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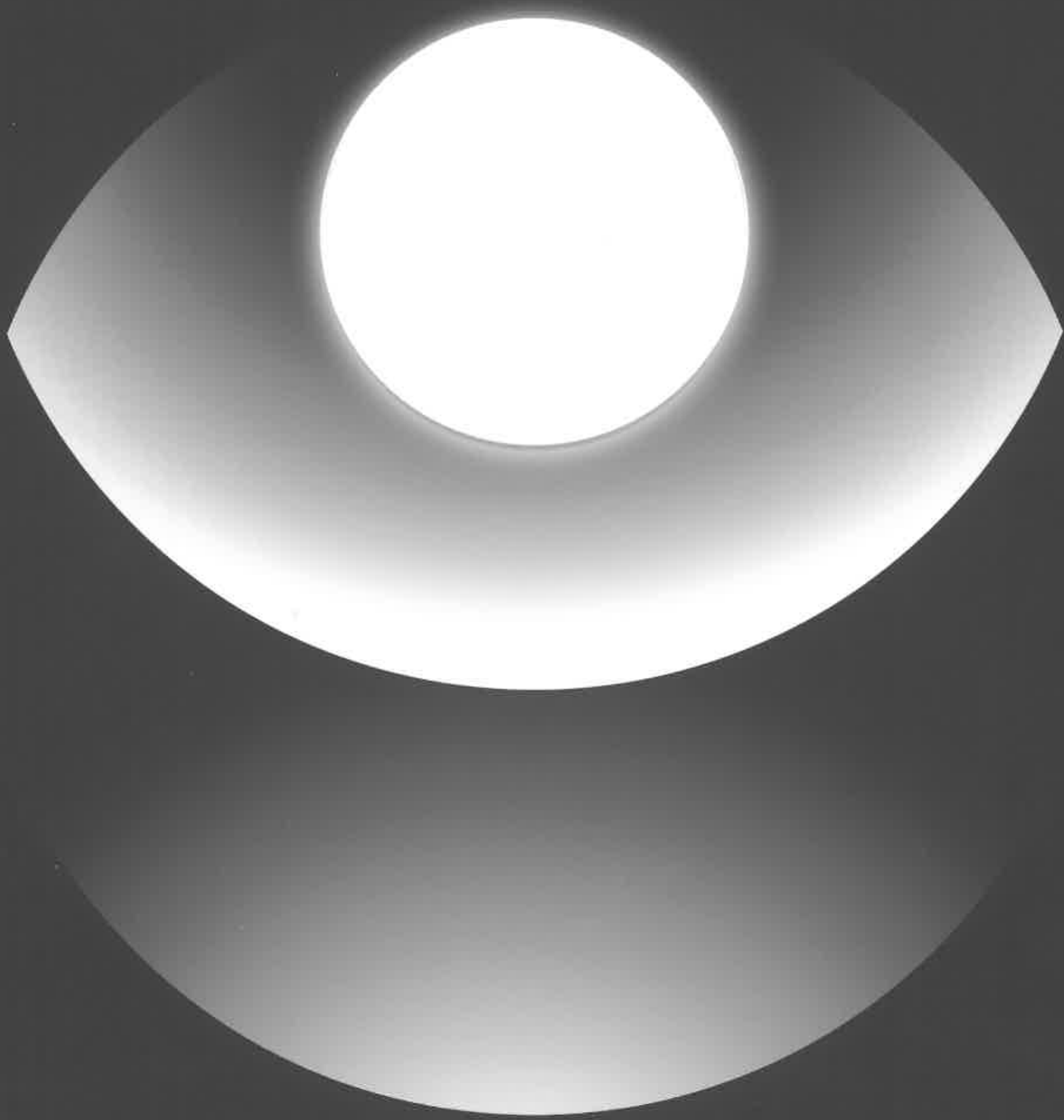

Aspire with assurance

Audit report

TURBOMECANICA S.A.

FINANCIAL STATEMENTS
(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

FOR THE YEAR ENDED
DECEMBER 31, 2016

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION, IN ACCORDANCE WITH MINISTRY OF PUBLIC FINANCE ORDER NO. 2844/2016, WITH SUBSEQUENT AMENDMENTS

This is a free translation from the original Romanian version.

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This is a free translation from the original Romanian version.

Deloitte Audit S.R.L.
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Turbomecanica S.A.
Bucharest, Romania

Opinion

1. We have audited the financial statements of Turbomecanica S.A. (the Company), which comprise the statement of financial position as at December 31, 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

2. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by European Union.

Basis for Opinion

3. We conducted our audit in accordance with the Auditing Standards adopted by the Chamber of Auditors of Romania, which are International Standards on Auditing (ISAs). Our responsibilities under this law and regulation are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We have identified two critical areas in relation to revenue from repairs and sale of manufactured aeronautical components set out below that we consider significant because of the complexity of the operation and because of the required exercise of judgement: • Completeness of accounting for large contracts/clients • The timing of revenue recognition. The accounting policies for revenue recognition are set out in Note 3 to the financial statements and the the two above mentioned revenue streams have been disclosed in the Note 3 to the financial statements.	Our audit approach included the following procedures: • We evaluated the business process controls in place over the billing process and over the recognition of revenue; • We tested operating effectiveness of controls on a sample of revenue transactions by obtaining evidence of the necessary signatures and approvals; • We performed confirmation of revenue with the selected significant customers; • We analyzed the commercial agreements concluded between the entity and its most significant customers and we performed a comparison of the amounts stipulated in the agreements and the revenue actual recorded in the financial statements; • We have selected sample of revenue transactions and traced to supporting documentation.
Valuation of inventories	
On October 8, 2012 the Company drew up a stock count minute of the assets from the Central Warehouse further to the fire of March 6, 2012, when the prejudice was estimated at RON 1,490,415 out of the total affected stocks in amount of RON 15,534,255. Further to the event, the stock count committee revaluated the stocks recovered from the fire to the amount of at RON 14,043,840. In the prior years, we were unable to obtain sufficient audit evidence regarding the valuation of recovered stocks. Our report dated March 30, 2016 on financial statements as of December 31, 2015 and for the year then ended included, a qualification due to our inability to obtain sufficient audit evidence regarding the valuation of inventories recovered from a fire from the year 2012 and related impact on the December 31, 2015 financial statements. During our audit of the financial statements as of December 31, 2016 and for the year then ended, we have obtained additional audit evidence that allowed us to satisfy ourselves regarding the evaluation of the impact in the financial statements as at December 31, 2016, including the preceding year.	In the analysis of the valuation of inventories December 31st, 2016 including those recovered from the fire as, the Company makes use of important assumptions and analysis, which we addressed through our audit procedures involving inquiry in order to understand the steps taken in the analysis, challenging management's assumptions. Our audit procedures included: - we performed our own independent allowance computation for the value of inventories recovered from the fire in balance at year end and we compared our results with management's assessment; - we verified the accuracy and the completeness of the information used in developing the analysis as at December 31, 2016 regarding the inventories recovered from the fire. -we traced selected items back to the inventories in balance at year end to the stocks affected by the fire from 2012 and we verified which items are still in balance in 2016; for those identified, we ensured that these are appropriately provisioned for the entire cost in balance at year end.

Key audit matter	How our audit addressed the key audit matter
However, during 2016 the Company has analyzed the valuation of the inventories as at December 31, 2016 which include inventories recovered from the fire and recorded an additional allowance related to remaining recovered such inventories in amount of approximately RON 1,085,000 being older than five years. Based on company's accounting policy, inventories with no movement older than five year are provisioned 100%. Since the analysis of the valuation of inventories recovered from the fire requires complex analysis for specific identification of such inventories, we have considered it to be a key audit matter.	

Reporting requirements concerning the administrators' report

5. The administrators are responsible for the preparation and presentation of the standalone administrators' report in accordance with the requirements of the Ministry of Public Finance Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20which does not contain material misstatements and for such internal control as management determines is necessary to enable the preparation of administrator's report that is free from material misstatement, whether due to fraud or error.

   The administrators' report and is not part of the financial statements.

   Our opinion on the financial statements does not cover the administrators' report.

   In connection with our audit of the standalone financial statements, we have read the administrators' report accompanying the standalone financial statements and we report as follows:

   a) in the administrators' report, we have not identified information which is not consistent, in all material respects, with the information presented in the financial statements attached;

   b) the administrators' report identified above contains, in all material respects, the required information according to the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU, article no. 20;

   c) based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2016, we have not identified information included in the administrators' report that contains a material misstatement of fact.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

6. Management is responsible for the preparation and fair presentation of the financial statements in accordance with Order 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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7. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

8. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

10. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

11. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Oana Buhaescu.

Oana Buhaescu, Audit Director

For signature, please refer to the original Romanian version.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 3302 / 27.01.2010

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Chamber of Financial Auditors of Romania under certificate no. 25/25.06.2001

Bucharest, Romania
March 23, 2017

S.C. TURBOMECANICA S.A.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in „RON", unless otherwise specified)

	Note	December 31, 2016	December 31, 2015
		RON	*RON*
Revenues	**4**	83,030,250	69,141,032
Other gains and losses	**9**	(1,529,345)	(14,985,665)
Income from production of goods		336,608	
Changes in inventories		652,921	2,529,251
Raw materials and consumables	**5**	(31,302,180)	(15,864,137)
Employee benefits	**6**	(26,083,371)	(22,301,787)
Asset impairment		(5,799,848)	(5,445,365)
Financial costs, net	**7**	(3,076,578)	(3,385,665)
Finance income	**7**	2,945,009	-
Other operating expenses	**8**	(5,743,465)	(6,399,707)
Loss from sale of assets held for sale		(93,188)	115,948
Profit before taxation		**13,336,813**	**3,403,905**
Income tax	**10**	(2,463,768)	443,354
Profit for the year		**10,873,045**	**3,847,259**
Other comprehensive income, net of taxation			
Deferred income tax			
Actuarial (loss) / gain on defined benefits plan	**21**	(221,439)	238,668
Other comprehensive income for the year		(221,439)	238,668
Comprehensive income for the year		**10,651,606**	**4,085,927**
Result per share	**27**		
Number of shares		369,442,475	369,442,475
(RON / share) basic and diluted		0.03	0,01

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA TURBOMECANICA S.A. BUCUREŞTI - ROMÂNIA 1

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

S.C. TURBOMECANICA S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2016
(all the amounts are expressed in „RON", unless otherwise specified)

	Note	December 31, 2016	December 31, 2015
		RON	*RON*
ASSETS			
Long-term assets			
Property, plant and equipment	11	58,036,177	55,047,738
Intangible assets	12	8,777,087	8,930,542
Other assets		604,960	1,000
Total long-term assets		**67,418,225**	**63,979,280**
Current assets			
Inventories	13	25,039,278	23,951,055
Trade receivables	14	2,684,621	2,250,180
Other receivables	15	3,048,543	2,396,696
Cash and cash equivalents	16	11,501,493	7,118,858
Assets held for sale	17	7,048,889	10,638,705
Total current assets		**49,322,823**	**46,355,494**
Total assets		**116,741,048**	**110,334,774**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	1,024,571,055	1,024,571,055
Reserves	19	80,520,812	80,140,683
Retained earnings		(1,058,231,122)	(1,068,502,598)
Own shares	27	(562,427)	-
Total equity		**46,298,318**	**36,209,140**
Long-term liabilities			
Borrowings	20	3,186,319	4,905,781
Deferred tax liabilities	10	3,698,929	3,862,833
Provisions	21	1,382,087	968,649
Other long-term liabilities	24	1,022,968	3,474,291
Total long-term liabilities		**9,290,302**	**13,211,554**
Current liabilities			
Trade and other liabilities	22	7,007,591	4,145,741
Borrowings	20	41,406,464	44,518,895
Current income tax	10	1,252,348	431,310
Provisions	21	2,856,881	2,558,999
Deferred income	23	160,063	515,658
Other current liabilities	23	8,469,080	8,743,477
Total current liabilities		**61,152,428**	**60,914,080**
Total liabilities		**70,442,730**	**74,125,634**
Total equity and liabilities		**116,741,048**	**110,334,774**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA TURBOMECANICA S.A. BUCUREȘTI - ROMÂNIA 1

The accompanying notes form an integral part of these financial statements.
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S.C. TURBOMECANICA S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in „RON", unless otherwise specified)

	December 31, 2016	December 31, 2015
Cash flow from operations		
Net profit / (loss) of the year	**10,873,045**	**3,847,259**
Adjustments for:		
Income tax	2,463,768	(443,354)
Impairment expenses	5,799,848	5,445,365
Provision for receivables	(28,173)	125,559
Provision for inventories	(3,658,149)	11,031,287
Other provisions	711,320	774,895
Net gain on sale of fixed assets	116,068	(109,665)
Financial costs	2,631,203	3,174,978
Other financial gains	(2,990,620)	(485)
Net gains from exchange rate differences	1,224,192	3,122,713
Changes in working capital		
Increase / (Decrease) in trade and other receivables	(1,662,075)	(1,582,174)
Increase / (Decrease) of inventories	2,569,925	(5,245,445)
Increase in trade and other liabilities	(649,458)	(8,995,599)
Net cash generated by / (used in) operating activities	**17,400,894**	**11,145,334**
Income tax paid	(1,375,324)	-
Interest paid/received, net	359,417	(4,500,195)
Net cash generated by / (used in) operating activities	**16,384,987**	**6,645,139**
Cash flows from investment activities		
Purchase of tangible assets	(3,458,819)	(3,905,839)
Purchase of intangible assets	(1,716,749)	(220,932)
Proceeds from sale of fixed assets	13,167	664,425
Net cash generated by / (used in) investment activities	**(5,162,401)**	**(3,462,346)**
Net cash from financing activities		
(Repayments) / collection of borrowings	(6,056,085)	(8,205,626)
Actuarial gain/loss on defined benefits plan	(221,439)	238,668
Payments on redeemed own shares	(562,427)	
Net cash generated by / (used in) financing activities	**(6,839,951)**	**(7,966,958)**
Net increase / (decrease) of cash and cash equivalents	**4,382,635**	**(4,784,165)**
Cash and cash equivalents at the beginning of the period	**7,118,858**	**11,903,023**
Cash and cash equivalents at the end of the period	**11,501,493**	**7,118,858**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA TURBOMECANICA S.A. 1 BUCURESTI - ROMANIA

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

S.C. TURBOMECANICA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in „RON", unless otherwise specified)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2015	**1,024,571,055**	**45,903,957**	**34,640,974**	**(1,072,992,773)**	**32,123,213**
Profit / (Loss) for the year	-	-	-	3,847,259	3,847,259
Realization of revaluation reserves	-	-	(574,443)	574,443	-
	-	170,195	-	(170,195)	-
Other comprehensive income for the year net of tax	-	-	-	238,668	238,668
Balance as at December 31, 2015	**1,024,571,055**	**46,074,152**	**34,066,531**	**(1,068,502,598)**	**36,209,140**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA TURBOMECANICA S.A. 1 BUCURESTI - ROMÂNIA

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S.C. TURBOMECANICA S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2016
(all the amounts are expressed in „RON", unless otherwise specified)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2016	**1,024,571,055**	**46,074,152**	**34,066,531**	**(1,068,502,598)**	**36,209,140**
Profit / (Loss) for the year	-	-	-	10,873,045	10,873,045
Realization of revaluation reserves	-	-	(294,907)	294,907	-
Increase in legal reserves	-	675,036	-	(675,036)	-
Other net comprehensive income net of tax	-	-	-	(221,439)	(221,439)
Own shares	-	-	-	(562,427)	(562,427)
Balance as at December 31, 2016	**1,024,571,055**	**46,749,188**	**33,771,624**	**1,058,793,549**	**46,298,318**

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA TURBOMECANICA S.A. 1 BUCUREȘTI - ROMÂNIA

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

1. GENERAL INFORMATION

S.C. TURBOMECANICA S.A. ("Turbomecanica" or the "Company") is a joint-stock company, incorporated in 1975, with the main activity the manufacturing of engines, mechanical assemblies and equipment for aircraft. It is a privately owned company whose shares are listed on the Bucharest Stock Exchange. The shareholder's structure is available on BSE web site.

The evolution of the Company is as follows: 1975-1977- Engine production company Bucharest; 1978-1990 - Turbomecanica Bucuresti; from 20.11.1990, through GD no. 1213, the joint stock company "Compania Comerciala Turbomecanica SA" was incorporated. After 1991, from Turbomecanica SA two companies were formed: Aeroteh SA and Micron-Turboteh SA.

The activity of the company is manufacturing of engines and mechanical assemblies for aircrafts and helicopters. The main products provided by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, Spey and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

The Company's main clients on the national market are the Ministry of Defense and IAR Brasov, but the Company has also concluded transactions with clients from Europe (Rolls Royce) or the US (General Electric US).

The average number of employees changed from 2015 to 2016 as follows:

	2016	**2015**
Average number of employees	439	404

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Initial application of new amendments to the existing standards effective for the current reporting period

The following amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations - adopted by the EU on 24 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation - adopted by the EU on 2 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Bearer Plants - adopted by the EU on 23 November 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Initial application of new amendments to the existing standards effective for the current reporting period (continued)

- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements - adopted by the EU on 18 December 2015 (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 15 December 2015 (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The adoption of these amendments to the existing standards has not led to any material changes in the Company's financial statements.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following new standards and amendments to standards issued by IASB and adopted by the EU are not yet effective:

- **IFRS 9 "Financial Instruments"** - adopted by the EU on 22 November 2016 (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 15 "Revenue from Contracts with Customers"** and amendments to IFRS 15 "Effective date of IFRS 15" - adopted by the EU on 22 September 2016 (effective for annual periods beginning on or after 1 January 2018).

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards, amendments to the existing standards and new interpretation, which were not endorsed for use in EU (the effective dates stated below is for IFRS in full):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **IFRS 16 "Leases"** (effective for annual periods beginning on or after 1 January 2019),

- **Amendments to IFRS 2 "Share-based Payment"** - Classification and Measurement of Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IFRS 4 "Insurance Contracts"** - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2018 or when IFRS 9 "Financial Instruments" is applied first time),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IFRS 15 "Revenue from Contracts with Customers"** - Clarifications to IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 12 "Income Taxes"** - Recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property (effective for annual periods beginning on or after 1 January 2018),

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording (amendments to IFRS 12 are to be applied for annual periods beginning on or after 1 January 2017 and amendments to IFRS 1 and IAS 28 are to be applied for annual periods beginning on or after 1 January 2018),

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** (effective for annual periods beginning on or after 1 January 2018).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

- **IFRS 9 "Financial Instruments"** issued on 24 July 2014 is the IASB's replacement of IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes requirements for recognition and measurement, impairment, derecognition and general hedge accounting.

  Classification and Measurement - IFRS 9 introduces new approach for the classification of financial assets, which is driven by cash flow characteristics and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements under IAS 39. The new model also results in a single impairment model being applied to all financial instruments.

  Impairment - IFRS 9 has introduced a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

  Hedge accounting - IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities.

  Own credit - IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **IFRS 14 "Regulatory Deferral Accounts"** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.

- **IFRS 15 "Revenue from Contracts with Customers"** issued by IASB on 28 May 2014 (on 11 September 2015 IASB deferred effective date of IFRS 15 to 1 January 2018 and on 12 April 2016 IASB made clarifications to this standard). IFRS 15 specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard supersedes IAS 18 "Revenue", IAS 11 "Construction Contracts" and a number of revenue-related interpretations. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. The core principle of the new standard is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

- **IFRS 16 "Leases"** issued by IASB on 13 January 2016. Under IFRS 16 a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

- **Amendments to IFRS 2 "Share-based Payment" - Classification and Measurement of Share-based Payment Transactions** issued by IASB on 20 June 2016. The amendments provide requirements on the accounting for: (a) the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; (b) share-based payment transactions with a net settlement feature for withholding tax obligations; and (c) a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

- **Amendments to IFRS 4 "Insurance Contracts" - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts** issued by IASB on 12 September 2016. The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the replacement standard that the Board is developing for IFRS 4.

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014 (on 17 December 2015 IASB deferred indefinitely effective date). The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" - Investment Entities: Applying the Consolidation Exception** issued by IASB on 18 December 2014. The narrow-scope amendments to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances.

- **Amendments to IFRS 11 "Joint Arrangements" – Accounting for Acquisitions of Interests in Joint Operations** issued by IASB on 6 May 2014. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

- **Amendments to IAS 1 "Presentation of Financial Statements" - Disclosure Initiative** issued by IASB on 18 December 2014. The amendments to IAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

- **Amendments to IAS 7 "Statement of Cash Flows"** - Disclosure Initiative issued by IASB on 29 January 2016. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- **Amendments to IAS 12 "Income Taxes" - Recognition of Deferred Tax Assets for Unrealised Losses** issued by IASB on 19 January 2016. The amendments to IAS 12 clarify how to account for deferred tax assets related to debt instruments measured at fair value.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets" - Clarification of Acceptable Methods of Depreciation and Amortisation** issued by IASB on 12 May 2014. Amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. Amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture" - Agriculture: Bearer Plants** issued by IASB on 30 June 2014. The amendments bring bearer plants, which are used solely to grow produce, into the scope of IAS 16 so that they are accounted for in the same way as property, plant and equipment.

- **Amendments to IAS 19 "Employee Benefits" - Defined Benefit Plans: Employee Contributions** issued by IASB on 21 November 2013. The narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **Amendments to IAS 27 "Separate Financial Statements" - Equity Method in Separate Financial Statements** issued by IASB on 12 August 2014. The amendments reinstate the equity method as an accounting option for investments in in subsidiaries, joint ventures and associates in an entity's separate financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IAS 40 "Investment Property"** - Transfers of Investment Property issued by IASB on 8 December 2016. The amendments state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. Amendments also state that the list of evidence in paragraph 57 was designated as non-exhaustive list of examples instead of the previous exhaustive list.

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** issued by IASB on 12 December 2013. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording. The most important changes include new or revised requirements regarding: (i) definition of 'vesting condition'; (ii) accounting for contingent consideration in a business combination; (iii) aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; (iv) measuring short-term receivables and payables; (v) proportionate restatement of accumulated depreciation application in revaluation method and (vi) clarification on key management personnel.

- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** issued by IASB on 25 September 2014. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording. Changes include new or revised requirements regarding: (i) changes in methods of disposal; (ii) servicing contracts; (iii) applicability of the amendments to IFRS 7 to condensed interim financial statements; (iv) discount rate: regional market issue; (v) disclosure of information 'elsewhere in the interim financial report'.

- **Amendments to various standards "Improvements to IFRSs (cycle 2014-2016)"** issued by IASB on 8 December 2016. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) primarily with a view to removing inconsistencies and clarifying wording. Changes include: (i) deletion of the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose, (ii) clarification of the scope of the IFRS 12 by specifying that the disclosure requirements in IFRS 12, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", (iii) clarification of the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

- **IFRIC 22 "Foreign Currency Transactions and Advance Consideration"** issued by IASB on 8 December 2016. Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies are presented below:

The main accounting policies applied in preparing these financial statements are presented below. These policies have been applied consistently throughout all the years disclosed, unless otherwise presented.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, according to the Ministry of Public Finance Order no. 2844/2016, as subsequently amended.

Basis of preparation

The individual financial statements of Turbomecanica SA have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as adopted by the European Union. The individual financial statements have been prepared on the historical cost basis, as amended further to the revaluation of tangible assets and financial assets available for sale at fair value through equity.

The preparation of the individual financial statements in accordance with IFRS requires the use of critical accounting estimates. It also requires that the management use its professional judgment when applying the Company's accounting policies.

Going concern

As at December 31, 2016 the Company registered a cumulated loss of RON 1,058,793,548 which also includes the effects of the application of inflation ratios according to IAS 29. In 2016, the Company registered a profit of RON 10,873,045. Such matters indicate uncertainty regarding the Company's going concern. Therefore, the Company's ability to continue its activity depends on its capacity to generate sufficient future revenues, on the financial support of the crediting banks. The Company's management also deems that the decrease of the gearing ratio due to sale of assets and reimbursement of some loans will lead to an increased support from financing banks. These financial statements do not include adjustments arising from the outcome of such uncertainty related to the going concern.

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for 2016 represents 77% of total turnover of the Company.

Comparatives

For each item of balance sheet, profit and loss, and where applicable, changes in equity, the Company presented the value of the corresponding item for the previous financial year.

If the values related to the previous year are not comparable to the current period, then such have been amended to provide consistency with the accounting policies and disclosure requirements for the current year.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

The revenue is measured at the fair value of the counter value received or receivable. Revenue from sales is reduced for returns, commercial rebates and other similar reductions.

Revenue from sales of goods

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenues from the sale of goods are recognised when the goods are delivered and the ownership right is transferred.

Revenues from services

Revenues generated by a services supply contract are recognised according to the degree of completion of the transaction. The degree of completion of the transaction is established as follows:

- Installation fees are recognised according to the degree of completion of the installation, determined as portion of the total estimated time for installation lapsing at the end of the reporting period;

- Maintenance fees included in the prices of the products sold are recognised by reference to the portion out of the total maintenance cost for the sold product; and

- Revenues generated by time and materials contracts are recognised at contractual rates as hours worked and direct costs.

Revenues from dividends and interest

The revenue from financial investments is recognised when the shareholders' right to receive payment has been established (provided that the economic benefits are directed to the Company and the value of revenues is measured with accuracy).

The revenues from interest generated by a financial asset are recognised when it is probable that the Company obtains economic benefits and when such revenue can be reliably measured. The revenue from interest is accumulated in time, by reference to the principal and the actual interest rate applicable, meaning the rate that discounts with accuracy the estimated future cash collections throughout the estimated period of the financial asset at the net book value of the asset upon initial recognition.

Revenues from rentals

The Company's policy on the recognition of revenues from operating lease is described below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Company as lessor

Amounts payable by a lessee under financing lease are recognised as receivables at the value of the net investment of the Company's in leases. The revenue from finance leases is attributed to accounting periods so as to reflect a constant periodic rate of return of the Company's net investments regarding leases.

Revenues from operating leases are recognised on a straight-line basis over the lease term. Direct initial costs involved in the negotiation and contracting of an operating lease are added to the book value of the leased asset and are recognised on a straight line basis over the lease term.

Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless directly attributable to eligible assets, in which case are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as an expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals from operating lease are recognized as an expense in the period in which they are incurred.

If lease incentives are received to conclude operating leases, such incentives are recognised as liability. The aggregate benefit of the incentives is recognised as a straight line reduction of lease expenses, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

Foreign currency transactions

In preparing these financial statements, transactions in other currencies than the functional currency are recorded at the exchange rate valid at the date of the transaction. At the end of each reporting period, non-monetary elements expressed in foreign currency are translated at the exchange rate valid on such date. Non-monetary elements accounted at fair value, expressed in a foreign currency are translated at the current rates valid on the date when the fair value was determined. Non-monetary elements measured at historical cost in a foreign currency are not translated again. The exchange rates used are EUR 1 = RON 4.5411 (December 31, 2016) and EUR 1 = RON 4.3033 (December 31, 2016), average rate EUR 2016 = RON 4.4908.

Foreign exchange differences for monetary elements are recognised in the profit and loss in the period they are incurred, except for:

- foreign exchange differences corresponding to borrowings in foreign currency for assets in progress for future production, which are included in the cost of such assets when considered an adjustment of the expense with the interest related to such borrowings in foreign currency;

- foreign exchange differences related to transactions concluded to cover certain foreign currency risks (see the hedge accounting policies below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenues from investing temporarily the obtained borrowings to purchase or construct qualifying assets are deducted from the borrowing costs that may be capitalised.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, for pensions, health and unemployment fund. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Company are members of the Romanian State pension plan.

The Company rewards its employees with retirement benefits according to the collective labour contract. For such pension plan, the cost of benefits is determined using the projected unit credit method, and actuarial assessments are performed on each balance sheet date. The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, the expected inflation rate and the expected rate of salary increase. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions.

Benefits for termination of employment contract

Benefits for termination of the employment contract may be paid when the Company terminates the employment contract prior to the normal retirement date or any time the employee accepts voluntary redundancy in exchange for such benefits. The Company recognizes the benefits for termination of employment contract either when it clearly undertakes either to terminate the current employees' employment contracts according to an official plan without the realistic possibility to avoid it; or to offer benefits for terminating the employment contract further to an offer submitted to encourage voluntary redundancy. Benefits owed within more than 12 months from the reporting period are discounted on the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

Income tax expenses consist of all current taxes payable, and deferred income taxes.

Current tax

The tax currently payable is based on the taxable income for the year. Taxable income differs from the income reported in the statement of comprehensive income due to items of revenues or expenses that are taxable or deductible in other years, and due to items that are never taxable or deductible. The Company's current income tax liability is determined by using the taxation rates enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal base used in calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax receivables are generally recognized for all taxable temporary differences if the taxable profits against which the deferred tax receivable can be used are available. No deferred tax receivables or liabilities are recognised if the temporary difference is generated by the initial recognition of goodwill or initial recognition of an asset or liability in a transaction that does not constitute a business combination and does not affect either the accounting income or taxable income upon the conclusion of the transaction (fiscal loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovèred.

Deferred tax assets and liabilities are measured at the level of the taxes assumed to apply during the period set for the recovery of the debt or realisation of the asset, considering the level of taxes (and tax laws) that are or will be in force until the end of the reporting period. The measurement of deferred assets and liabilities reflect the tax consequences that would arise from the manner in which the Company estimates, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Current and deferred annual tax

Current and deferred tax is recognised in profit and loss unless it refers to elements recognised in other comprehensive results or directly in equity, in which case current and deferred tax is also recognised in other global income, or equity.

The income tax for the year ended December 31, 2016 was 16% (December 31, 2015: 16%).

Property, plant and equipment

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at re-measured value less depreciation and any cumulated depreciation.

Tangible assets in progress that will be used in production or in administration are stated at cost less any impairment. Costs include professional fees and, in case of qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

The depreciation periods for tangible assets are:

	Years
Buildings	10-50
Installations and technological equipment	3-20
Furniture and other office equipment	3-15

Land is not depreciated.

Depreciation is charged so as to systematically allocate the cost of the asset less the residual value over its estimated useful life, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is no longer recognised further to its assignment or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the assignment or disposal of an item of property, plant and equipment is determined as the difference between proceeds from sales and the carrying value of the asset and is recognised in the Company's profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with determined useful lives and which are acquired separately are reported at cost less any subsequent accumulated amortisation and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with undetermined useful lives and which are acquired separately, are reported at cost less accumulated impairment losses.

Internally generated intangible assets – research and development expenses (continued)

Expenses for research and development are recognised as expense in the period in which they are incurred.

Expenses for research and development are recognised as expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally generated intangible assets – research and development expenses (continued)

The initially recognised value of internally generated intangible assets means the sum of all costs incurred as of the date when the intangible asset fulfils for the first time the recognition criteria above. Where no internally generated intangible asset may be recognised, development expenses are recognised in profit and loss in the period in which they are incurred.

After initial recognition, internally generated intangible assets are reported at cost less any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination and recognised separately from goodwill are initially recognised at fair value on the acquisition date (deemed cost thereof).

After initial recognition, intangible assets acquired as part of a business combination are reported at cost minus any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gains or losses from the derecognition of an intangible asset, measured as difference between net proceeds from sale and the asset's carrying value are recognised in profit and loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

Intangible assets with undetermined useful lives and intangible assets not yet available for use are tested at least annually for impairment or anytime there is an indication that the asset might be impaired.

The recoverable value means the highest of fair value minus sale costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than its carrying value, then the carrying value of the asset (or the cash-generating unit) is reduced to the level of the recoverable value. Impairment is recognised immediately in profit or loss, if the relevant asset is not registered at a re-measured value, in which case the impairment is treated as reduction of re-measurement.

Were the impairment is reversed, the carrying value of the asset (or the cash-generating unit) is increased at the level of its new estimated recoverable value, only that the increased carrying value must not exceed the carrying value that would have been established should the impairment for the asset (cash-generating unit) had not been recognised in previous years. A reversal of impairment is immediately recognised in profit or loss, except where the asset is accounted at revalued amount, in which case the reversal of the impairment is treated as increase of the revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the WAC (weighted average cost) method. Net realizable value represents the estimated selling price throughout the normal business course, less estimated costs of completion and costs necessary to make the sale.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 40% inactive inventories in the last 4 years and by 30% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2016 have been taken into account, and inventories as at 31.12.2015 and 31.12.2016 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2015 and 31.12.2016) and 2016 outflows. The adjustments were calculated according to the size of rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher). Also, at the end of each year, the Company analyses the inventories affected by the fire in 2012 and registers the necessary allowances to reflect the net realisable value of such inventories at the end of the reporting period.

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair or VIPER 632-41 engines, were 100% provisioned.

Provisions

Provisions are recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources incorporating economic benefits will be required to settle that obligation and a reliable estimate of the value of the obligation may be made.

The value recognised as provision is the best estimate of the counter value required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties related to the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying value thereof is the present value of such cash flows (if the effect of the time value of money is material).

When expected that some of or all the economic benefits required to settle a provision be recovered from third parties, then the receivable is recognised as asset if it is almost certain that the repayment will be collected and the value of the receivable can be reliably assessed.

Onerous contracts

Present obligations generated under onerous contracts are recognised and measured as provisions. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A provision for restructuring costs is recognised when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a provision for restructuring includes only direct expenses related to the restructuring, which mean such values that are mandatorily generated by restructuring and are not associated with the Company's ongoing activities.

Guarantees

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognised on the date when the relevant products are sold, at the best estimate made by the management as regards the expenses required to settle the Company's obligation.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party in the contractual provisions of the instrument.

Financial assets

Financial assets are classified in the following categories: financial assets "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and scope of the financial assets and is determined upon initial recognition. All standard purchases or sales of financial assets are recognised and derecognised on the transaction date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a short period of time through regulation or market convention.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including the taxes paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the debt instrument, or (if applicable) over a shorter period, to the net carrying amount as at the initial recognition date.

The income is recognised based on the effective interest method for debt instruments other than the assets classified as financial assets at fair value through profit and loss.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when they are either held for trading or when they are classified as financial assets at fair value through profit or loss.

A financial asset is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- upon initial recognition if it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is a derivative not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss are declared at fair value, and any gain or loss arising from revaluation is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise all the dividends or interest gained at financial assets and are included as "Net financial gains" in the statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Loans and receivables

Borrowings and receivables are non-derivative financial instruments with fixed or determinable payments not quoted on an active market. Borrowings and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the recognition of the interest is not material.

Impairment of financial assets

Financial assets other than at fair value through profit or loss are tested for impairment on each balance sheet date.

Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) had an impact on the future cash flow corresponding to the investment.

Certain categories of financial assets such as clients, assets measured as not individually impairable are subsequently tested for impairment collectively. Objective evidence that a portfolio of receivables is impaired may include the Company's past experience regarding collective payments, an increase in the collection of delayed payments beyond the crediting period, and visible changes in the national and local economic conditions that correlate with payment incidents regarding receivables.

Other objective evidence of impairment include:

- significant financial difficulty of the issuer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter insolvency or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying value of the financial asset is reduced by the impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced through an allowance account. If it is deemed that a receivable cannot be recovered, it shall be written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited in the allowance account. Changes in the carrying value of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises financial assets if and only if the contractual rights over the cash flows expire; or it transfers the financial asset and substantially all of the risks and rewards related to the asset to another entity.

When derecognising a financial asset other than entirely (e.g., when the Company does not retain an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the entity retains control), the Company allocates the previous carrying value of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognised and the sum of the consideration received together with any cumulative gain or loss that had been recognised in other elements of comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other elements of comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Classification as liability or equity

Debt or equity instruments issued by the Company are classified either as financial liabilities or equity in accordance with contractual engagements and the definition of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that proves a residual participation in the assets of an entity after deducting all liabilities.

Financial liabilities

Financial liabilities are classified either as financial liabilities "at fair value through profit or loss" or as "other financial liabilities".

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading, or designated at fair value through profit or loss.

A financial liability is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- if, upon initial recognition, is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is an embedded derivative not designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liability at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are declared at fair value, and any gain or loss arising from re-measurement is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise any interest paid in relation to the financial liability and are included as "Net financial expenses" in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses over the relevant period. The effective interest rate is the rate that discounts exactly estimated future cash payments (including all fees and points paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the financial liability, or (if applicable) over a shorter period, to the net carrying value as at the initial recognition date.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Derecognition of financial liabilities

The Company derecognises financial liabilities if and only if the Company's liabilities are paid, cancelled or expire. The difference between the carrying value of the derecognised financial liability and the counter value paid and payable is recognised in profit or loss.

Subsidiaries and associates

Counterparties are deemed subsidiaries or associates when another party, either through ownership, contractual rights, family relations or other means, may control directly (subsidiaries) or influence significantly (associates) the other party.

Segment reporting

A segment is a part of the Company that is involved in activity segments from which it can obtain revenues and register expenses (including revenues and expenses corresponding to transactions with other parts of the same entity), whose operating results are regularly followed by the Company's management in order to made decisions on the resources to be allocated to the segment and assess its performances and for which separate financial information is available. Segment information is disclosed regarding the company's activity segments and are established based on the Company's management and internal reporting structure.

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis. Elements not allocated principally consist of investments (other than property investment) and related revenues, credits and loans and related expenses, corporate assets (mainly the Company's main office) and administrative expenses related to the main office, and income tax assets and liabilities.

Capital expenses related to a segment represent the total costs registered over the period for purchasing tangible and intangible assets other than goodwill.

Critical accounting judgements

The following are the critical judgements that the management has used in applying the Company's accounting policies and which have a significant impact on the carrying values recognised in the financial statements.

i) Allowances for impairment of tangible and intangible assets

At the end of each reporting period, the Company revises the carrying values of its tangible and intangible assets to determine whether there is any indication that such assets are impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. The recoverable value means the highest value of fair value minus sale costs and its value in use. When assessing the value in use, the management estimates future cash flows discounted at their current value by using an un-discounting rate which reflects the current market value of the time value of money and the risks specific to the asset for which the estimated cash flows have not been adjusted. The carrying amount of tangible and intangible assets as at December 31, 2016 is of RON 67,418,225. As at December 31, 2016 the Company did not find any indication of impairment of the recoverable value of such non-current assets.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (continued)

ii) Useful life of tangible and intangible assets

The Company revises the estimated useful life of tangible and intangible assets at the end of each annual reporting period. The useful lives have been reassessed at the end of December 31, 2016 and no changes have been identified. The useful lives are presented in Note 3 tangible and intangible accounting policies.

iii) Pension obligations

The present value of pension obligations depends on a number of factors determined on an actuarial basis, using various hypotheses. Any change in such hypotheses will influence the carrying value of the pension obligations. The pension obligations are in amount of RON 1,382,087 as at December 31, 2016, of which RON 258,299 as expense corresponding to the period recognized in the statement of the financial year result. The value was calculated by Gelid Actuarial Company S.R.L. based on the consultancy and actuarial services provision contract concluded in 2016.

iv) Deferred tax. The carrying amount as at December 31, 2016 and December 31, 2015 is presented in Note 10.

v) Provisions and contingent liabilities. Provisions are reassessed annually – presented in Note 21 and contingent liabilities are also determined on annual basis - presented in Note 30.

vi) The fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined by using measurement techniques. The Company uses its judgement to choose from various methods and advance hypotheses that rely mainly on the existing market conditions at the end of each reporting period. Financial instruments analysis is presented in Note 26.

The management considers that the measurement techniques and the hypotheses used are correct for setting the fair value of financial instruments.

4. INCOME

Below, an analysis of the Company's income for the financial year:

	December 31, 2016	December 31, 2015
	RON	*RON*
Income from the sale of finished products	81,936,551	68,346,055
Income from the sale of merchandise	8,507	7,811
Income from services provided	943,239	651,330
Income from other activities	59,892	75,692
Income from the sale of residual products	82,061	60,144
Total	**83,030,250**	**69,141,032**

5. RAW MATERIALS AND CONSUMABLES USED

	December 31, 2016	December 31, 2015
Expenses with raw materials	25,276,070	10,979,550
Expenses with utilities	1,938,573	1,748,219
Expenses with auxiliary materials	2,894,492	2,006,642
Other similar expenses	1,034,257	960,390
Packaging expenses	150,787	163,295
Cost of goods sold	8,001	6,041
Total	**31,302,180**	**15,864,137**

6. EMPLOYEE BENEFITS

	December 31, 2016	December 31, 2015
Salaries	19,667,558	17,195,382
Social security contributions	4,808,860	4,135,713
Other expenses with contributors	1,606,953	970,692
Total	**26,083,371**	**22,301,787**

7. NET FINANCIAL LOSSES

	December 31, 2016	December 31, 2015
Interest expense	2,631,203	3,174,978
Bank commissions	182,586	158,251
Other financial expenses	262,932	52,921
Interest income	(143)	(485)
Total	**3,076,578**	**3,385,665**
Other financial income	**(2,945,004)**	**-**

By letter no. 3117 / 02.06.2016, registered at Turbomecanica SA no. 3133 / 06.06.2016, BRD DEPARTMENT SPECIAL CREDIT communicated that BRD approved and deleted from its records all interest and fees associated with facilities provided by the Bank and owed by TURBOMECANICA SA till date 25/01/2016, amounting to 2,945,004 RON and recorded by the Company in Other financial income.

8. OTHER OPERATING EXPENSES

	December 31, 2016	December 31, 2015
	RON	*RON*
Services provided by third parties	2,361,020	2,735,338
Other operating expenses	1,027,077	1,103,507
Duties and taxes	536,271	666,826
Repairs	872,105	,357,055
Advertising, publicity and protocol	516,593	723,972
Insurance premiums	169,146	92,554
Secondments	167,097	627,041
Rental expenses	16,935	15,553
Employee training	76,804	77,585
Transport expenses	418	276
Total	**5,743,465**	**6,399,707**

9. GAINS AND LOSSES FROM SALE OF ASSETS AND OTHER GAINS AND LOSSES

	December 31, 2016	December 31, 2015
	RON	*RON*
Net gain on foreign exchange	(1,224,192)	(3,122,713)
Movement of provisions	3,196,442	(11,862,952)
Expenses with the impairment of assets intended for sale	(3,501,595)	
Total	**(1,529,345)**	**(14,985,665)**
Losses from sale of assets held for sale	**(93,188)**	**115,948**

Details regarding the sale of assets held for sale in the year 2016 are presented in Note 17.

10. INCOME TAX

In 2016 and 2015, the income tax rate was 16%.

The differences between the regulations issued by the Ministry of Finance in Romania and the accounting rules used to prepare the financial statements give rise to a temporary difference between the carrying value of certain assets and liabilities and their fiscal value. The deferred income tax is computed for all temporary differences to which tax is applied using the balance sheet liability method and using the tax rate of 16%.

The income tax recognised in profit or loss:

	December 31, 2016	December 31, 2015
Current income tax	(2,627,672)	(431,310)
Deferred income tax	163,904	874,664
Total	**(2,463,768)**	**443,354**

10. INCOME TAX (continued)

Reconciliation of current income tax:

	December 31, 2016	December 31, 2015
Profit before taxation	**13,500,717**	**4,278,569**
Legal reserve	(675,036)	(170,195)
Elements similar to revenues	193,645	562,856
Elements similar to expenses	-	-
Non-taxable income	(7,209,564)	(3,674,921)
Non-deductible expenses	17,635,869	22,384,742
Tax deductions	(2,950,913)	(2,484,514)
Taxable result	**20,494,719**	**20,896,537**
Fiscal losses used	-	(18,178,977)
Income tax expense	**(2,627,672)**	**(431,310)**

10. INCOME TAX (continued)

The deferred income tax in 2016 and 2015 is as follows:

	Balance as at January 1, 2015	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2015	Recognized through profit or loss	Recognized through other comprehensive income	Balance as at December 31, 2016
Tangible assets – revaluation reserves	(4,737,497)	874,664	-	(3,862,833)	163,904	-	(3,698,929)
Employee benefits liabilities	-	-	-	-	-	-	-
Provisions	-	-	-	-	-	-	-
Net tax (asset)/liability	**(4,737,497)**	**874,664**	**-**	**(3,862,833)**	**163,904**	**-**	**(3,698,929)**

In 2016, the Company registered income from deferred tax in amount of RON 163,904 due to the decrease of the deferred tax liability as at December 31, 2016.

Deferred tax consists of:

	Assets		Liabilities		Net	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Tangible assets – revaluation reserves	-	-	(3,836,824)	(4,427,257)	(3,836,824)	(4,427,257)
Employee benefits liabilities	66,150	154,984	-	-	66,150	154,984
Provisions	71,745	409,440	-	-	71,745	409,440
Net tax (asset)/liability	**137,895**	**564,424**	**(3,836,824)**	**(4,427,257)**	**(3,698,929)**	**(3,862,833)**

The unrecognised deferred income tax is RON 1,771,973 corresponding to value adjustment of inventories. It was not registered in the financial statements, since the recognition criteria in accordance with IFRS are not fulfilled.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Technical installations and machinery	Equipment and vehicles	Tangible assets in progress	Total
COST						
January 1, 2015	**19,885,045**	**10,465,085**	**24,392,443**	**49,302**	**186,515**	**54,978,390**
Inflows	-	1,099,944	1,945,718	-	4,394,930	7,440,592
Transfers	-	-	-	-	-	-
Outflows	-	(45,096)	(23,230)	-	(3,550,106)	(3,618,432)
Inflows / (outflows) from revaluation	-	-	-	-	-	-
December 31, 2015/January 1, 2016	**19,885,045**	**11,519,933**	**26,314,931**	**49,302**	**1,031,339**	**58,800,550**
Inflows	1,411,355	2,524,121	3,843,029	86,822	5,524,862	13,390,189
Transfers	-	-	-	-	-	-
Outflows	-	-	(40,926)	(88)	(6,453,972)	(6,494,986)
Inflows / (outflows) from revaluation	-	-	-	-	-	-
December 31, 2016	**21,296,400**	**14,044,054**	**30,117,034**	**136,036**	**102,232**	**65,695,756**
Accumulated depreciation						
January 1, 2015	-	-	**29,736**	**24,134**	-	**53,870**
Depreciation for the year	-	377,272	3,329,303	3,710	-	3,710,285
Accumulated depreciation related to outflows	-	(5,154)	(6,188)	-	-	(11,342)
Disposals due to revaluation	-	-	-	-	-	
December 31, 2015	-	**372,118**	**3,352,851**	**27,844**	-	**3,752,813**
Depreciation for the year	-	441,377	3,479,149	9,118	-	3,929,644
Accumulated depreciation related to outflows	-	-	(22,792)	(88)	-	(22,880)
Disposals due to revaluation	-	-	-	-	-	-
December 31, 2016	-	**813,495**	**6,809,208**	**36,874**	-	**7,659,578**
NET BOOK VALUE						
January 1, 2015	**19,885,045**	**10,465,085**	**24,392,443**	**25,168**	**186,514**	**54,978,389**
December 31, 2015	**19,885,045**	**11,147,815**	**22,962,080**	**21,458**	**1,031,339**	**55,047,738**
December 31, 2016	**21,296,400**	**13,230,559**	**23,307,826**	**99,162**	**102,232**	**58,036,177**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

Fixed assets pledged or mortgaged

As at December 31, 2016 the Company pledged or mortgaged property, plant and equipment of RON 36,663,760 in net book value.

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at January 1, 2015	**16,677,673**	**78,130**	**16,755,804**
Inflows	47,196	304,217	351,413
Outflows	(7,114)	(126,470)	(133,585)
As at December 31, 2015	**16,717,755**	**255,877**	**16,973,631**
Inflows	1,735,370	1,716,749	3,452,119
Outflows	-	(1,735,370)	(1,735,370)
As at December 31, 2016	**18,453,125**	**237,256**	**18,690,381**
ACCUMULATED AMORTISATION			
As at January 1, 2015	**6,310,381**	**-**	**6,310,381**
Amortisation for the year	1,735,080		1,735,080
Accumulated amortisation related to outflows	(2,371)		(2,371)
As at December 31, 2015	**8,043,090**	**-**	**8,043,090**
Amortisation for the year	1,870,204		1,870,204
Accumulated amortisation related to outflows	-	-	-
As at December 31, 2016	**9,913,294**	**-**	**9,913,294**
NET BOOK VALUE			
As at January 1, 2015	**10,367,292**	**78,131**	**10,445,422**
As at December 31, 2015	**8,674,665**	**255,877**	**8,930,542**
As at December 31, 2016	**8,539,831**	**237,256**	**8,777,087**

Intangible assets consist of ERP IT software. Such software amortizes over 9 years. The net book value of the ERP as at December 31, 2016 is of RON 6,987,170 with a remaining useful life of 4 years.

13. INVENTORIES

	December 31, 2016	December 31, 2015
	RON	*RON*
Raw materials	22,302,937	31,110,010
Consumables	1,481,650	1,197,195
Items of inventory	-	-
Packaging	12,540	14,997
Finished goods	2,020,671	997,050
Work in progress	11,209,414	6,282,325
Semi-finished goods	-	-
Residual products	22,922	18,484
Merchandise	51,925	51,925
Inventory allowances	(12,062,782)	(15,720,931)
Total	**25,039,278**	**23,951,055**

Finished goods and work in progress are expected to be realized in the next twelve months while the remaining are expected to be realized in a period of five years depending on the orders received from customers.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 40% inactive inventories in the last 4 years and by 30% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2016 have been taken into account, and inventories as at 31.12.2015 and 31.12.2016 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2015 and 31.12.2016) and 2016 outflows. The adjustments were calculated according to the size of rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher). Also, at the end of each year, the Company analyses the inventories affected by the fire in 2012 and registers the necessary allowances to reflect the net realisable value of such inventories at the end of the reporting period.

Inventories of raw materials and consumables managed by DPPV – Finished parts VIPER; DPRP – Repaired parts; DPMP – hazardous materials, intended only for the manufacturing and repair or VIPER 632-41 engines, were 100% provisioned.

The movement of allowances for inventory impairment is as follows:

	December 31, 2016	December 31, 2015
	RON	*RON*
Balance at the beginning of the year	**15,720,931**	**4,689,644**
(Decrease) / Increase of provision in profit or loss	(3,658,149)	11,031,287
Balance at the end of the year	**12,062,782**	**15,720,931**

14. TRADE RECEIVABLES

	December 31, 2016	December 31, 2015
	RON	*RON*
Trade receivables	2,713,882	2,264,306
Clients - invoices to be issued	68,125	111,433
Allowance for doubtful debts	(97,386)	(125,559)
Total	**2,684,621**	**2,250,180**

The movement of allowances for impairment of trade receivables is as follows:

	December 31, 2016	December 31, 2015
Balance at the beginning of the year	**125,559**	**-**
(Decrease) / Increase of provision in profit or loss	(28,173)	125,559
Balance at the end of the year	**97,386**	**125,559**

The following table analyses trade receivables:

	December 31, 2016	December 31, 2015
Not due and without impairment	652,854	1,331,030
Maturity expired, without impairment	1,963,642	807,717
Impairment allowances	97,386	125,559
Total	**2,713,882**	**2,264,306**

Age of trade receivables whose maturity has expired, but which bear no impairment allowances:

Due and without impairment	December 31, 2015	December 31, 2014
Within 3 months	1,458,182	355,476
Between 3 months and 6 months	121,545	432,175
Between 6 months and 9 months	66,434	5,805
Between 9 months and 1 year	152,183	13,376
Within more than 1 year	165,298	885
Total	**1,963,642**	**807,717**

15. OTHER RECEIVABLES

	December 31, 2016	December 31, 2015
Sundry debtors	57,713	56,184
Prepaid expenses	120,060	65,622
Advances to suppliers	1,102,073	1,132,123
Other receivables	1,768,697	1,142,767
Impairment allowances	-	-
Total	**3,048,543**	**2,396,696**

16. CASH AND CASH EQUIVALENTS

	December 31, 2016	December 31, 2015
Cash in banks	11,418,476	7,114,649
Petty cash	4,397	4,005
Other cash equivalents		-
Cash equivalents	78,620	204
Total	**11,501,493**	**7,118,858**

17. ASSETS HELD FOR SALE

	December 31, 2016	December 31, 2015
Land held for sale	7,038,705	10,540,300
Buildings held for sale	-	-
Vehicles and machinery held for sale	10,184	98,405
Total	**7,048,889**	**10,638,705**

In the General Meeting of Shareholders no. 70/14.05.2012 the Company decided to sell such fixed assets. The Company is seeking potential buyers.

During 2016, the breakdown of assets held for sales has changed. In April 2016, the Company scrapped equipment in amount of RON 88,221. Also, at the end of the financial year, the Company registered the necessary impairments to reflect in the financial statements the net realisable value of assets intended for sale.

The net book value of pledged assets held for sale is in amount of RON 7,048,889.

18. SHARE CAPITAL

The share capital is fully paid in:

	No. of shares	Share capital *RON*
Share capital as at December 31, 2016 and December 31, 2016	369,442,475	36,944,248
Effect of inflation on the share capital		987,626,807
Share capital as at December 31, 2016 and December 31, 2016		**1,024,571,055**

The Company's share capital was indexed to inflation as at December 31, 2003, from which date the Romanian economy was no longer considered inflationary.

19. RESERVES

	December 31, 2016	December 31, 2015
Legal reserves	15,458,440	14,783,404
Revaluation reserves	33,771,624	34,066,531
Other reserves	31,290,748	31,290,748
Total	**80,520,812**	**80,140,683**

The revaluation reserve is related to revaluations performed on property, plant and equipment and cannot be distributed to shareholders until it is realized.

In 2016, the Company created a legal reserve in amount of RON 675,036 out of the profit of the year.

Other reserves include the fiscal facilities for exports received in the period 2000-2003 in amount of RON 6,100,419 (their value prior to inflation adjustment was RON 4,957,578). If the management decides to change their destination, they will be taxed. The management has decided not to use such reserves, thus no deferred tax has been established in relation thereto. The remaining reserves are distributions from the previous years' profit.

20. BORROWINGS

	December 31, 2016	December 31, 2015
a) Short-term debts to shareholders	**4,880,000**	**4,880,000**
Secured loans	4,880,000	4,880,000
Interest payable to shareholders	-	-
b) Loans from banking institutions	**39,712,782**	**44,544,676**
Secured loans	**36,526,464**	-
Short-term loans	-	39,638,895
Long-term secured loans	3,186,318	-
Long-term loans	-	4,905,781
Total short and long-term loans	**44,592,782**	**49,424,676**

20. BORROWINGS (continued)

Contract	Balance as at December 31, 2016	Interest payable as at December 31, 2016	Commissions as at December 31, 2016
(A) BRD – Credit facility no. 103 BIS/28.04.2006 -USD	26,454,625	16,707	-
-RON	1,501,360	167	300
(B) BRD – Loan contract no. 567/10.12.2007			
- in RON			
- in EUR	-	-	-
(C) BRD – Loan contract no. 103/16.05.2008	-	-	-
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	6,833,510		253
(E) Banca Transilvania - Loan contract no. 40/04.02.2011	2,479,247	-	40
(F) Banca Transilvania – Loan contract no. 664/21.11.2011	1,237,670	-	20
(G) Banca Transilvania – Loan contract no. 665/21.11.2011	-	-	-
(H) Banca Transilvania - Loan contract no. 385/02.07.2012	1,188,864	-	19
(I) Banca Transilvania - Loan contract no. 386/02.07.2012	-	-	-
	39,695,276	**16,874**	**632**

Contract	Balance as at December 31, 2015	Interest payable as at December 31, 2015	Commissions as at December 31, 2015
(A) BRD – Credit facility no. 103 BIS/28.04.2006	25,964,278	1,319,905	245,690
(B) BRD – Loan contract no. 103/16.05.2008	-	364,547	15,466
(C) BRD – Loan contract no.	-	484,205	18,508
567/10.12.2007	-	31,716	1,350
(D) Banca Transilvania – Loan contract no. 186/24.06.2009	-	502,067	21,155
(E) Banca Transilvania – Loan contract no. 187/24.06.2009	8,947,170	1,981	169
(F) Banca Transilvania - Loan contract no. 40/04.02.2011	-	-	-
(G) Banca Transilvania – Loan contract no. 664/21.11.2011	3,354,275	566	54
(H) Banca Transilvania – Loan contract no. 665/21.11.2011	1,674,495	282	27
(I) Banca Transilvania - Loan contract no. 385/02.07.2012	-	-	-
(J) Banca Transilvania - Loan contract no. 386/02.07.2012	1,596,475	269	26
	41,536,693	**2,705,538**	**302,445**

20. BORROWINGS (continued)

a) Amounts owed to shareholders

At the end of March 2009, the Company concluded loan contracts with shareholders to finance its operating activity as follows:

(I) with Mr. Radu Viehmann, for RON 3,000,000;
(II) with Mr. Paul Radulescu, for RON 250,000;
(III) with Mr. Ion Dinca, for RON 350,000;
(IV) with Mr. Danut Spirea, for RON 200,000.

In 2016, the Company paid the interest owed for 2016 to Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria and paid to the State budget the tax on the interest paid for each of them as follows:

Viehmann Radu: interest in amount of RON 249,300 and tax in amount of RON 47,485;
Ciorapciu Dana Maria: interest in amount of RON 16,620 and tax for January 2016 – October 2016 in amount of RON 2,636.

The tax on the interest paid for November – December 2016 in amount of RON 527 was established in December 2016 and was paid in January 2017 within the legal term.

The loan balance as at December 31, 2016 is:

Viehmann Radu: RON 4,580,000 of which RON 4,500,000 according to Contract 178/2009 and the subsequent addenda (due date 31.01.2017) and RON 80,000 according to short-term contract no. 538/2011, non-interest bearing.

Ciorapciu Dana Maria: RON 300,000 according to Contract 867/2012 and the subsequent addenda (due date 31.01.2017).

b) Amounts owed to credit institutions

(A) BRD – Credit facility no. 103 BIS/28.04.2006

On April 13, 2005, the Company concluded a loan contract in amount of USD 7 million with BRD – Groupe Société Générale. The loan was extended under loan contract no. 103bis dated April 28, 2006, which also granted a reserve ceiling in amount of USD 1 million.

By Additional Act no. 1/27.04.2007 the ceiling increased to USD 9,000,000 and extended until 29.04.2008. By Additional Act no. 2/25.04.2008 both ceilings extended until 31.05.2008. By Additional Act no. 3/30.05.2008 the loan ceiling changed to USD 10,000,000, valid until 29.04.2009 and a new reserve facility of maximum USD 1,000,000 was introduced, available at the borrower's express request, in compliance with certain performance criteria. Additional Act no. 4/15.04.2009 changed the interest rate.

Additional Act no. 5/29.04.2009 extended the validity of the loan contract until 31.05.2009. Additional Act no. 6/11.05.2009 amended ANNEX 4 - GUARANTEES. Additional Act no. 7/29.05.009 extended the contract validity until 30.06.2009. Additional Act no. 8/30.06.2009 extended the contract validity until 31.07.2009. Additional Act no. 9/31.07.2009 extended the contract validity until 31.12.2009 and the following changes were made:

- Credit Facility A consisting of a multi-option, multi-currency global ceiling in amount of USD 9,330,000 was granted until 31.12.2009, which can be used in the form of one or more of the following:

- credit line
- line for issuing bank letters of guarantee
- line for opening letters of credit
- line for discounting bills (bills of exchange, promissory notes)

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

Additional Act no. 10 of 24.12.2009 extended the contract validity until 31.01.2010. Additional Act no. 11 of 29.01.2010 extended the contract validity until 28.02.2010. Additional Act no. 12 of 26.02.2010 extended the contract validity until 31.03.2010. Additional Act no. 13 of 29.03.2010 extended the contract validity until 30.04.2010. Additional Act no. 14 of 30.04.2010 extended the contract validity until 31.05.2010. Additional Act no. 15 of 20.05.2010 extended the contract validity until 31.07.2010. Additional Act no. 16 of 18.06.2010 revised the guarantees. Additional Act no. 17 of 31.07.2010 reduced the crediting facility by USD 75,000 (up to USD 9,225,000, namely the sub-ceiling in the form of credit line was reduced to USD 9,035,000) and extended the contract validity until 31.08.2010.

By Additional Act no. 18 of 2010 the crediting facility was reduced by USD 75,000 (to USD 9,180,000, namely the sub-ceiling in the form of credit line was reduced to USD 8,960,000) and the contract validity was extended until 30.09.2010.

By Additional Act no. 19 of 30.09.2010 the crediting facility was reduced by USD 75,000 (to USD 9,105,000 namely the sub-ceiling in the form of credit line was reduced to USD 8,885,000) and the contract validity was extended until 31.10.2010.

By Additional Act no. 20 of 29.10.2010, the following was agreed:

1. to reduce the value of the credit facility;
2. to extend the contract validity until 31.07.2011;
3. to reimburse on a monthly basis USD 75,000 so that the maximum amount of the credit facility as at 31.07.2011 reaches USD 8,355,000, of which sub-ceiling in amount of USD 8,135,000 to be used as credit line.
4. to insert additional conditions under "borrower's undertakings":

- (not to establish, without the Bank's consent, any guarantee or other lien over any present or future asset in its patrimony whose value exceeds EUR 500,000/year except the Guarantees in Annex 4 to the Contract and not to enter into agreements in which the assets in the balance sheet are set off against other liabilities).

- (to deposit in accounts opened with BRD all amounts resulting from the sale of fixed assets and to apply 50% of the value to repay the loan in advance).

The credit facility consisting of a multi-option, multi-currency global ceiling can be used on 31.12.2010 in the form of one or more of the following:

a) Unconfirmed credit line in maximum amount of USD 8,735,000;
b) Ceiling for issuing bank letters of guarantee (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;
c) Ceiling for opening letters of credit (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;
d) Ceiling for discounting bills (bills of exchange, promissory notes) in maximum amount of USD 8,955,000 USD.

5. Additional Act no. 21 of 19.05.2011 established the value of the crediting limit at USD 8,655,000 and granted such limit as of the date of the Additional Act until 31.03.2012, inserted additional conditions under "borrower's undertakings".

The value of all withdrawals will not exceed the maximum value of the Credit Facility, namely USD 8,655,000 until 31.07.2012.

20. BORROWING (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

The credit facility obtained from BRD is secured by the assignment of certain trade receivables held by the Company against the debtors accepted by BRD (namely: UM01835, Wytwornia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O.), by security interest in personal property over the future collections from: Rolls Royce plc UK and Rolls-Royce Deutschland; Unison Engine Components Bucharest SA; Agusta S.P.A. Italy, by first rank mortgage over the sites "2-Hala prelucrari mecanice si montaj" (Cadastral no. 317/3), "2-a- Anexa tehnica" (cadastral no. 317/4), "2-b-Anexa tehnico-sociala" (Cadastral no. 317/5) and "3 - Hala tratamente termice, galvanizare, presaj sudura, amenajari" (Cadastral no. 317/6) and first rank guarantee on all rights, titles, interests and benefits over bank accounts.

In 2011, the interest rate according to the contract and the Additional Acts was ROBOR 1M + 3%, EURIBOR 1M + 4.5%, LIBOR 1M + 4.5%.

The amounts used from the credit facility as at 31 December 2011 are: USD 6,020,664 (the equivalent of RON 20,104,805) and RON 7,508,651. The credit facility is due on 31.03.2012.

Additional Act no. 22/30.03.2012 extended the validity of the contract until 17.04.2012 and amended the interest rate as follows:

- for withdrawals in RON: ROBOR/3 M +3.00 % p.a.
- for withdrawals in EUR: EURIBOR/1 M + 4.5% p.a.
- for withdrawals in USD: LIBOR/1 M + 4.50% p.a.

Additional Act no. 23/17.04.2012 extended the contract validity until 17.05.2012. Additional Act no. 24/17.05.2012 extended the contract validity until 31.05.2012. Additional Act no. 25/31.05.2012 extended the contract validity until 30.06.2012. Additional Act no. 26/29.06.2012 extended the contract validity until 31.07.2012. Additional Act no. 27/31.07.2012 amended Annex 4 "GUARANTEES" and extended the validity until 31.08.2012 and each of Additional Acts nos. 28/31.08.2012, 29/30.09.2012, 30/31.10.2012, 31/29.11.2012 and 31/31.12.2012 extended the contract validity by one month.

The amounts used from the credit facility as at 31.12.2012 are USD 6,178,241 (the equivalent of RON 20,743,444.16) and RON 7,586,998.

In 2013, each month, the contract validity was extended until 31.12.2013 by Additional Acts nos. 33-44. Additional Act no. 44/31.12.2013 amended Annex 4 "Guarantees" and extended the contract validity until 31.01.2014.

The amounts used as at 31.12.2013 are USD 6,237,974.59 (the equivalent of RON 20,305,231.09) and RON 7,151,075.98.

In 2014, by **Additional Acts nos. 45-47** the validity of the contract was extended by April 30, 2014 and the interest and commissions due as at January 31, 2014 together with the interest and commissions due for February, March and April 2014 accrued and are due on April 30, 2014.

Additional Act no. 48/April 30, 2014 extended the contract validity by July 31, 2014, supplemented the borrower's commitments and postponed to July 31, 2014 the payment of interest and commissions due on April 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and July 31, 2014 are due on July 31, 2014.

Additional Act no. 49/July 31, 2014 extended the contract validity by October 30, 2014, modified the borrower's commitments and postponed the payment of interest and commissions to October 30, 2014.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

Additional Act no. 50/October 30, 2014 extended the contract validity until January 25, 2015, modified the terms and conditions applicable to the credit facility and postponed to January 25, 2015 the payment of interest and commissions due on October 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and January 25, 2015 are due on January 25, 2015.

By additional act 51/January 23, 2015 the contract was extended until **April 25, 2015**, the terms and conditions were changed and the maximum limit set for the credit is of USD 7,784,611.

In November, the credit limit for RON crediting was reduced by RON 3,301,908.27.

As at December 31, 2014 the credit limits approved are RON 3,962,091.73 and USD 6,189,975, of which the Company used USD 6,187,523.78 (equivalent of RON 22,812,162.67) and RON 3,436,441.40.

The interest accrued as at December 31, 2014 are:
- RON 350,908.64
- USD 293,638.23, equivalent of RON 1,082,585.43

The commissions accrued as at December 31, 2014 are:
- RON 14,779.11
- USD 57,997.72, equivalent of RON 213,825.99

By Additional Act no. 52/24.04.2015 the contract validity was extended until 25.05.2015, chapters "Payments" and "Commission" were amended.

The payment of accrued interest and commissions was postponed until 25.01.2015, due on 25.04.2015 until 25.05.2016.

By Additional Act no. 53/25.05.2015 the contract validity was extended until 25.05.2016.
The payment of interest and commissions accrued as at 25.01.2015 due on 25.04.2015, was postponed to 25.05.2016.

Current interest and commissions are paid monthly.

Chapters "Interest rate" and "Commission" were amended" and chapter "Borrower's undertakings" was supplemented.

As at December 31, 2015 the approved credit limits are RON 3,977,712.73 and USD 6,259,922.00 and the amounts used are USD 6,259,922.00 (the equivalent of RON 25,964,278.48) and RON 0.

Interest accrued as at December 31, 2015 are:

- RON 364,547.45 of which RON 364,994.17 represents the accrued interest payable until 25.01.2015 and 240.57 represents the interest related to December 2015 due on 25.01.2016;

- USD 318,225.78 (equivalent of RON 1,319,905.07) of which USD 313,411.04 represents the accrued interest payable until 25.01.2015 and USD 4,814.73 represents the interest related to December 2015 due on 25.01.2016).

Commissions accumulated as at December 31, 2015 are:

- RON: 15,466.40
- USD: 59,235.22, the equivalent of RON 245,689.92.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

Through the letter issued by BRD to on March 9, 2016, the Company was informed that the credit facilities were extended until 25.05.2016 for the purpose of negotiating in April 2016 a modality of long-term restructuring of such facilities, consistently with the Company's actual repayment possibilities.

By Additional Act no. 54/23.05.2016 the contract validity was extended until 25.05.2017.

The current interest and fees are paid monthly.

Chapters "Object of contract and loan period", "Interest rate", "Fees" and "Borrower's commitments" were amended.

As at 31.12.2016 the approved lending ceilings are in amount of RON 3,977,712.73 and USD 6,259,922.00 and the amounts drawn are USD 6,147,520.51 (equivalent of RON 26,454,625.01) and RON 1,501,350.87.

By Letter no. 3117/02.06.2016, registered with Turbomecanica SA under no. 3133/06.06.2016, BRD Special Loans communicated that BRD approved and written off from its records all interest and fees related to the facilities granted by the Bank and owed by TURBOMECANICA SA by 25.01.2016.

(A1) BRD - Factoring contract 539/04.05.2006

On 04.05.2006, the Company concluded the factoring contract with BRD-Groupe Societe Generale, which comprises the General and Special Terms.

The contract was amended by Additional Act no. 1/30.01.2009, Additional Act no. 1/28.02.2014 and Additional Act no. 3/25.09.2015.

On 05.05.2006, Special Terms no. 1 to Factoring Contract no. 539/04.05.2006 were concluded, applicable to the commercial relationship between S.C. Turbomecanica S.A. and debtor General Electric USA, which stipulate the object of the commercial contract, the services supplied by the Factor to the Company, the supporting documents, the financing limit of USD 1,500,000, the validity term of the financing limit (30.03.2007), the financing percentage of 100%, the 1% reserve from approved receivables, the financing limit of USD 1,500,000, the validity term of the financing limit (30.03.2007), the factoring commission of 1.10 flat and USD 15/document and the annual rate of the financing commission at LIBOR 1 M + 2.25 % p.a.

Subsequently, the following additional acts were concluded:

Additional Act no.1/16.06.2006 whereby the object of the deliveries was amended.

Additional Act no. 2/27.03.2007, whereby the validity terms of the financing limits and lending limit were changed to 29.04.2007;

Additional Act no. 3/27.04.2007, whereby the financing limits and lending limit were changed to USD 1,200,000 and the validity terms of the financing limits and lending limit were extended to 31.03.2008;

By Additional Acts nos. 4/21.03.2008,5/30.04.2008 and 6/31.05.2008, the financing limits and the lending limits were extended successively to 29.04.2008, 31.05.2008 and 29.04.2009.

By Additional Act no. 7/09.04.2009, the factoring commissions were changed, and by Additional Acts nos. 8/29.04.2009, 9/01.06.2009 and 10/25.06.2009, the validity and financing terms were extended to 31.05.2009, 30.06.2009, and 31.07.2009.

By Additional Act no. 11/31.07.2009, the financing ceiling was reduced to USD 1,200,000, the financing percentage of approved receivables was set at 90%, the reserve is 0%, and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk was extended to 30.09.2009.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A1) BRD - Factoring contract 539/04.05.2006 (continued)

By Additional Act no. 12/07.09.2009, the 100% financing percentage of approved receivables was reinstated, by Additional Acts nos. 13/30.09.2009 and 14/22.10.2009, the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 30.10.2009 and 31.12.2009.

By Additional Acts nos. 15/30.12.200916/29.01.2010, 17/26.02.2010, 18/26.02.2010, 19/05.05.2010, 20/25.05.2010, 21/29.07.2010, 22/31.08.2010 and 23/30.09.2010 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.10.2010, and the commissions were changed.

By Additional Act no. 24/29.10.2010 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk was changed to 28.02.2011, and the financing percentage of approved receivables was set at 100%.

By Additional Acts nos. 25/31.01.2011, the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.07.2011, and by Additional Act no. 26/11.07.2011, the terms were extended to 30.11.2011, and the financing percentage of approved receivables was set at 99%.

By Additional Acts nos. 27/10.11.2011,28/30.03.2012, 29/17.04.2012 and 29/17.04.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.05.2012, and the commissions were changed.

By Additional Act no. 30/17.05.2012, the financing ceiling was reduced to USD 900,000 and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.05.2012.

By Additional Acts nos. 31/31.05.2012,32/29.06.2012, 33/31.07.2012 and 34/30.09.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 30.09.2012 and the commissions were changed.

By Additional Act no. 35/2012, the article regarding supporting documents was amended.

By Additional Acts nos. 36/28.09.2012,37/30.10.2012, 37/30.10.2012, 38/28.11.2012 and 39/27.12.2012 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.01.2013 and the commissions were changed.

By Additional Acts nos. 40/31.01.2013, 41/28.02.2013, 42/29.03.2013, 43/29.04.2013,44/30.05.2013,45/02.07.2013,46/30.07.2013,47/28.08.2013,48/27.09.2013,49/29.10.2013,50/28.11.2013, 51/30.12.2013 and 52 /31.01.2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.012014 and the commissions were changed.

By Additional Act no. 53/28.02.2014, the financing ceiling was set at USD 100,000, the financing percentage of approved receivables was set at 99%, and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2014.

By Additional Act no. 54/2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were amended, i.e., 31.04.2014.

By Additional Act no. 55/2014 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were amended, i.e., 31.05.2014, and the financing percentage of approved receivables was set at 90%.

By Additional Acts nos. 56/15.05.2014, 57/31.07.2014,58/30.10.2014 and 59/23.01.2015 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2015 and the commissions were changed.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A1) BRD - Factoring contract 539/04.05.2006 (continued)

By Additional Act no. 60/08.04.2015, the financing ceiling was set at USD 50,000 and the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 25.04.2015, and by Additional Acts nos. 61/27.04.2015 and 62/25.05.2015 the validity terms of the financing ceiling and the ceiling to cover the debtor's default risk were extended to 31.03.2016.

On 05.05.2006, the Company concluded Special Terms no. 2 applicable to the commercial relationship between S.C. Turbomecanica S.A. and debtor General Electric France, which stipulate the object of the commercial contract, the services supplied by the Factor to the Company, the supporting documents, the financing limit of EUR 500,000, the validity term of the financing limit (29.04.2007), the financing percentage of 100%, the 1% reserve from approved receivables, the financing limit of EUR 500,000, the validity term of the financing limit (29.04.2007), the factoring commission of 1.10 flat and EUR 12/document and the annual rate of the financing commission at EURIBOR 1 M + 2.00% p.a.

Subsequently, the lending limit and the financing limit were reduced to EUR 400,000 and the validity term of the financing limits and the lending limit were changed successively to 29.04.2009.

On 25.09.2015, the Company concluded with BRD - Groupe Societe Generale Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECANICA SA and the debtor of the assigned receivable, IAR SA.

The financing ceiling is RON 20,000,000, the validity term of the financing ceiling is 25.05.2016 and the financing percentage of approved receivables is set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 175992/24.09.2015 and Mortgage Contract on Movable Assets no. 175995/24.09.2015.

On 06.10.2015, the Company concluded with BRD - Groupe Societe Generale Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 applicable to the commercial relationship between TURBOMECANICA SA and the debtor of the assigned receivable GE Hungary Kft Hungary.

The financing ceiling is EUR 300,000, the validity term of the financing ceiling is 25.05.2016, and the financing percentage of approved receivables was set at 75%.

In addition, the Company concluded Mortgage Contract on Bank Accounts no. 6158/06.10.2015 and Mortgage Contract on Movable Assets no. 6159/06.10.2015.

On 15.06.2016, the Company concluded with BRD - Groupe Societe Generale Additional Act no. 1 to Special Terms no. 2 to Factoring Contract no. 539/04.05.2006 applicable to the business relation between TURBOMECANICA SA and debtor of the assigned receivable IAR SA.

The financing ceiling is RON 10,000,000, the validity term of the financing ceiling is 25.05.2017 and the financing percentage of approved receivables was set at 75%.

At the same time, the Company concluded Mortgage Contract on Bank Accounts no. 3378/13.06.2016 and Mortgage Contract on Movable Assets no. 3380/13.06.2016.

In 15.06.2016 the Company concluded with BRD - Groupe Societe Generale Additional Act no. 1 to Special Terms no. 3 to Factoring Contract no. 539/04.05.2006 applicable to the business relation between TURBOMECANICA SA and debtor of the assigned receivable GE Hungary Kft.

The financing ceiling is EUR 1,500,000, the validity term of the financing ceiling is 25.05.2017 and the financing percentage of approved receivables was set at 75%.

At the same time, the Company concluded Mortgage Contract on Bank Accounts no. 3379/13.06.2016 and Mortgage Contract on Movable Assets no. 3381/13.10.2016.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(B) BRD – Loan contract no. 567/10.12.2007

On December 10, 2007, the Company concluded with BRD – Group Société Générale loan contract no. 567, with an initial value of EUR 3,250,000, for land acquisition in order to relocate the headquarters and the production facilities of the Company. Additional Act no. 1/10.12.2008 extended the withdrawing period to 28.02.2009, reduced the total loan value by EUR 102,050 and the amount available for new withdrawals was set at EUR 182,000. Additional Act no. 2/27.021.2009 extended the withdrawing period to 31.03.2009. Additional Act no. 3/15.04.2009 changed the interest rate. The contract is concluded for a period of 7 years.

Additional Act no. 4/11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, Additional Act no. 5/05.03.2010 rescheduled the rate from March 2010 to December 2010. Additional Act no. 6/18.06.2010 revised the guarantees. Additional Act no. 7/06.09.2010 rescheduled the instalment from 06.09.2010 to 30.09.2010. Additional Act no. 8/30.09.2010 rescheduled the instalment from 30.09.2010 to 31.10.2010.

By Additional Act no. 9/21.10.2010 the following was agreed:

- to change the repayment schedule;
- to extend the final repayment date of the loan to 10.03.2016;
- to supplement the "borrower's undertakings";
- to supplement the default events.

The loan granted by BRD is secured by a security interest in personal property over the claim arising from the performance of commercial contracts with UM 01835, Wytwornia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O, based on the long-term purchase contract for engine components of February 2006, by a security interest in personal property over the future collections from Rolls – Royce plc UK and Rolls-Royce Deutschland; Unison Engine Components Bucharest SA; Agusta S.P.A. Italy and by a first rank mortgage over the land and first rank guarantee over all rights, titles, interest and benefits over the bank accounts.

Under Additional Act no. 10/19.05.2011, the repayment schedule was amended and the final repayment date changed to 10.12.2016, the conditions were changed and additional ones were inserted under "Borrower's undertakings".

In 2011, the interest rate according to the contract and the Additional Acts was EURIBOR 3M + 5% for EUR; ROBOR 3M + 3.5% for RON.

The final balance as at 31.12.2011 is formed of RON 9,477,175 and EUR 164,657 (the equivalent of RON 711,268). The last instalment is due on 10.03.2016.

In 2012, RON 557,480.92 was paid (RON 139,370.23 in March, June, September and December 2012) and RON 83,134.16 (representing the counter value of RON 18,295.20, EUR 4,573.80 in each of April, June, September and December 2012).

The final balance as at 31.12.2012 is formed of RON 8,919,694.44 and EUR 146,361.63 (RON 648,191.75).

In 2013, payments were made in amount of RON 557,480.90 and EUR 9,147.60, representing the counter value of RON 40,390.31.

Between June and September 2013, Additional Acts nos. 11 - 14 were concluded, which amended Annex 2 "Repayment Schedule" and Additional Act no. 15/31.12.2013 amended Annex 3 "Guarantees".

The final balance as at 31.12.2013 consists of RON 8,362,213.54 and EUR 137,214.03 (RON 615,363.76).

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(B) BRD – Loan contract no. 567/10.12.2007 (continued)

In 2014, **Additional Act 16**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on March 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; amended Annex 2 (Repayment Schedule).

On April 30, 2014 **Additional Act 17** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on June 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower's Commitments.

On July 31, 2014, **Additional Act 18** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on September 30, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act 19** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on December 31, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2014 are accrued and paid on January 25, 2015; amended Annex 2 and chapter "Definitions".

On November 24, 2014, RON 3,902,366.30 and EUR 56,819.17 were repaid representing the instalment due on January 25, 2015.

The outstanding loan as at December 31, 2014 is RON 4,459,847.24 and EUR 73,180.83, the equivalent of RON 328,003.80.

The final due date is 10.12.2016.

The accrued interest as at December 31, 2014 amounts to RON 472,588.70 and EUR 6,827.47 the equivalent of RON 30,601.40 and the commissions payable as at December 31, 2014 amount to RON 17,616.40 and EUR 283.29 the equivalent of RON 1,269.73.

On 23.01.2015, the Company concluded Additional Act no. 20/23.01.2015, whereby the repayment schedule was amended by postponing the payment of the instalments outstanding on 31.03.2015 in amount of RON 557,480.90 and EUR 9,147.60 by April 25, 2015, the full payment of interest and commissions will be made on 25.04.2015, the interest and commissions owed between 25.01.2015 and 25.04.2015 will be paid monthly, additional conditions to "Borrower's undertakings" were added and amended.

On 24.04.2015, the Company concluded Additional Act no. 21, whereby the payment date of accrued interest and commissions was postponed to 25.05.2015 and the payment of instalments outstanding on 25.04.2015 was postponed to 25.05.2015.

By Additional Act no. 22/25.05.2015 the payment date of interest and commissions was amended to 25.05.2016 and the borrower's undertakings were supplemented.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(B) BRD – Loan contract no. 567/10.12.2007 (continued)

The interest accrued as at 31.12.2015 are in amount of RON 484,204.70 and EUR 7,009.87, the equivalent of RON 31,716.16, and the commissions payable on 31.12.2015 are in amount of RON 18,508.37 and EUR 297,93 the equivalent of RON 1,349.79.

In 2015, the Company repaid the loan for the land, i.e. RON 4,459,847.24 and EUR 73,180.83.

As at December 31, 2015, the balance of the loan for the land (contract 567/10.12.2007) in RON and EUR is "0".

By Letter no. 3117/02.06.2016, registered with Turbomecanica SA under no. 3133/06.06.2016, BRD Special Loans communicated that BRD approved and written off from its records all interest and fees related to the facilities granted by the Bank and owed by TURBOMECANICA SA by 25.01.2016.

As at December 31, 2016, the balance of the loan for the land (contract 567/10.12.2007) in RON and EUR is "0".

(C) BRD – Loan contract no. 103/16.05.2008

As at May 16, 2008, the Company concluded long-term contract no. 103 with BRD – Groupe Société Générale amounting to EUR 3,400,000 for the acquisition of equipment for the pinion cell, including customs duties related to such equipment, for a period of 7 years.

Additional Act no. 1 of 15.04.2009 amended the interest rate and Additional Act no. 2 of 11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, by Additional Act no. 3 of 18.06.2010 the parties revised the guarantees, and Additional Act no. 4 of 29.10.2010 supplemented the "borrower's undertakings".

In 2011, the annual interest rate under the contract and the Additional Acts was EURIBOR 3M + 5%.

Additional Act no. 5 of 19.05.2011 amended the repayment schedule of the balance, amended the final repayment date of the loan, to 15.11.2016, changed and inserted additional conditions under "Borrower's undertakings".

The loan is secured by second rank mortgage over the sites under point (A) above, first rank guarantee over the equipment intended to create the pinion cell, guarantee over the claims presented in point (A) above and over all the future movable assets, and first rank guarantee over all the rights, titles, interests and benefits over the bank accounts.

The final balance as at 31.12.2011 is EUR 2,413,262 (the equivalent of RON 10,424,658). The last instalment of the loan contract is due on 15.11.2016.

In 2012, Additional Act no. 6/31.07.2012 amended the Annex entitled "Guarantees".

As at 31.12.2012, the balance of the loan was EUR 2,413,261.92 (the equivalent of RON 10,424,567.52).

In 2013, between May and September, Additional Acts nos. 7 - 11 were concluded, which amended Annex 2 "Repayment Schedule".

On 31.12.2013 Additional Act no. 12 was concluded, which amended Annex 3 "Guarantees".

The loan is due on 15.11.2016.

In 2013, the Company repaid EUR 75,414.44, the equivalent of RON 335,549.00.

As at 31.12.2013, the outstanding balance is EUR 2,337,847.48 (the equivalent of RON 10,484,544.59).

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C) BRD – Loan contract no. 103/16.05.2008 (continued)

In 2014, **Additional Act no. 13**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on February 15, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; it amended Annex 2 (Repayment Schedule).

On April 30, 2014, **Additional Act no. 14** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on May 15, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower's Commitments.

On July 31, 2014, **Additional Act no. 15** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on August 31, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act no. 16** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on November 30, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2014 are accrued and paid on January 25, 2015; amended Annex 2 and chapter "Definitions".

On November 24, 2014, the loan was fully paid and the interest and commissions accrued are due on January 25, 2015.

Through additional act 17 from January 23, 2015 the due date for accumulated interest in amount of EUR 115,642 EUR is of January 25, 2015.

The interest accrued as at December 31, 2014 amounts to 110,966.37, the equivalent of RON 497,362.37 and the commissions payable as at December 31, 2014 amount to 4,675.69 the equivalent of RON 20,956.91.

On 24.04.2015, the Company concluded Additional Act no. 18, which extended the payment date of accrued interest and commissions as at 25.05.2015.

By Additional Act no. 19/25.05.2015, the payment of interest and commissions was changed to 25.05.2016 and the borrower's undertakings were supplemented.

The interest accrued as at 31.12.2015 amount to 110,966.37, the equivalent of RON 502,067.34 and the commissions payable as at 31.12.2015 amount to 4,675.69 the equivalent of RON 21,155.16.

By Letter no. 3117/02.06.2016, registered with Turbomecanica SA under no. 3133/06.06.2016, BRD Special Loans communicated that BRD approved and written off from its records all interest and fees related to the facilities granted by the Bank and owed by TURBOMECANICA SA by 25.01.2016.

As at December 31, 2016, the balance of the loan for the land (contract 103/16.05.2008) is "0".

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C1) BRD – Contract no. 4104-A of 22.12.2016 for issuance of Letter of Guarantee

On 22.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 125,959.72, with expiry on 31.12.2016.
The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 12331/19.12.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4104-B/22.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

Following the expiry of the Guarantee Letter, in January Turbomecanica SA requested the bank to close the cash collateral deposit and the related amount was cashed in the Company's current account RO37 BRDE 410S V2016 4067 4100 on 09.01.2017.

Following the expiry of the letter, the original of the Bank letter of guarantee was submitted to BRD Militari Branch by letter 86/22.02.2017.

(C2) BRD - Contract no. 4296/ 28.12.2016 for issuance of Letter of Guarantee

On 28.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 478,000.00, with expiry on 31.12.2017.
The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 10090/28.10.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4296-A/28.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(D) Banca Transilvania – Loan contract no. 186/24.06.2009

On 24.06.2009, the Company concluded loan contract no.186 with Banca Transilvania Militari Branch, to be used as global ceiling as follows:

- credit line of RON 5,600,000 – from Credit Europe Bank, due on 23.06.2010;
- short-term loan of RON 3,800,000 due on 10.06.2010.

The initial interest rate was 18.5%, decreased successively, reaching 11.5% as at 31.12.2010.

The loan was concluded for a period of 1 year.

On 10.03.2010 Additional Act no. 1/186 was concluded, increasing the credit line by RON 2,040,000 and changing the short-term loan in amount of RON 1,760,000 to a credit line with maturity on 10 June 2010.

By Additional Act no. 2/186/10.06.2010 the global ceiling was changed to credit line, it was extended by 12 months, and the interest rate decreased (from 13.5% to 11.5%).

In 2010, Additional Act no. 1/186/CES/01/10.03.2010 was concluded to the contract of security interest in personal property (no. 186/CES/01/24.06.2009) over the collections and balance of the current account in order to guarantee the fulfilment of the obligations.

The obligation to pay the loan contract with Banca Transilvania Militari Branch is guaranteed by a fist rank mortgage over the sites "6 - Magazii Generale" (cadastral no. 317/8), "7 - Centrala termica" (cadastral no. 317/9), "8 - Depozit de combustibil si carburant" (cadastral no. 317/10), "10, 10-1, 10-2 - Constructii Standuri" (cadastral no. 317/12/2/2), "11 - Gospodaria Laminate" (cadastral no. 317/3) and "12 - Drum acces" (cadastral no. 317/15) and by a security interest in personal property over collections and balance of the current account in RON.

The amount used as at 31.12.2011 is RON 9,189,902. The loan contract is due on 08.06.2012.

Additional Act no. 04/186 /06.06.2012 extended the contract validity for 12 months, and provided an interest rate of 9.75 %.

As at 31.12.2012, the amount withdrawn is RON 8,682,64.54.
The loan contract is due on 07.06.2013.

Additional Act no. 05/186 /06.06.2013 extended the contract validity until June 20, 2013, with due date on 21.06.2013 and Additional Act no. 06/186/21.06.2013 extended the contract validity from 20.06.2013 to 05.06.2014.

As at 31.12.2013 the amount withdrawn is RON 8,580,945.13.

The contract is due on 06.06.2014.

On February 27, 2014, **Additional Act no. 07** was concluded, which postponed the interest and commissions due between February 27, 2014 and April 30, 2014 bearing an interest rate of 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" guarantee value representing a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, Chattel mortgage over determined existing goods no. 186/GAJ/01 was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under Contract 186/2009.

On May 30, 2014 **Additional Act no. 08** was concluded, which postponed the interest and commissions due between May and October 2014 and scheduled the payment thereof over 8 months starting from November 2014 at an interest rate of 6%.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(D) Banca Transilvania – Loan contract no. 186/24.06.2009 (continued)

The interest and commissions due between February and April 2014 are rescheduled for payment over an 8-month period starting from November 2014.

On May 30, 2014, **Additional Act 01/186/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act no. 09** was concluded, which postponed the interest and commissions due between November and December 2014 and scheduled the payment thereof over 5 months starting from January 2014 at an interest rate of 6%.

The interest and commissions due between February and October 2014 are rescheduled for payment over a 5-month period starting from January 2015.

On November 11, 2014, **Additional Act 02/186/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 20, 2014, the accumulated interest and commissions totaling RON 575,830.99 were paid.

The outstanding loan as at December 31, 2014 amounts to RON 7,291,271.82.

The accrued interest as at December 31, 2014 amounts to RON 64,340.50 and the commissions payable as at December 31, 2014 amount to RON 7,756.89.

The guarantees in favor of the bank consist of land at a value of RON 23, 572,508 RON (having a fair value determined by the bank in amount of RON 26,817,625).

The loan contract is due on May 29, 2015.

In 2015, the Company concluded Additional Act no. 10/186/28.05.2015 whereby the credit line was technically extended from 29.05.2015 to 26.06.2015.

On 25.06.2015, the Company concluded Additional Act no. 11/186, whereby the validity of the credit line was extended to 27.05.2016, the interest rate was set at 7.97% (variable), the guarantees were maintained, special granting clauses were introduced.

In 2015, the Company repaid the accrued interest (RON 64,340.50) and accrued commissions (RON 7,756.89).

The balance of the loan as at December 31, 2015 is RON 8,947,170.12.
The interest payable for 2015, outstanding on 31.01.2016 is RON 1,980.50, and the payment commissions for 2015 outstanding on 31.01.2016 are RON 169.47.

On 22.03.2016, the Company concluded Additional Act no.12/186 whereby the interest margin was reduced from 6.4% to 4.4% and a new clause was inserted, namely the submission of the documentation to extend the credit facility 45 days prior to the due date.

On 26.05.2016, the Company concluded Additional Act no.13/186 whereby the validity of the credit line was extended to 27.05.2017, the variable interest rate was set at 5.42 % (ROBOR 6 M namely 1.02 +4.4 % bank's margin), the guarantees were maintained, special granting clauses were introduced.

The loan balance as at 31.12.2016 is RON 6,833,510.

The commissions payable for 2016 due on 31.01.2017 are:
- management commission RON 110.22;
- non-withdrawal commission RON 142.58.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(E) Banca Transilvania - Loan contract no. 40/04.02.2011

On 04.02.2011, the Company concluded with Banca Transilvania - Militari Branch loan contract no. 40 to finance its current activity, amounting to RON 3,400,000, due on 03.02.2012. The annual interest rate is 10%.

The guarantee consists of:

1. Contract of security interest in personal property over determined existing goods no. 40/GAJ/01/04.02.2011;
2. Contract of security interest in personal property over collections and current account balance no. 40/CES/02/04.02.2011;
3. Receivables assignment contract no. 40/CES/02/04.02.2011.

As at 31.12.2011, the amount withdrawn is RON 3,398,274.74. The last instalment of the contract is due on 04.02.2012.

Additional Act no.1/40/03.02.2012 extended the due date to 02.10.2012.

On 03.02.2012, the Company concluded contract no. 40/CES/03/03.02.2012 of security interest in personal property over collections and the current account balance and sub-accounts opened with Banca Transilvania and contract no. 40/GAJ/02/03.02.2012 of security interest in personal property on determined existing goods.

Additional Act no. 02/40/02.10.2012 provided the restructuring of the loan. Additional Act no. 03/40/20.12.2012 increased the guarantees.

As at 31.12.2012, the withdrawn amount, repayable is RON 3,398,274.76.

In 2013, the Company concluded Additional Act no. 04/40/27.06.2013 to loan contract no. 40/04.02.2011, which provided the full rescheduling of the capital instalments due between July 2013 and January 2014 (inclusively), without changing the crediting period, and the instalments postponed for payment would be distributed equally throughout the entire crediting period remaining after the expiry of the replacement facility until the due date of the loan.

On 27.06.2013, the parties concluded Additional Act no. 02/40/GAJ/02/27.06.2013 to contract no. 40/GAJ/02/03.02.2013 of chattel mortgage over determined goods which amends and supplements contract no. 40/GAJ/02/03.02.2012 of chattel mortgage over existing determined goods and the related Additional Acts (a mortgage over goods and assets is established in favor of the bank at the fair value of RON 4,683,900 and a guarantee value of RON 3,278,730).

In May and June 2013, the Company repaid two (2) instalments in amount of RON 22,000 each, totaling RON 44,000.

The withdrawn amount, repayable as at 31.12.2013, is RON 3,354,274.6.

The loan is due on 01.10.2019.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 10 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(E) Banca Transilvania - Loan contract no. 40/04.02.2011 (continued)

Interest and commissions due between February – April 2014 are postponed, will accrue and be payable in equal instalments over 24 months as of August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 01/40/CES/03** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 40/GAJ/03** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract and Additional Act 03/40/GAJ/02 having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date by payment in equal instalments starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over 24 months starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 04/GAJ/02** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the capital instalment related to November 2014 and inclusion thereof in the loan's balance, the full postponement of capital instalments throughout December 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/40/GAJ/03** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/40/GAJ/02** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 3,354,274.76.

The accrued interest as at December 31, 2014 is RON 213,811.87 and the commissions payable as at December 31, 2014 amount to RON 19,580.14.

The fair value determined by the bank of the pledged tangible assets (land and equipment) is RON 24,987,026, which have a guarantee value of RON 19,926,030.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(E) Banca Transilvania - Loan contract no. 40/04.02.2011 (continued)

In 2015, the Company concluded Additional Act no. 09/40/29.01.2015, whereby the interest date was modified from 01.02.2015 to 27.02.2015, without changing the final due date of the loan.

On 26.02.2015, the Company concluded Additional Act no. 10/40, whereby the replacement operation was implemented (investment loan restructuring), the interest was set at 6,04% (variable), the guarantees were maintained, special granting clauses were introduced.

The accrued interest and commission payable in amount of RON 213,811.87 and RON 19,580.14 were fully paid.

The final due date of the loan is October 1, 2019.

As at December 31, 2015 the balance of the loan is RON 3,354,274.76.

In 2016, the Company reimbursed on a monthly basis the amount of RON 72,919.02 as per the schedule.

The total value of reimbursements is RON 875,028.24. The balance of the loan as at 31.12.2016 is RON 2,479,246.52.

The management commission related to 2016 due on 31.01.2017 is RON 39.99.

(F) Banca Transilvania – Loan contract no. 664/21.11.2011

On 21.11.2011, the Company concluded contract no. 664 in the form of an investment loan from Banca Transilvania Militari Branch amounting to RON 1,700,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

The security consists of:

1. Contract no. 664/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 664/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

The amount withdrawn as at 31.12.2011 is RON 1,570,921.
The loan is due on 18.05.2012.

Additional Act no. 01/664/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012 with an interest rate of 9.75%. On 17.05.2012 Additional Acts nos. 01/664/CES/01 and 01/664/GAJ/01 were concluded. Additional Act no. 02/664/16.10.2012 rescheduled the loan. The loan is due on 16.10.2019.

As at 31.12.2012, the withdrawn amount to be repaid is RON 1,696,242.

In 2013, the Company concluded Additional Act no. 03/664/10.06.2013, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, Additional Act no. 04/664 was concluded to loan contract no. 664/21.11.2011, which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the investment loan granted for improvement and upgrading of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, with a balance of RON 1,674,495.31 out of the initial amount of RON 1,700,000.

On 27.06.2014 Additional Act no. 02/664/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods was concluded, which secured all the obligations deriving from loan contract no. 664/21.11.2011 and the Additional Acts.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(F) Banca Transilvania - Loan contract no. 664/21.11.2011 (continued)

In 2013, the Company repaid RON 21,746.69, according to the repayment schedule.

The final due date is 16.10.2019.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,674,495.31.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments in August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in 24-month equal instalments starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 03/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 664//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date, by payment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and November 2014 and payment in instalments over a 24-month period starting from November 2014 and rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 04/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/664/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/664/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(F) Banca Transilvania – Loan contract no. 664/21.11.2011 (continued)

On November 11, 2014, **Additional Act 05/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 1,674,495.31.

According to the additional act 10 /25 February 2015, the Company will not pay the installments for the year 2015, they will be paid starting with 2016. Interest and commissions accumulated have been split equally for the remaining period and shall be paid together with the current ones.

The outstanding accrued interest as at December 31, 2014 is RON 106,760.70 and the commissions payable as at December 31, 2014 amount to RON 9,776.89.

In 2015, the Company concluded Additional Act no. 09/664/29.01.2015, whereby the interest rate was modified from 16.02.2015 to 27.02.2015, without changing the final due date of the loan.

On 26.02.2015, the Company concluded Additional Act no. 10/664, whereby the replacement operation was implemented (investment loan restructuring), the interest was set at 6,04% (variable), the guarantees were maintained, special granting clauses were introduced.

The final due date of the loan is October 16, 2019.

As at December 31, 2015 the balance of the loan is RON 1,674,495.31.

In 2016, the Company reimbursed on a monthly basis the amount of RON 36,402.07 as per the schedule.

The total value of reimbursements is RON 436,824.84.

The balance of the loan on 31.12.2016 is RON 1,237,670.47.
The management commission related to 2016 due on 31.01.2017 is RON 19.96.

(G) Banca Transilvania – Loan contract no. 665/21.11.2011

On 21.11.2011, the Company concluded a non-revolving short-term loan contract amounting to RON 408,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

The security consists of:

1. Contract no. 665/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 665/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

As at 31.12.2011, the amount withdrawn is RON 377,041.

The loan is due on 18.05.2012.

Additional Act no. 01/665/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012.

On 17.05.2012, Additional Acts nos. 01/665/CES/01 and 01/665/GAJ/01 were also concluded.

Additional Act no. 02/665/16.11.2012 rescheduled the loan.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(G) Banca Transilvania – Loan contract no. 665/21.11.2011 (continued)

In 2012, according to the repayment scheduled, two (2) instalments were repaid, namely in November and December, in amount of RON 10,000 each.

As at 31.12.2012, the withdrawn amount to be repaid is RON 387,215.

The final due date is on 16.10.2014.

In 2013, Additional Act no. 03/665/10.06.2013 was concluded, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded Additional Act no. 04/665 to loan contract no. 665/21.11.2011 which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the medium-term loan granted for VAT funding related to the investment, with a balance of RON 327,925.28 out of the initial loan of RON 408,000.

On 27.06.2014, the Company concluded Additional Act no. 02/665/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 665/21.11.2011 and the Additional Acts.

In 2013, the Company repaid four (4) instalments according to the repayment schedule, totalling RON 59,289.72.

The final due date is on 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 327,925.28.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 3-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 03/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which approved the postponement of capital instalments due between August and September 2014 without changing the lending period, it provided that the postponed instalments are paid upon the loan due date, the interest and commissions postponed during May – September 2014 are postponed entirely until the loan final due date. The interest and commissions related to February – April 2015 are rescheduled and postponed until the loan due date.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(G) Banca Transilvania – Loan contract no. 665/21.11.2011 (continued)

On May 30, 2014, **Additional Act 04/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/665/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the overdue principal in amount of RON 319,927.26 and rescheduling thereof until January 30, 2015 by repayment in a single instalment upon the loan due date, the postponement of the interest and commissions due between November and December 2014 and repayment thereof in a single instalment on the loan due date.

On November 11, 2014, **Additional Act 02/665/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

The loan was repaid in November 2014 in three instalments:

- 06.11. 2014 RON 7,349.79
- 07.11.2014 RON 648,23
- 20.11.2014 RON 319,927.26.

The accrued interest and commissions were paid in three instalments:

- 06.11. 2014 RON 5,336.49
- 07.11.2014 RON 648.23
- 20.11.2014 RON 526.33.

As at December 31, 2016 the loan balance was RON 0.

(H) Banca Transilvania - Loan contract no. 385/02.07.2012

On 02.07.2012, the Company concluded loan contract no. 385 for an investment loan amounting to RON 1,600,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on 16.11.2012, between 02.07.2012 and 01.11.2012. The interest rate is 9.75%.

On 02.07.2012, contract no. 385/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 385/ces/01/02.07.2012 of chattel mortgage over collections and current account balance were concluded.

The loan was rescheduled by Additional Act no. 01/385/15.11.2012.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,596,475.

The loan is due on 15.11.2019.

On January 31, 2014, **Additional Act no. 04** was concluded, which approved the postponement of the instalment due on February 15 to February 28, 2014 without changing the loan due date.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(H) Banca Transilvania - Loan contract no. 385/02.07.2012 (continued)

On February 27, 2014, **Additional Act no. 05** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 24-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 02/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 06** was concluded, which rescheduled the loan for a period of 24 months from the maturity date by repayment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over a 24-month period starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 03/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/385/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 07** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be distributed equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/385/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 04385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

On November 20, 2014, the accrued interest in amount of RON 72,942.95 was partly paid.

As at December 31, 2014, the loan balance was RON 1,596,475.

The accrued interest as at December 31, 2014 is RON 28,843.42 and the commissions payable as at December 31, 2014 amount to RON 9,321.31.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(H) Banca Transilvania - Loan contract no. 385/02.07.2012 (continued)

In 2015, the Company concluded Additional Act no. 08/385/29.01.2015, whereby the due date was changed from 15.02.2015 to 27.02.2015 without modifying the final due date of the loan.

According to additional act no. 9/February 25, 2015 the Company will not pay the installments for 2015, only staring with 2016. Interest and commissions – accumulated have been split equally for the remaining period and will be paid together with the current ones.

The guarantees for the bank have a fair value determined by the bank of RON 6,187,503 with a guarantee value of RON 4,792,478 (property and equipment).

The loan contract is due on November 15, 2019.

As at December 31, 2015, the balance of the loan is RON 1,596,475.

The total value of reimbursements is RON 410,610.60.

The balance of the loan as at 31.12.2016 is RON 1,188,864.40.

The management commission for 2016 due on 31.01.2017 is RON 19.18.

(I) Banca Transilvania - Loan contract no. 386/02.07.2012

On 02.07.2012, the Company concluded loan contract no. 386, granting a non-revolving short-term loan ceiling amounting to RON 360,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, between 02.07.2012 and 01.11.2012, due on November 16, 2012. The interest rate is 9.75%.

The loan has been fully withdrawn.

On 02.07.2012, contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 386/CES/01/02.207.2012 of chattel mortgage over collections and current account balance were concluded.

On 15.11.2012, Additional Act no. 01/386/15.11.2012 rescheduled the loan, providing that the final due date is 14.11.2014.

According to the repayment schedule, in 2012 the Company repaid RON 10,000 in December 2012.

As at 31.12.2012, the withdrawn amount to be repaid is RON 350,000.

In 2013, Additional Act no. 02/386/10.06.2013 was concluded, which rescheduled the June instalment from 15.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded Additional Act no. 03/386 to loan contract no. 386/02.07.2012, which postponed the payment of all the instalments between June 2013 and January 2014, to replace (restructure) the loan granted for VAT funding related to the investment, with a balance of RON 300,000.00 out of the initial loan of RON 360,000.

On 27.06.2014, the Company concluded Additional Act no. 01/386/GAJ/01 to contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 386/02.07.2012 and the Additional Acts.

In 2013 (January - May), the Company repaid five (5) instalments according to the repayment schedule, totaling RON 50,000.

The final due date is 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 300,000.

The balance of the loan as at December 31, 2016 is RON 0.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(K) BRD – Subordinating agreements

On 29.02.2012, BRD and Messrs. Viehmann Radu, as President and General Manager, and Dinca Ion, as Financial Manager, concluded subordinating agreements.

On 18.02.2013, BRD and Ms. Ciorapciu Dana-Maria concluded a subordinating agreement.

On 22.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 125,959.72, with expiry on 31.12.2016.

The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 12331/19.12.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4104-B/22.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

Following the expiry of the Guarantee Letter, in January Turbomecanica SA requested the bank to close the cash collateral deposit and the related amount was cashed in the Company's current account RO37 BRDE 410S V2016 4067 4100 on 09.01.2017.

Following the expiry of the letter, the original of the Bank letter of guarantee was submitted to BRD Militari Branch by letter 86/22.02.2017.

On 28.12.2016, Turbomecanica SA concluded a contract for issuance of a letter of guarantee in amount of RON 478,000.00, with expiry on 31.12.2017.

The beneficiary of the bank letter of guarantee is UM 01836 Otopeni, and the contract underlying the request is A 10090/28.10.2016.

The contract stipulates: an issuance fee (0.50 flat minimum RON 150), risk commission (0.25%), payment commission in case of an application for enforcement (0.15%), commission for change of value and/or validity 0.50% of the value of the letter minimum RON 150, commission for other changes RON 100.

The Company also concluded Mortgage Contract on Bank Accounts no. 4296-A/28.12.2016 whereby a mortgage was instituted over all amounts, securities, interests and benefits related to the identified bank accounts.

Compliance with the bank contractual clauses

According to the loan contracts concluded with BRD and Banca Transilvania, the Company must meet the following economic – financial indicators in order not to change the terms of loan contracts: the EBITDA/turnover ratio not less than 17% and the net profit compared to turnover not less than 5% as at December 31, 2016. As at December 31, 2016, the Company complied with these economic and financial indicators.

21. PROVISIONS

	December 31, 2016	December 31, 2015
Provisions for post-employment benefits	1,382,087	968,649
Other personnel-related provisions	2,405,889	1,957,482
Provisions for compensatory salaries	450,992	601,517
Total	**4,238,968**	**3,527,648**

Compensatory salaries provisions mean provisions for compensatory salaries to be paid to the Company's employees who are dismissed, according to the collective employment contract.

"Other personnel-related provisions" includes as follows: provision for performance bonuses for 2016 which will be granted in 2017, provision for rest leaves not taken as at December 31, 2016, provisions for meal vouchers related to December 2016 which will be granted in 2017.

The most recent actuarial valuation of the present value of the defined benefit obligation was carried out at 31 December 2016 by GELID ACTUARIAL COMPANY. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Credit Unit Method (PCUM). Retirement benefits are expected to be paid in a period of 5-15 years.

The principal assumptions used for the purposes of the actuarial valuations were as follows:

1) Demographic assumptions on the future characteristics of employees eligible for receiving benefits:

Mortality of employees and their family members.	Romanian Mortality Table for 2013 (men and women) issued by the National Institute of Statistics.
Rate of employee turnover	In 2016, the employee turnover was 12.5%. For this year, the Company considered the average of the last five years, of 5.84% pa. Based on employees' age structure, the model of the employee turnover rate takes into account the number of remaining years until retirement, resulting a number of employees who would be leaving and who would be equally replaced with 5.84% of the total number of employees. The rate of employee turnover is: - 17.53% pa for employees over 35 years until retirement; - decreasing to 0% for employees with 35 to 5 years until retirement; For the last 5 years until retirement, the Company considered that the employees are not looking for a change of job and have gained enough experience not to be replaced on disciplinary or professional grounds.
Rate of dismissals	For the period after December 2016, the Company did not communicate a personnel redundancy plan.

21. PROVISIONS (continued)

2) Financial assumptions

Discount rate	As regards the discount rate, the Company took into account the yields of bonds on the active market at the end of December 2016. The available residual terms until maturity were 1-9 years and 11 years. For the other terms, the Company estimated the discount rate using the Smith-Wilson method. The long-term assumptions were: - estimated long-term inflation rate 2% pa - estimated long-term real yield of government bonds 2.2% pa - liquidity premium for Romania 0%. Thus, a balancing forward rate of 4.2% pa was considered. The method ensures compatibility between the discount rate and inflation rate.
Inflation rate	Based on the statistics issued by INSSE and the NBR forecast, the Company estimated an inflation rate of: - 2.10% in 2017 - 2.50% in 2018-2030 following a decreasing trend in the upcoming years.
Salary increase rate	The Company estimates an average growth of 0.03% pa. For 2017 and the following years, the Company estimated that salaries will increase by an average of the consumer price index of each year.

Components of defined benefit costs recognised in profit or loss are as follows:

Service cost:	**December 31, 2016**
Current service cost	56,811
Interest cost	32,376
Past service cost	169,111
Benefits paid	(66,300)
TOTAL	**191,998**

Amounts recognised in the comprehensive income in respect of these defined benefit plans are as follows:

Re-measurement of the net defined benefit liability:	**December 31, 2016**
Actuarial gains and losses from changes in financial assumptions	221,439
TOTAL	**221,439**

The current service cost, the interest cost, the past service cost and the benefits paid are included in other gains and losses in profit or loss.

The re-measurement of the net defined benefit liability in included in other comprehensive income.

Significant actuarial assumptions for the determination of the defined obligation are discount rate, expected salary increase and mortality.

21. PROVISIONS (continued)

	December 31, 2016	December 31, 2015
Trade liabilities	6,518,315	3,537,816
Liabilities on invoices to be received	373,547	607,925
Other creditors	115,729	
Total	**7,007,591**	**4,145,741**

22. OTHER CURRENT LIABILITES AND DEFERRED INCOME

OTHER CURRENT LIABILITIES

	December 31, 2016	December 31, 2015
Salaries	1,081,375	1,133,205
Salary taxes	2,758,632	2,753,579
VAT payable	3,937,219	4,029,268
Other creditors	70,772	166,565
Other taxes	610,498	650,313
Advances from clients	10,584	10,546
Total	**8,469,080**	**8,743,477**

DEFERRED INCOME

Deferred income represent repairs invoiced and collected which are delivered at a later date (after balance sheet date) - which is determined based on client's request. The amount as at December 31, 2016 of RON 160,063.

23. OTHER LONG-TERM LIABILITIES

	December 31, 2016	December 31, 2015
Salary taxes	707,531	2,401,560
VAT payable	66,701	226,824
Other taxes and penalties	248,736	845,907
Total	**1,022,968**	**3,474,291**

Long-term liabilities comprise the liabilities included in Rescheduling Decision no. 14947/15.05.2013; 18348/20.02.2014; 18772/10.03.2014 issued by the Ministry of Public Finance, the General Directorate for Large Taxpayers, regarding salary taxes, VAT payable.

The Company has been granted a payment postponement until the end date of the payment scheduling of accessory tax liabilities related to the main tax liabilities subject to a payment schedule in amount RON 1,022,406, according to Decision no. 14948/15.05.2013. Thus, the Company did not register such amount in its financial statements. If the Company complies with the payment schedule, then such amount will be exempted from payment at the end of the scheduling period, otherwise, the payment obligation above will be activated.

24. SEGMENT REPORTING

Operating segments of the Company are driven by the main products and services delivered, as it is shown below: manufacturing of aircraft parts, repairs of engines and other. The geographical segmentation of the operations derives from the country of origin for the main customers of the Company.

Segmenting income	Segmenting income	
	December 31, 2016	December 31, 2015
	RON	*RON*
Aircraft benchmarks and parts	5,492,880	8,787,712
Current engine repairs	64,090,520	59,646,134
Other	13,446,850	707,186
Total from operations	**83,030,250**	**69,141,032**

In 2016, the depreciation and amortization is allocated to Aircraft makers and parts – 7%, Current engine repairs – 77%, others 16%. Material non-cash items not allocated consist of RON 163,904 reversal of deferred tax asset.

	Asset Segment		Liability Segment	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Assets and liabilities segment				
Aircraft benchmarks and parts	59,553,013	58,318,365	3,828,263	2,756,445
Current engine repairs	26,207,064	22,795,806	3,179,327	1,389,296
Not allocated	30,980,972	29,220,603	63,435,140	69,979,893
Total Assets / Liabilities	**116,741,048**	**110,334,774**	**70,442,730**	**74,125,634**

	Profit/(loss)	
	December 31, 2016	December 31, 2015
	RON	*RON*
Aircraft benchmarks and parts	722,977	(231,471)
Current engine repairs	10,232,590	23,326,899
Other	2,269,394	(16,709,299)
Unallocated	(2,351,916)	(2,538,870)
Total	**10,873,045**	**3,847,259**

The reported profits above are presented based on internal managerial reports, direct costs are allocated by per segments while the overheads are included in Other. Unallocated refers to financing costs, sale of assets held for sale and related deferred tax.

	Income by geographical areas	
	December 31, 2016	December 31, 2015
Europe	82,586,204	68,785,655
US	444,046	355,377
Asia	-	-
Total	**83,030,250**	**69,141,032**

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for year 2016 represents 77% of total turnover of the Company.

25. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital so as to make sure that it will continue its business along time with the maximization of the shareholders' wealth, by optimizing the balance of liabilities and equity.

The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity.

Equity comprises share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

The Company monitors capital based on the gearing ratio. Such ratio is calculated as ratio between the net debt and total capital. The net debt is calculated as total borrowings (including both long and short-term loans) less cash and cash equivalents.

The total capital is calculated as "capital and reserves" as reported in the balance sheet.

The gearing ratio as at December 31, 2016 and December 31, 2015 is as follows:

	December 31, 2016	**December 31, 2015**
Total borrowings	44,592,782	49,424,676
Cash and cash equivalents	11,501,493	7,118,858
Net debt	**33,091,289**	**42,305,818**
Total capital and reserves	46,298,318	36,209,140
Gearing ratio	71%	117%

Gearing ratio has been positively changed from last year as the Company managed to improve its financial position by selling assets held for sale and repayment of loans, in order to reduce the debt and the interest payable in the future.

b) Foreign currency risk management

The Company is exposed to foreign currency fluctuations in commercial and financing transactions. Foreign currency risk arises from recognized trade assets and liabilities, borrowings inclusively, expressed in foreign currency. Due to high associated costs, the Company's policy is not to use financial derivatives to mitigate such risk.

c) Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the foreign borrowings with variable interest rates contracted from internal credit institutions. The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

25. FINANCIAL INSTRUMENTS (continued)

d) Credit risk management

The Company is exposed to credit risk due to its trade and other receivables. The Company has adopted a policy of only dealing with creditworthy clients. The due date of the liabilities is closely monitored and the amounts owed after expiry of the maturity date are promptly supervised. Trade receivables (clients) are disclosed net of allowances for doubtful debts. The Company has adopted policies limiting the value of the credit exposure towards any financial institution. Collaterals are not required however advance payments are in certain cases required. Cash is placed in financial institutions, which are considered to have minimal risk of default. The deposits are held at the BRD and Banca Transilvania.

The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

e) Liquidity risk management

A prudent liquidity risk management requires maintaining sufficient cash and available credit lines, by continually monitoring the estimated and actual cash flow and by correlating the maturities of financial assets and liabilities.

f) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- the fair value of financial derivatives is calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is used, using the yield curve applicable to the duration of derivatives that do not include options and the models to assess options for derivatives based on options.

Financial instruments in the balance sheet include trade and other receivables, cash and cash equivalents, short and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts.

25. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2016	EUR 1EUR = RON 4.5411	USD 1USD= RON 4.3033	GBP 1GBP=RON 5.2961	CHF 1 CHF = RON 4.2245	RON 1 RON = RON	TOTAL December 31, 2016
ASSETS	RON	RON	RON		RON	RON
Cash and cash equivalents	254,918	430	2,385	348	11,243,412	11,501,493
Receivables and other current assets	2,512,733	141,596	-	-	1,824,113	4,478,442
LIABILITIES						
Trade and other liabilities	87,162	1,885,727	27,569	-	5,007,133	7,007,591
Short and long-term loans	-	26,471,332	-	-	18,121,450	44,592,782
Net balance exposure (assets - liabilities)	**2,680,489**	**(28,215,033)**	**(25,184)**	**348**	**(10,061,058)**	**(35,620,438)**

2015	EUR 1EUR = RON 4.5245	USD 1USD = RON 4.1477	GBP 1GBP = RON 6.1466	CHF 1 CHF = RON 4.1797	RON 1 RON= RON	TOTAL December 31, 2015
ASSETS	RON	RON	RON	RON	RON	RON
Cash and cash equivalents	5,097	43,931	15,011	156	7,054,664	7,118,858
Receivables and other current assets	3,143,976	63,735	-	-	167,823	3,375,534
LIABILITIES						
Trade and other liabilities	267,729	1,018,324	108	-	2,859,579	4,145,740
Short and long-term loans	556,287	27,529,874	-	-	21,338,516	49,424,677
Net balance exposure (assets - liabilities)	**2,325,057**	**(28,440,532)**	**14,903**	**156**	**(16,975,608)**	**(43,076,025)**

25. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR and USD vs. RON. The following table details the Company's sensitivity to a 10% increase and decrease in EUR/USD against RON. 10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A negative number below indicates a decrease in profit, when there is a 10% weakening of the RON against the EUR / USD. For a 10% strengthening of RON against the EUR / USD there would be an equal and opposite impact on the profit and equity and the balance would be positive.

	10% strengthening of RON against EUR / USD - impact on the result as at:	
	December 31, 2016	**December 31, 2015**
EUR	267,317	232,506
USD	(2,792,891)	(2,844,053)
GBP	(2,728)	1,490
CHF	35	16

Tables regarding liquidity and interest rate risks

The following tables detail the Company's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

25. FINANCIAL INSTRUMENTS (continued)

2016	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities	-	1,917,008	4,052,908	334,368	703,307	7,007,591
Other liabilities	-	6,244,156	2,232,934	1,014,958	-	9,492,048
Interest bearing instruments						
Long and short-term loan (of which)						
Long-term real estate loan BTRL	ROBOR 6M+4.4%	72,919	802,108	1,604,218	-	2,479,247
Long-term loan for RELOCATION RON BT	ROBOR 6M+4.4%	33,968	373,643	781,254	-	1,188,864
Long-term loan BTRL RON	ROBOR 6M+4.4%	36,402	400,423	800,846	-	1,237,670
Short-term bank loan in RON BRD	ROBOR 3M + 2% pa		1,501,360	-	-	1,501,360
Loan ceiling in RON from Banca Transilvania M	ROBOR 6M+4.4%		6,833,510	-	-	6,833,510
Short-term bank loans in USD - BRD	LIBOR 1M + 3.0% pa		26,454,625	-	-	26,454,625
Loans from shareholders	6.6%		4,880,000	-	-	4,880,000
Interest payable		17,506	-	-	-	17,506
Total debt		**8,321,958**	**47,531,512**	**4,535,644**	**703,307**	**61,092,421**
Cash and cash equivalents	-	11,501,493	-	-	-	11,501,493
Receivables and other current assets	-	1,181,984	2,160,264	1,136,194	-	4,478,442
Total assets		**12,683,477**	**2,160,264**	**1,136,194**	**-**	**15,979,935**
Total Net		**4,361,519**	**(45,371,248)**	**(3,399,450)**	**(703,307)**	**(45,112,486)**

25. FINANCIAL INSTRUMENTS (continued)

2015	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities	-	(2,551,195)	(644,390)	(857,082)	(93,074)	(4,145,741)
Other liabilities	-	(6,910,268)	(2,250,666)	(3,488,145)	-	(12,649,079)
Interest bearing instruments						
Long and short-term loan (of which)						
Long-term real estate loan BTRL	ROBOR 6M+4.4%	(72,919)	(802,109)	(2,479,247)		(3,354,275)
Long-term loan for RELOCATION RON BT	ROBOR 6M+4.4%	(33,968)	(373,643)	(1,188,864)		(1,596,475)
Long-term loan BTRL RON	ROBOR 6M+4.4%	(36,402)	(400,423)	(1,237,670)		(1,674,495)
Short-term bank loan in RON BRD	ROBOR 3M + 2% pa	-	-	-	-	-
Loan ceiling in RON from Banca Transilvania M	ROBOR 6M+6.4%	-	(8,947,170)	-	-	(8,947,170)
Short-term bank loans in USD - BRD	LIBOR 1M + 3.0% pa	-	(25,964,278)	-	-	(25,964,278)
Loans from shareholders	6.6%	-	(4,880,000)	-	-	(4,880,000)
Interest payable		-	(2,470,980)	(537,002)	-	(3,007,982)
Total debt		**(9,604,752)**	**(46,733,659)**	**(9,788,010)**	**(93,074)**	**(66,219,497)**
Cash and cash equivalents		7,118,858	-	-	-	7,118,858
Receivables and other current assets	-	2,102,126	1,144,938	128,469	-	3,375,534
Total assets		**9,220,985**	**1,144,938**	**128,469**		**10,494,392**
Total Net		**(383,768)**	**(45,588,721)**	**(9,659,541)**	**(93,074)**	**(55,725,103)**

26. EARNINGS PER SHARE

(a) Basic

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares (Note 18).

	2016	2015
Company shareholders result	10,873,045	3,847,259
Weighted average number of ordinary shares issued	369,442,475	369,442,475
Basic earnings per share	0.03	0.01

(b) Diluted

The diluted result per share is calculated by adjusting the weighted average of existing shares to take into account the translation of all potentially diluted shares. The Company did not register convertible debts or share issuance options which may be converted to ordinary shares that may adjust the weighted average number of shares.

Further to EGMS Resolution no. 1/18.01.2016 the Company redeemed its own shares, through BRD GSG and complied with the legal obligations to inform the shareholding. The highest price paid per share was RON 0.0842/share, within the limits of the ceiling approved by the EGMS, redeeming as at December 31, 2016 a total of 9,330,212 shares, at an average price of RON 0.0603/share. As at December 31, 2016, the balance of own shares redeemed is in amount of RON 562,427.

27. RELATED PARTIES

The loans from the shareholders are presented in Note 20.

28. COMMITMENTS AND CONTINGENCIES

Potential liabilities:

Taxation

Taxation system in Romania is still developing trying to consolidate and harmonize with the European legislation. In this respect, there still are various interpretations of the tax laws. In certain cases, tax authorities may treat differently certain aspects and calculate supplementary taxes and levies and related interests and penalties.

According to the legislation in force, in 2015, interest and delay penalties were levied for tax payers' failure to pay their tax obligations on time.

As of January 1, 2016 the interest value is 0.02% for each day of delay; the delay penalties are 0.01% for each day of delay.

In Romania, the fiscal year stays open for verifications during 5 years. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

28. COMMITMENTS AND CONTINGENCIES (continued)

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2016 or December 31, 2015 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment.

Inventories held in custody

As at December 31, 2016, the Company did not hold inventories in custody.

29. SUBSEQUENT EVENTS

In 2017, the loan contracts of Mr. Viehmann Radu (Additional Act no. 8 authenticated under no. 63/30.01.2017) and Ms. Ciorapciu Dana Maria (Additional Act no. 4 authenticated under no. 62/30.01.2017) were extended until 31.01.2017, the interest rate was established at 6.33%.

For January 2017, Mr. Viehmann Radu collected interest in amount of RON 21,116 and paid the tax in amount of RON 4,022 and Ms. Ciorapciu Dana Maria collected interest in amount of RON 1,408 and paid tax in amount of RON 268.

For January 2017, Mr. Viehmann Radu will receive a difference of RON 57 and Ms. Ciorapciu Dana Maria a difference of RON 4 (the amounts are established and are registered in the January balance in account 16871), amounts for which the related tax will also be paid and for February 2017, Mr. Viehmann Radu received interest in amount of RON 18,365 and paid tax in amount of RON 1,224, and Ms. Ciorapciu Dana Maria received interest in amount of RON 3,498 and paid tax in amount of RON 233.

In January 2017, all the interest and commissions for December 2016 and due on 25.01.2017 (with BRD) and 31.01.2017 (with Banca Transilvania) were paid.

In February 2017, the 9.674.212 shares repurchased by the Company in the period March 2016 – January 2017, the shares were distributed free of charge to the company's employees in accordance with Board resolution no.103 / 02.20.2017.

The financial statements were approved by the Board of Administration and authorized for issuance on March 23, 2017.

CLAUDIA ANGHEL,	**RADU VIEHMANN,**
Economic - Commercial Manager	President - General Manager

SOCIETATEA TURBOMECANICA S.A. 1 BUCURESTI - ROMANIA