losses. Revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the date of balance. Revalued amount (extra) replaces the cost of acquisition. Extra differences from revaluation are reflected in accounting in other comprehensive income items and accumulated in equity under the heading of revaluation surplus (unless the increase offsets a decrease in the previous revaluation of the same asset previously recognized in profit or loss, in which case the increase is recognized directly in profit or loss).

The negative differences from revaluation are recognized in profit or loss (unless the decrease offsets an previous increase from revaluation, accumulated in equity as revaluation surplus, in which case the reduction is recognized in other comprehensive income items, reducing the surplus revaluation).

The revaluation surplus included in equity in respect of a tangible asset item is transferred directly to retained earnings when the asset is derecognized. This involves transferring the entire surplus when the asset is retired or disposed of. Transfers from revaluation surplus to retained earnings are not made through profit or loss.

FIXED ASSETS registered an 1,916,195 lei increase in absolute value (presented by category in Table 2).

In 2016 the increase of fixed assets is due to the modernization of existing buildings, of which completed are in the amount of 699,690 lei and pending completion in the amount of 1,216,505 lei.

In the course of 2016 were released from patrimony fixed assets in the amount of 255,540 lei (table 5), of which:

- by scrapping (table 5) .... 255,540 lei

The last revaluation for tangible assets in the account 2111 "Land and land improvements", the account 213 "Technical installations, vehicles, animals and plantations" and the account 214 "Furniture, office equipment, equipment for the protection of human and material values and equipment and other tangible assets" was performed and recorded in accounting on 31.12.2003, using the index method. Fully depreciated fixed assets were revalued, including buildings and land, except fully depreciated fixed assets and inventory objects, those with values below 1,500 lei, and assets out of patrimony between 31.12.2003 (reference date for revaluation) and 31.01.2004, and the differences in the amount of 1,937,293.9 lei were recorded in the balance sheet as at 31.12.2003, in revaluation reserves by law.

-The last revaluation of tangible assets from the account 212 "Construction" was conducted by qualified professionals, members of ANEVAR, at the reference date 31.12.2012. Fully depreciated buildings were revalued, and the difference of 173,900 lei was recorded in the balance sheet as at 31.12.2012 in the account "212" - Constructions and in the account "2812" - Depreciation of buildings, by the account "1058" – Revaluation reserves, without a net difference from the revaluation of constructions. The fair value of buildings was determined based on observable market transactions, where there were comparable data, or by alternative evaluation methods, according to the International Evaluation Standards.

On December 31st, 2013 and December 31st, 2014 the fair values set out in the 2012 revaluation were considered relevant.

SC Electroarges SA's Board of Directors shall review the situation of the tangible assets from these categories and decide on their revaluation in 2017.

DEPRECIATION

The depreciation expenses for each period are recognized in profit or loss unless they are included in the carrying value of another asset. Depreciation is calculated at book value (acquisition cost or revalued amount) using the straight-line method, over the estimated useful lives of the assets and monthly accounted for in the company's expenses. Depreciation of an asset begins when it is available for use, ie when it is in the location and condition necessary to be able to operate in the manner intended by the management.

Depreciation of an asset ends at the earliest on the date the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with IFRS 5 and the date that the asset is derecognized. ***Therefore, depreciation does not end when the asset is not used or is decommissioned, unless it is fully depreciated.*** However, according to the usage methods of depreciation, the depreciation expenses may be zero when there is no production. Each part of a tangible asset item with a significant cost to the total cost of the item shall be depreciated separately. The residual value and useful life of an asset must be reviewed at least at each end of a financial year. If expectations differ from previous estimates, the change (s) must be accounted for as changes in accounting estimates, in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*.
On 31.12.2015 and 31.12.2016, the company has not recorded provisions for impairment of fixed assets.

INVESTMENT PROPERTY (IAS 40)

Do not fall under IAS 40:

a) properties owned to be sold in the normal course of business

b) the building where the entity carries its business

c) properties built or on behalf of third parties

Conditions for recognition of an investment property:

1. probability of generating future economic benefits;
2. the cost can be measured reliably;

FINANCIAL ASSETS

On 31.12.2016, the financial assets in the amount of 18,354,184 lei represent financial instruments-shares, purchased on the stock market from issuers through BSE.

For "Shares in entities" in the amount of 18,354,184 lei, the evaluation at cost was made on 31.12.2016, according to the Portfolio file, and value adjustments in the amount of 1,705,888.58 lei from the previous years were canceled, due to the reclassification of these shares, from securities available for sale (account 2633) in securities at cost (account 2621). A financial asset classified as available for sale may be reclassified out of this category, if the entity has the intent and ability to hold the financial asset. If, after the change in intention or ability, the classification of an investment as held to due date is no longer appropriate, it must be reclassified as available for sale and will be revalued at fair value (IAS 39).

The situation of financial assets is as follows:

Issuer	No. of shares	Issuer's percentage of share capital	Not assessed value	Assessed value	Previous years adjustment
Concifor Buzau	3,206,788	67.0217	1,146,810.5	1,146,810.5	-826,132.72
Elars Rm.Sarat	20,555,276	88.1611	2,055,527.60	2,055,527.60	-613,926.87

Mercur Fagaras	111,671	98.412	4,746,017.5	4,746,017.5	0
Amplo Ploiesti	2,668,396	84.4119	10,405,828.14	10,405,828.14	-265,828.99
Total	-	-	18,354,183.74	18,354,183.74	-1,705,888.58

SHORT-TERM INVESTMENTS

On 31.12.2016, the company's short-term investments are in the amount of 15,772,548 lei of which: receivable effects in the amount of 27,405 lei and other short-term investments and related receivables in the amount of 15,745,143 lei.

The situation of short-term investments is as follows:

Item no.	Issuer	No. of shares	Issuer's percentage of share capital	Not measured value	Measured value	Difference
1	Amonil Slobozia	32,260,200	2.8994	129,040.80	129,040.80	0
2	Artego Targu Jiu	287,828	2.8929	1,629,106.48	1,606,080.24	-23,024.24
3	Banca Transilvania	20,181		20,181.00	47,828.97	27,647.97
4	Braiconf Braila	7,904,221	17.6373	4,457,980.65	5,611,996.91	1,154,016.26
5	Carbochim Cluj	49,000	0.9939	259,700.00	363,580.00	103,880.00
6	Ceprocim Bucuresti	4,000	0.2769	12,000.00	8,640.00	-3,360.00
7	Conted Botosani	2,108	0.8794	120,156.00	100,973.20	-19,182.80
8	Iprolam Bucuresti	57,341	5.6538	372,716.50	315,375.50	-57,341.00
9	Lactate Natura	394,000	15.9527	1,213,600.00	1,292,320.00	78,720.00
10	Mecanoenergetica	4,640,888	28.8479	464,088.80	464,088.80	0
11	Metalul Mesa Salonta	845,877	16.4543	76,128.93	84,587.70	8,458.77
12	Metalul Mesa Salonta	11,500	0.2237	1,150.00	1,150.00	0
13	Romanofir Talmaciu	74,847	14.6704	853,255.80	853,255.80	0
14	S.I.F. Transilv.	40,000	0.0001	10,940.00	10,220.00	-720.00
15	Sigstrat Sighetu Marmatiei	891,839	3.8357	258,633.31	151,612.63	-107,020.68
16	Sigstrat Sighetu Marmatiei	891,839	3.8357	89,183.90	151,612.63	62,428.73
17	Tarnava Sgh.	214,163	3.9888	10,708.15	10,705.15	0
18	Uztel Ploiesti	137,424	2.5613	329,817.60	371,044.80	41,227.20
	Total			**10,308,387.92**	**11,574,116.13**	**1,265,728.21**

For short-term investments in the amount 11,574,116.13 on 31.12.2016 fair value measurement - market value was made, according to the Portfolio file and the positive results were shown in the financial income accounts and the negative differences in expense accounts, the net difference of revaluation being (+) 1,265,728.21 lei.

Shares suspended from trading which were revalued and impairment loss adjustments were recorded in the amount of 186,515.73 lei.

Issuer	No. of shares	Issuer's percentage of share capital	Not measured value	Measured value	Difference
Carbochim Cluj	562,133	11.4019	4,357,542.59	4,171,026.86	-186,515.73

OTHER FINANCIAL ASSETS (IAS 39)

According to the acceptable accounting regulations, financial assets are initially recognized at the cost of acquisition.
Expenses related to acquisition are recorded directly in the operating expenses of the period.
Here there is a difference to the recognition of the tangible assets, which may also include such related expenses in the cost.

INVESTMENTS IN ASSOCIATES

On 31.12.2016, the company classifies investments held in associates in financial assets carried at cost. For AMPLO Ploiesti and Buzau CONCIFOR which these investments are made for, they are listed on the main market, respectively the BSE. Holdings are evaluated at cost and are tested for impairment annually. In order to establish this, management uses a number of judgments and is considering, among other factors, the duration and the extent to which the value at the reporting date of the investment is less than its cost; financial health and the associated entity's short-term perspective, technological changes and operating and financing cash flows.

TRADE RECEIVABLES AND PAYABLES AND OTHER OBLIGATIONS (IAS 39)

Trade receivables fall into the category of financial assets.
A financial asset is recognized in the statement of financial position when, and only when the company becomes part of the contractual provisions of the instrument.

Trade receivables are carried at the original invoice amount minus the provision (impairment adjustment) created for doubtful receivables. Amount of the provision (impairment adjustment) is calculated as the difference between the carrying amount and the recoverable amount.
According to IFRS, the company is obligated to recognize trade receivables at the maximum recoverable value.

According to Romanian accounting regulations, the company filed payables with clients to shareholders and creditors. By switching to IFRS, given that the right of shareholders and debtors to collect these amounts were prescribed, the company has canceled the dividends on one hand, recognizing them in counterpart with an income for dividends to be paid and respectively in adjusting the account 118 " Retained earnings from the adoption of IFRS ".

On 31.12.2016 he company registers receivables in the amount of 17,126,264 lei, presented in table 5/1 and total payables amounting to 30,501,372 lei – table 5/2.

Payables are recorded at nominal value and are recognized in the analytical accounting for each natural or legal person. Foreign currency payables have been assessed based on the exchange rate in effect at the end of the financial year, and foreign exchange differences are recognized as income or expense for the period.

The greater balance of payables against receivables, in the amount of 13,375,108 lei, is explained by the fact that on 31.12.2016 the company registered trade payables - suppliers, for which the payment due date is within 60 days, and receivables have collection date within 15 days.

Situation of payables compared to the end of last year, is as follows:

	2016	2015	Difference (+/-)	2016/2015 %
TOTAL of which :	30,501,372	29,661,751	839,621	102.83
TRADE PAYABLES	16,376,661	20,421,222	(-)4,044,561	80.19
AMOUNTS DUE TO BUDGET AND OTHER FUNDS	2,915,931	2,538,851	377,080	114.85
FINANCIAL LIABILITIES AND SIMILAR (CREDITS)	1,188,214	3,670,153	(-)2,481,939	32.38
SETTLEMENT WITH EMPLOYEES AND SIMILAR	476,212	375,755	100,457	126.73
OTHER PAYABLES	9,544,354	2,655,770	6,888,584	359.38

The amounts presented in the above table are expressed in lei (RON).

The greater share in total payables is represented by the trade ones, respectively the suppliers and similar accounts with 16,376,661 lei (53.68%) with due dates under one year, loans and similar liabilities of 1,188,214 lei (3.9%) with due date over one year, liabilities to the state budget, social security, health, and other special funds of 2,915,931 lei (9.56%) and other liabilities amounting to 9,544,354 lei (31.29%) etc. Tax liabilities are required in compensation to tax receivables (VAT recoverable) and are pending.

We mention that on 31.12.2016 all tax liabilities have been paid.

Of the total liabilities of 30,501,372 lei, only 29,313,158 lei have a liquidity term of under one year, the other liabilities in the amount of 1,188,214 lei representing medium and long-term bank loan.

On 31.12.2016 the company has contracted the following loans:

1. Overdraft credit facility (overdraft) with the possibility of issuing letters of guarantees and opening letters of credit in the maximum total amount of 8,000,000 lei, usable in RON or EURO granted by Raiffeisen Bank.

We mention that on 31.12.2016 the overdraft credit taken out was 0.

The loan is guaranteed by:

a) security mortgage on the current accounts opened by the borrower with the bank and on the receivables from third parties that will be paid in those accounts;

b) security mortgage on receivables resulting from the commercial relation with Alfred Kaercher Germany;

c) first rate priority security mortgage over future reserves in the account opened by the client with the bank, called "special purpose account".

2. Term loan facility in the amount of 4,185,000 lei, to finance the project "Efficiency and Competitiveness - priorities in Electroarges activity development", a project co-financed from the European Regional Development Fund, through the Increase of Economic Competitiveness Operational Sectorial Program, granted by Raiffeisen Bank on 09.22.2015. We mention that on 31.12.2016 the amount of 1,188,214 lei was taken out.

The loan is guaranteed by:

a) security mortgage on the current accounts opened by the borrower with the bank and on the receivables from third parties that will be paid in those accounts;

b) security mortgage on receivables resulting from the commercial relation with Alfred Kaercher Germany;

c) security mortgage on the technological equipment owed by the borrowed person, funded from this facility

c) first rate priority security mortgage over future reserves in the account opened by the client with the bank, called "special purpose account".

After reviewing the accounts receivable, doubtful receivables were identified from clients, amounting to 102,031 lei.

On 31.12.2016 the situation of provisions for doubtful receivables is as follows:

- 101,286 lei - customer disputes, of the total of 102,031 lei doubtful customers;

Their situation in comparison with the end of the previous year is as follows:

	31.12.2016	31.12.2015	DIFF	%
a)trade receivables	**6,673,792**	**5,103,907**	**1,569,885**	**130.76**
-receivable customers	6,651,588	5,094,717	1,556,871	130.56
-doubtful customers	102,032	102,032	0	100.00
-customers invoices to be issued	3,961	8,444	(-)4,483	*
- provisions for receivables	(-)101,286	(-)101,286	0	100.00
- other receivables	17,497	0	17,497	*
b) advances paid	**5,928**	**0**	**5,928**	*
c) other receivables	**10,446,544**	**10,767,830**	**(-)321,286**	**97.02**
- VAT refunded	2,963,276	3,628,608	(-)665,332	81.66
- employees receivables	0	247,183	(-)247,183	*
- employees contributions to social security	38,170	76,760	(-)38,590	49.73
VAT under settlement	141,923	139,873	2,050	101.47
- debtors	3,217,607	4,329,349	(-)1,111,742	74.32
- investment subsidies	10,879	2,346,057	(-)2,335,178	0.46
- settlement from ongoing operations	4,074,689	0	4,074,689	*
- provisions for debtors	0	0	0	*
Total receivables	**17,126,264**	**15,871,737**	**1,254,527**	**107.90**

The amounts presented in the above table are expressed in lei (RON).

Receivable customers situation is as follows:

- customers products worth 1,350,246 lei of which older than 365 days amounting to 814,400 lei

- customers materials worth 732,333 lei of which older than 365 days amounting to 718,179 lei;

- external clients worth 4,569,010 lei of which older than 365 days amounting to 38,055 lei;

INVENTORIES (IAS 2)

In accordance with IAS 2 Inventories, these are assets that are:

- held for resale in the ordinary course of business
- in the course of production for such sale or
- in the form of materials and other supplies that will be used in the production process or service rendering

Inventories are stated at the lowest value between the cost and the net realizable value. Net realizable value is estimated based on the selling related to the normal activity, minus estimated costs for completion and sale. For obsolete or slow moving inventories, adjustments are made based on management estimates.

Making and resuming adjustments for impairment costs is made on profit and loss account.

To evaluate the exit from management of the inventories, the following evaluation methods are allowed: FIFO (first in - first out), CMP (weighted average cost) and LIFO (last in - first out), while IAS 2 "Inventories" allows only the use FIFO and CMP methods. On transition to IFRS the company used as a method of evaluating exit from inventory the FIFO evaluation method (method recognized by IAS 2), the company choosing only for inventory impairment adjustment recognized under the accounting provisions previously applicable, which is less than the adjustment to the net realizable value, required to apply IFRS. Consequently recognizing additional impairment was recognized in retained earnings at the transition date.

CASH AND CASH EQUIVALENTS

On 31.12.2016 cash and cash equivalents amounting to 15,533,792 lei are greater compared to the values registered on 31.12.2015 of 5,314,229 lei.

EQUITY

The share capital subscribed and paid at 31.12.2016 is of 6,976,465 lei, representing 69,764,650 shares with a nominal value of 0.10 lei / share.

On 31.12.2016 the shareholder structure was as follows:
- 36.8375% - SC Constantin Relative Investments S.R.L .;
- 48.7285% - natural persons
- 14.4341% - legal persons

Company's **legal reserves** amount to 1,395,293 lei, reaching the maximum threshold of 20% of the share capital.

The company registers at the end of 2016 "**other reserves**" account 1068 in the amount of 25,831,074 lei.
There have been adjustments from inflation updating of other reserves amounting to 3,309,306 lei.

Revaluation reserves amount to 1,769,778 lei on 31.12.2016, compared to 1,781,471 lei, value recorded on 31.12.2015.

Net profit in 2016 is in the amount of 16,577,153 lei.

Legal persons organized under Law no. 31/1990 on trading companies, republished, as further amended and supplemented, on the date of balance, show in accounting only the allocations which are known with certainty at the time, as required by law.

For **the undistributed net profit in amount of 16,577,153.22 lei**, in the balance of account 121 ''Net profit or loss of the financial year ", SC Electroarges S.A.'s Board of Directors suggest the following distribution to the Ordinary General Meeting of Shareholders:

- **12,554,994.42 lei – gross dividends**, representing 0.18 gross lei / share for a total of 69,749,969 shares entitled to dividend. Of the gross dividends, tax shall be deducted on distribution according to law. Dividends shall be distributed to the shareholders recorded in the Shareholders Register issued by the Depozitarul Central on the date of registration and approval by the HAGOA of 25,26.04.2017. Distribution of dividends shall be made within 6 months from the date of AGOA, payment being made through the Depozitarul Central. Payment costs shall be deducted from the net dividend.

- 828,855.00 lei – administrators' part in achieving the profit

- 828,855.00 lei – employees' part in achieving the profit

- 2,364,448.80 lei - for own development sources (for production development) constituted as ''Other reserves - own resources".

Registering in the company's accounting of the distribution of the undistributed net profit shall be made in 2017 according to the AGOA's decision approving the balance.

TOTAL PROVISIONS AND ADJUSTMENTS

Provisions are recognized when the company has a legal or implied obligation resulting from past events, when to settle the obligation an outflow of resources is required and a reliable estimate can be made regarding the amount of the obligation. Electroarges has provisions for impairment of assets, respectively doubtful customers and debtor disputes, shown in the table below.

At the end of 2016 the company made and used regulated provisions for guarantees granted to customers in the amount of 52,898 lei and the balance for customer receivables impairment in the amount of 101,286 lei and the balance for debtor receivables impairment in the amount of 145,000 lei remained unchanged.

Provisions were made during 2016 for risks and expenses (salary rights), amounting to 55,717 lei and provisions in the amount of 106,409 lei for annual leave not taken were cancelled. Also in 2016 provisions were cancelled for impairment of inventories - finished goods, amounting to 163 lei, leaving a balance of 18,969 lei. On 31.12.2016 it was established a provision for litigation in the amount of 3,654,607 lei for execution on the liquidity of Electroarges accounts in the dispute with Carbochim where the company is part of the dispute and responds in solidarity with a group of companies.

On 31.12.2016 the value adjustments for securities assets in the amount of 1,705,889 lei were canceled and adjustments were made for short-term investments impairment in the amount of 186,516 lei.

On 31.12.2016, the provision account balance is: 4,162,095 lei, according to the situation below:

SITUATION OF TOTAL PROVISIONS AND ADJUSTMENTS

-lei

Provision title	Balance on 01.01.2016	Transfers		Balance on 31.12.2016
		Into account	Out of account	
Provisions for guarantees to customers -TG	0	52,898	52,898	0
Provisions for impairment losses on receivables-customers	101,286	0	0	101,286
Provisions for impairment losses on receivables-debtors	145,000	0	0	145,000
Provisions for risks and expenses (salary rights)	106,409	55,717	106,409	55,717
Provisions for impairment of inventories - materials	0	0	0	0
Provisions for impairment of inventories – finished goods	19,132	0	163	18,969
Provisions for disputes	0	3,654,607	0	3,654,607
Value adjustments for securities assets	1,705,889	0	1,705,889	0
Short-term investments impairment	0	186,516	0	186,516
TOTAL PROVISIONS AND ADJUSTMENTS	**2,077,716**	**3,949,738**	**1,865,359**	**4,162,095**

<u>TURNOVER VOLUME, STRUCTURE AND EVOLUTION</u>

The company carried out between 01.01 - 31.12.2016 a turnover of 193,660,811 lei compared to 167,883,750 lei of the previous year, increasing by 25,777,061 lei, respectively by 15.35%, which is shown below as follows:

Indicator	31.12.2016	31.12.2015	%		dif +/-	%
	Amounts	Amounts	31.12.16	31.12.15	2015/2014	15/14
1	2	2	4		6=2-3	7=3/2%
Turnover						
Revenue from sale of finished products	189,486,142	165,025,178	97.84	98.30	24,460,964	114.82
Revenues from work performed and services rendered	964,168	676,978	0.50	0.40	287,190	142.42
Revenue from royalties, location management and rents	962,796	916,085	0.50	0.55	46,711	105.10
Revenue from other activities	227,394	155,185	0.12	0.09	72,209	146.53
Revenue from sale of goods	2,061,654	1,165,466	1.06	0.69	896,188	176.90
commercial rebates granted	-41,343	-55,142	-0.02	-0.03	13,799	74.98
TOTAL TURNOVER	193,660,811	167,883,750	100.00	100.00	25,777,061	115.35

The amounts presented in the above table are expressed in lei (RON).

The greater share in the turnover volume is held by revenue from the sale of finished products at 189,486,142 lei, respectively at 97.84% compared to 165,025,178 lei, respectively 98.30% in the previous year.

Operating Income / Expenses

Item no	**INDICATORS**	PREVIOUS FINANCIAL YEAR	THIS FINANICIAL YEAR
1	Net turnover	167,883,750	193,660,811

2	Cost of goods sold and services rendered (3+4+5)	147,849,264	169,404,852
3	Basic activity expenses	138,137,724	157,707,441
4	Auxiliary activity expenses	1,644,420	1,588,140
5	Indirect production expenses	8,067,120	10,109,271
6	Gross income for the net turnover (1-2)	20,034,486	24,255,959
7	Sales costs	2,462,506	2,186,779
8	General administration expenses	6,901,969	6,804,431
9	Other operating income	1,076,754	913,286
10	Operating income (6-7-8+9)	11,746,764	16,178,035

The amounts presented in the above table are expressed in lei (RON).

There is an increase in turnover by 15.35% while operating income increased by 37.72%.

General administrative expenses are not included in the cost of goods sold and services rendered. The amount of these expenses in the financial year reviewed is of 6,804,431 lei compared to 6,901,969 lei in the previous year. Sales costs are of 2,186,779 lei compared to 2,462,506 lei in the previous year. Compared to the previous year, the cost of goods sold and services also increased by 14.58% compared with an increase in turnover of 15.35%.

Operating income was of 196,243,061 lei compared to 170,163,771 lei in the previous year, an increase by 26,079,290 lei compared to 2015, by 15.33% respectively.

Operating expenses amounted to 180,065,026 lei compared to 158,417,006 lei in the previous year, an increase by 21,648,020 lei over the same period of the previous year, 13.67% respectively. The greater share in operating expenses is that of the raw materials and consumables as a percentage of 81.20% compared to 76.58% in the same period last year; expenses with employees is at 9.31% compared to 9.65% in the same period last year; external supply costs represent 2.79% compared to 3.35% in the same period last year, etc.

From operating activities in 2016 the company recorded a gross profit of 16,178,035 lei, an increase of 4,431,270 lei (37.72%) compared to the previous period.

The gross operating profit was influenced decreased by 3,781,287 lei with the loss from the financial activity, in the end resulting the gross profit of 19,959,322 lei and a net profit of 16,577,153 lei, an increase of 8,846,227 lei (214.43%) compared to the same period of the previous year.

TAX ON PROFIT

Recognition of current tax liabilities and receivables

Tax on profit obligation for the reporting period and prior periods is recognized to the extent that it is not paid.

If the amounts paid for the current period and prior periods exceed the amount due for those periods, the surplus is recognized as the amount to be recovered.

Benefits relating to a tax loss that can be transferred in order to recover the tax from a previous period are recognized as the recoverable amount.

Liabilities (or assets) for the current tax on profit period and prior periods are measured at the amount to be paid (recovered) by the tax authorities, using tax rates (and legislation) applicable at the date of balance.

RETAINED EARNINGS

Retained earnings recorded at 31.12.2016 amounted to 12,746,594 lei representing profit, of which:

- profit of 2012 amounting to 12,537,328 lei
- retained earnings from revaluation surplus amounting to 209,266 lei.

During 2015 AGA approved the loss cover in the amount of 70,672,173 lei coming from the restatement of financial information made for the periods 01.01.2011; 31.12.2011 and 31.12.2012, to ensure compatibility applying the accounting regulations in accordance with International Financial Reporting Standards (IFRS) applicable to trading companies whose securities are admitted to trading on a regulated market starting on 01.01.2013 with the following equity items, which are not tax relief, namely:

- adjustments of share capital acc. to IAS 29 (account 1028), the amount of 64,668,656 lei;
- other reserves for own financing sources created from profit until 31.12.2011 approved by AGA (account 1068.5), in the amount of 6,874,527 lei.

The statement of retained earnings with changes during the year is as follows:

	BALANCE 01.01.2016	Increase	Decrease	BALANCE 31.12.2016
Retained earnings				
Retained earnings	12,537,328			12,537,328
Uncovered loss				
Retained earnings arising from the adoption for the first time of IAS less IAS 29				
balance in hand Balance due				
Retained earnings arising from the adoption for the first time of IFRS				
Retained earnings Uncovered loss				
Retained earnings representing surplus from revaluation reserves	197,573	11,693		209,266
TOTAL	12,734,901	11,693		12,746,594

The amounts shown in the above table are expressed in lei (RON).

EARNINGS PER SHARE

Earnings per share – are determined in accordance with the provisions of IAS 33 and take into account the **net profit** attributed to a share.

Earnings per share = net earnings / share capital

Earnings per share - profit = 16,577,153/69,764,650 = **0.2376 lei**

The ratio between the market price of the share and earnings per share –

The average trading price of the company's shares on the BSE in 2016 was of 1.0185 lei / share.

Price/profit ratio **= 1.0185/0.2376 = 4.2866**

AVERAGE NUMBER OF EMPLOYEES

On 31.12.2016 SC Electroarges S.A. had a total number of 549 employees, of which 484 were employees with indefinite employment contract; 14 employees with definite employment contract; 12 employees with suspended employment contract (5 employees – on maternity leave, 5 employees with the employment contract suspended on request; and 2 employees with the employment contract suspended-union leaders with removal from production).

Staff structure on 31.12.2016 was as follows:

Total staff	- 549 (255 women, 294 men)
Working staff	- 472 of which:
- direct workers	- 388
- indirect workers	- 84
Foremen:	- 2
TESA staff	- 75 of which:
- Engineers:	- 30
- Engineering assistants:	- 9
- Economists:	- 24
- Technicians:	- 2
- Other:	- 10

Regarding the training level of S.C. Electroarges S.A.'s employees, the need to develop professional skills for integration into a professional standard qualification differentiated by jobs and professions was taken into account.

Professional training in 2016 for S.C. ELECTROARGES employees was made according to the actual financial possibilities and in relation to the budget for the previous year approved in this regard.

Mainly in 2016 – the human resources development and training strategy - aimed at expanding the workforce to become more adaptable to the structural changes in the context of skills shortages identified in domestic labor with emphasis on qualification and requalification of the workforce directly at the workplace. In this regard, the development of professional skills for integration into a professional standard was taken into account, offering employees the knowledge necessary to master the trade or occupation based on their experience at work, manufacturing products to better meet the foreign partners' evolving needs and quality requirements.

Also in 2016, the testing program for specialized staff was organized for the trades of Fork-lift Drivers, Crane Drivers, Boiler Operators, Testers and Riggers in order to extend the work permits for the previous year. They passed the exam and were reauthorized by ISCIR for 2016.

On the same note, on 31.12.2016, of the 549 employees, 298 were union members and 251 employees are not union members.

The unionisation – not union members 45.72%

- union members 54.28%

Most labor jurisdiction issues were resolved amicably.

RELATED PARTY TRANSACTIONS

The company is administrated in the one tier model, by a Board of Directors, temporary and revocable, elected by the General Meeting of Shareholders, the majority of the Board members are non-executive administrators.

Based on the AGOA Decision no. 101 of 07.09.2016, ***the structure of the SC Electroarges SA's Board of Directors*** is as follows:

Item no.	Surname	Given names	Age - years -	Qualification	Professional experience. (years)	Position	Seniority - years -
1.	Stefan	Constantin	33	Economist	2	President	0
2.	Gavrila	Ion	62	Engineer	42	Vice-President	10
3.	Vasilachi	Valentin-Marius	32	Engineer	32	Member	0
4.	Tudor	Dumitru	68	Chemist	44	Member	0
5.	Mihalcea	Petru	68	Jurist	47	Member	0

Administrators' participation to the share capital.

Item no.	Surname	Given names	Position	No. of shares
1.	Stefan	Constantin	President	0
2.	Gavrila	Ion	Vice-President	6,016,191
3	Vasilachi	Valentin-Marius	Member	0
4	Tudor	Dumitru	Member	8,942,193
5.	Mihalcea	Petru	Member	0

The list of the executive management:

Item no.	Surname	Given Names	Position	Period as a member of the executive management
1.	Gavrila	Ion	General Director	18.01.2012-08.09.16
2.	Albu	Valeria	Deputy General Director	15.06.15-indefinite
3.	Scarlat	Roxana	Economic Director	28.03.42-indefinite
4.	Barbu	Marin	Technical Director	01.11.06-indefinite
5.	Golescu	Vasile	Quality Director	01.09.06-indefinite
6.	Ghita	Flavius-Lucian	Production Director	01.04.16-indefinite

There are no family ties between administrators or senior executives with third parties due to which they were elected / appointed in office.

The company does not have contractual obligations to former directors and administrators and had not granted advances or loans to the current directors and administrators.

The company has no further obligations assumed in the form of guarantees on behalf of the administrators.

S.C. ELECTROARGES S.A. has the following portfolio of shares on 31.12.2015

Item no.	Issuer	Price per unit	Number of shares	Value
1	Amonil Slobozia	0.0040	32,260,200	129,040.80
2	Amplo Ploiesti	3.9035	2,568,396	10,025,828.14
3	Artego Targu Jiu	5.6600	287,828	1,629,106.48
4	Braiconf S.A. Braila	0.5640	7,904,221	4,457,980.65
5	Carbochim Cluj	7.7518	562,133	4,721,122.59
6	Carbochim Cluj A Cluj-Napoca	5.3000	49,000	259,700.00
7	Ceprocim S.A. Bucuresti	3.0000	4,000	12,000.00
8	Concifor Buzau	0.3576	3,206,788	1,146,810.50
9	Conted Botosani	57.0000	2,108	120,156.00
10	Elars S.A. Ramnicu Sarat	0.1000	20,555,276	2,055,527.60
11	Iprolam S.A.	6.5000	57,341	372,716.50
12	Lactate Natura SRL Targoviste	2.1400	100,000	214,000.00
13	Mecanoenergetica S.A. Drobeta Turnu Severin	0.1000	4,640,888	454,088.80
14	Mercur S.A. Fagaras	42.5000	111,671	4,746,017.50
15	Metalul Mesa S.A. Salonta	0.0900	845,877	76,129.93

16	Romanofir Talmaciu	11.4000	74,847	853,255.80
17	S.I.F. Transilvania	0.2735	40,000	10,940.00
18	Sigstrat S.A. Sighetul Marmatiei	0.2900	891,839	258,633.31
19	Tarnava S.A. Sighisora	0.0500	214,163	10,708.15
20	Uztel Ploiesti	2.4000	137,424	329,817.60
Total				**34,285,842.46**

S.C. ELECTROARGES S.A. has the following portfolio of shares on 31.12.2016

Item no.	Issuer	Price per unit	Number of shares	Value
1	Amonil Slobozia	0.0040	32,260,200	129,040.80
2	Artego Targu Jiu	5.5800	287,828	1,606,080.24
3	Banca Transilvania	2.3700	20,181	47,828.97
4	Braiconf Braila	0.7100	7,904,221	5,611,996.91
5	Carbochim Cluj	7.4200	611,133	4,534,606.86
6	Ceprocim Bucuresti	2.1600	4,000	8,640.00
7	Conted Botosani	47.9000	2,108	100,973.20
8	Iprolam Bucuresti	5.5000	57,341	315,375.50
9	Lactate Natura	3.2800	394,000	1,292,320.00
10	Mecanoenergetica	0.1000	4,640,888	464,088.80
11	Metalul Mesa Salonta	0.1000	857,377	85,737.70
12	Romanofir Talmaciu	11.4000	74,847	853,255.80
13	S.I.F. Transilv.	0.2555	40,000	10,220.00
14	Sigstrat Sighetu Marmatiei	0.1700	1,783,878	303,225.26
15	Tarnava Sgh.	0.0500	214,163	10,708.15
16	Uztel Ploiesti	2.7000	137,424	371,044.80
17	Amplo Ploiesti	3.8997	2,568,396	10,405,828.14
18	Concifor Buzau	0.3576	3,206,788	1,146,810.50
19	Elars S.A. Ramnicu Sarat	0.1000	20,555,276	2,055,527.60
20	Mercur S.A. Fagaras	42.5000	111,671	4,746,017.50
	Total			**34,099,326.73**

COMMITMENTS AND CONTINGENCIES

Legal actions

The company is subject to a number of legal actions arising in the normal course of business. The company's management believes that beyond the amounts already recorded in these financial statements as provisions or adjustments for impairment and described in the notes to these financial statements, other legal actions will not have significant adverse effects on the company's economic performance and the financial position.

Given and received commitments

On 31.12.2016 the company had the following commitments for loans:

- loan from one bank - Raiffeisen Bank, Pitesti branch
- Guarantees: receivables assignment contract and security mortgage contract on pledged assets

OBJECTIVES AND POLICIES FOR FINANCIAL RISK MANAGEMENT

The company may be exposed to a number of financial risks such as:

- Capital risk
- Market risk (including currency risk, interest rate risk and price risk)
- Credit risk
- Liquidity risk

Capital risk

Capital risk management aims to ensure the ability to conduct business in good conditions through the optimization of the capital structure (equity and liabilities). The capital structure review aims at capital cost and risk associated with each class. To maintain an optimal capital structure and a proper level of indebtedness, the company suggests to shareholders an adequate dividend policy, issuing new shares or selling of assets.

Credit risk

Credit risk lies in the possibility of the contracting parties to break the contractual obligations leading to financial losses for the company. When possible and the market practice allows it, the company asks for guarantees. Trade receivables come from a single client - over 95% of turnover is production collaboration with the company KÄRCHER. Any syncope in the contract with this company can be immediately and severely felt; the alternative to this dependence is increasing production for the domestic market and other customers so as to reach 50% of turnover.

Trade policy aims at reducing the number of days specified in the contract for payment of receivables by company's customers, as well as attracting new customers.

Due to high incidence of cases of insolvency in the economy, there is a real risk on the recovery of the products value and / or services rendered prior to the declaration of insolvency; the company pays great attention to customers' creditworthiness and financial discipline.

Market risk

Market risk includes: the risk of interest rate changes, of exchange rate, of the purchase price of goods.

Risk relating to **interest rates changes** is kept under control due to the company's investment policy from its own sources of funding, leading to the use of credit lines for short periods only.

The company is exposed to **currency risk** because the product delivery is made at a rate of 95.98% on the foreign market.

To limit foreign currency exchange effect, the payment schedule was correlated with the foreign currency influx schedule, the company usually getting a cash flow surplus.

The company constantly monitors and manages the exposure to foreign exchange variation by including in the sales contracts with customers with collection term longer than a year of the terms regulating the foreign exchange differences that exceed +/- 5% (between the date of issue and the date of cashing the invoices).

Liquidity and cash flow risk

The company's treasury function prepares forecasts on liquidity reserves and maintains an adequate level of the credit facilities so they can prudently manage liquidity and cash flow risks. To this end, it was extended the guarantee contract with mortgage in favor of the bank with which we opened the credit line. The limit of this credit line was kept at a level as high as possible even if they were rarely accessed and a reduced rate. Also, the investments were limited to those with a direct contribution to turnover. If the optimal conditions in terms of liquidities and cash flow were not met, the investments were postponed or limited to own sources of funding.

Political and legislative risk

Uncertainties related to the political, legal, fiscal and legislative environment could affect the company's ability to operate profitably.

However, given the expansion of business segments in which the entity operates, we estimate that there will not appear serious risks or effects leading to closing the entity's activity.

Risk of disasters

The company counters this risk by signing insurance policies.

This note presents information about the company's exposure to each risk mentioned above, the company's objectives, policies and processes for measuring and managing risk and capital management procedures.

General risk management

The company's Board of Directors has overall responsibility for the establishment and oversight of risk management in the company.

The activity is governed by the following principles:

a) the principle of delegation;

b) the principle of decision-making autonomy;

c) the principle of objectivity;

d) the principle of protection of investors;

e) the principle of promoting the stock market development;

f) the principle of the active role.

The Board of Directors is also responsible for examining and approving the company's strategic, operational and financial plan and the company's corporate structure.

Company's risk management policies are defined to ensure the identification and analysis of the risks facing the Company, establishing appropriate limits and controls, as well as monitoring risks and compliance with the set limits. Policies and risk management systems are reviewed regularly to reflect changes in the market conditions and the company's activities. The company, through its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations.

SC ELECTROARGES is facing two major risks:

1. over 95% of turnover represents production collaboration with KÄRCHER. Any syncope in the contract with this company can be immediately and severely felt; the alternative to this dependence is increasing production for the domestic market and other customers so as to reach 50% of turnover.

2. loan at one bank - Raiffeisen Bank, Pitesti branch- any change of the bank's policy in the current situation may also have consequences on the SC ELECTROARGES possibility to support interest and reimbursement rates.

The company's management, with the action taken, seeks to minimize the potential adverse effects on the company's financial results.

OPERATING SEGMENTS

If total external revenue reported by the operating segments is less than 75 percent of the entity's revenue, additional operating segments must be identified as reportable segments (even if they do not satisfy the criteria in paragraph 13), until at least 75 percent of the entity's revenue is included in the reportable segments.
Considering the criteria for identifying operating segments and the quantitative thresholds described in IFRS 8, SC Electroarges SA has identified one operating segment, the production segment.

Reporting on primary segments

	Year 2016	Year 2015
Net profit	16,577,153	7,730,926
Total assets	111,491,140	103,046,945
Total liabilities	30,501,372	29,661,751
Customer income	193,660,811	167,883,750
Interest income	19,007	43,657
Depreciation and amortization	2,920,977	2,418,343

FURTHER EVENTS AFTER THE REPORTING PERIOD

There are no further events which may affect these financial statements.

SOURCES OF ESTIMATION UNCERTAINTY

Preparing the company's financial statements requires from the management's part to make estimates and assumptions that affect the reported amounts for revenue, expenses, assets and liabilities, as well as the notes accompanying them, and to present the contingent liabilities at the end of the reporting period.

These estimates and assumptions lead to uncertainty that may cause future significant adjustment to the carrying amounts.

Assumptions and other sources of uncertainty in the estimate, presented in accordance with IAS 1.125 relate to the estimates that require management's most difficult, subjective and complex judgments.

Since the main sources of estimation uncertainty (risk of non-collecting receivables, inventory impairment, other expenses) were forecasted by management and appropriate provisions were recorded that there is no significant risk for the carrying value of assets and liabilities to change fundamentally in the next financial year.

Review of the entity's objectives, policies and processes for managing capital

The company's policy is to include in equity the following:

- share capital: 69,764,650 shares * 0,10 ron / note = 6,976,465 ron
- share premium
- legal reserves and other reserves
- current result
- retained earnings
- own shares

ENTITY'S FORESEEBLE DEVELOPMENT

In 2017, actions will be implemented to modernize the existing products according to the market demands (ie Incubator with external water supply system and with automatic egg turning system) and those of assimilation in the production of parts, sub-assemblies and finished products for various industrial manufacturers. The new investments in CNC machinery will be used in production. Collaboration opportunities in production will be identified and initiated (ie Household Appliances).

New versions of Kaercher vacuum cleaners WD 2 and WD 3 will be manufactured. The production of Kaercher vacuum cleaners AD 2, AD 4 and WD 3 Battery will begin.

Also, the incubator version with external water supply system and the one with automatic egg turning system will be manufactured.

RESEARCH AND DEVELOPMENT ACTIVITIES

In 2016, new versions of Kaercher vacuum cleaners have been manufactured, derived from those in production, in the Home & Garden vacuum cleaner range type WD 2 and WD 3 and in the professional vacuum cleaner range (T 7/1 Classic, T 7 / T 10, T 12 / T 15, NT 20/1, ProNT 200 and Fein Systemingration). Also, the manufacturing of the new range of professional vacuum cleaners T 8/1 have begun and the first pressing of new vacuum cleaners AD 2 / AD 4 was executed.

In the second half of 2016, the production of professional vacuum cleaners was transferred to the new Kaercher factory. In order to cover the production capacities left available and also to increase the production efficiency and the turnover, action plans were set together with Kaercher representatives by preparing a new vacuum cleaner installation line, new moulds execution programs, existing moulds repair programs. Also, the basic elements for calculating prices were renegotiated.

During 2017, objectives for modernizing the ARGIS Electroarges brand products shall be included in the Technical Plan, in accordance with the requirements of domestic and foreign markets. There will also be assimilated into production new Kaercher vacuum cleaner groups and collaborations with industrial manufacturers and major distributors of household appliances shall be initiated.

CORPORATE GOVERNANCE

SC ELECTROARGES SA, in its capacity as issuer listed on BSE Main Market Category II - Shares, always has in mind the compliance with the corporate governance principles of the BSE Corporate Governance Code.

The company is considering developing a Corporate Governance Regulations to describe the main aspects of corporate governance, which will be posted on the company website www.electroarges.ro.

In the Corporate Governance Regulations shall be detailed the corporate governance structures, the Board of Directors and executive management's functions, powers and responsibilities, transparency, financial reporting, the corporate information system and the company's social responsibility for its activities.

SC ELECTROARGES SA respects the shareholders rights, providing them fair treatment.

For the General Meetings of Shareholders, on the company's website, were posted details of business meetings, Summons, materials related to the agenda, Special Power of Attorney and Absentee Ballot forms, the participatory and voting procedures that ensure efficient meeting sessions and entitle any shareholder to freely express their opinion on the issues under discussion, the decisions adopted by the shareholders.

For the financial year 2016, information on the financial calendar, annual, half-yearly, quarterly and current reports were posted.

General Director,	Economic Director,
Ion Gavrila	Roxana Scarlat