ARMATURA SA

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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

ARMATURA

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ARMATURA SA
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2015
(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Note	31 December 2015	31 December 2014
Asset			
Non-current assets			
Tangible assets	**6**	19.039.918	18,630,144
Intangible assets	**7**	19.065	62,921
Non-current assets - Total		**19.058.983**	**18,693,065**
Current assets			
Inventories	**11**	6.391.627	6.418.406
Trade and other receivables	**10**	1.403.634	1.966.070
Cash and cash equivalents	**12**	123.317	149.116
Short-term financial assets	**12**	137.974	401.780
Current assets - Total		**8.056.552**	**8.935.371**
Assets - Total		**27.115.535**	**27.628.437**
Equity and liabilities			
Share capital	**13**	18,110,957	18,110,957
Reserves		9.738.908	9.428.899
Retained earnings		-30.881.459	-28.882.614
Equity - Total		**-3.031.594**	**-1.342.758**
Long term liabilities			
Loans	**15**	-	
Deferred tax liabilities	**16**	1.084.892	1.035.006
Trade and other payables	**14**	75.812	113.721
		1.160.704	**1.148.727**

The notes are an integral part of the these financial statements.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Note	31 December 2015	31 December 2014
Current liabilities			
Trade and other payables	**14**	6.169.576	5.132.710
Capital settlements with shareholders		100	100
Loans		22.622.500	22.410.500
Provisions for risks and expenses	**17**	194.249	279.158
Current liabilities - Total		**28.986.425**	**27.822.468**
Liabilities - Total		**30.147.129**	**28.971.195**
Equity and liabilities - Total		**27.115.535**	**27.628.437**

The financial statements have been signed this 28th day of March 2016..

Peter Ujvari	Ec. Diana Florentina Bunea
Administrator	**Head of the Finance and Accounting Department**

ARMATURA S.A.
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Revenue	**5**	19.496.953	17.628.090
Other operating income		53.973	112.947
Variation in stocks of finished goods and work in progress		-277.309	16.979
Raw materials and consumables		-7.318.345	-5.864.461
Cost of goods		-1.428.293	-1.776.815
Personnel expenses	**20**	-5.925.465	-5.865.163
Utility expenses		-3.767.457	-3.759.973
Services rendered by third parties		-764.452	-412.817
Amortisation, depreciation and impairment of fixed assets	**6**	-259.991	-1.060.189
Net movement in the provision for other risks and expenses	**17**	84.910	399.136
Other operating expenses	**19**	-1.337.551	-1.044.605
Other income / (loss), net	18	125.586	-116.555
Operating result		**-1.317.441**	**-1.743.426**
Financial revenue	**5**	97	13.799
Financial expenses		-690.664	-508.399
Net financial loss	**21**	**-690.567**	**-494.600**
Loss before taxation		**-2.008.008**	**-2.238.026**
Current and deferred income tax revenue / (expense)	**22**	9.163	-27.877
Net loss for the period		**-1.998.845**	**-2.265.903**
Shares issued		40,000,000	40,000,000
Earnings per basic share and diluted share		**-0.050**	**-0.057**

The notes are an integral part of the these financial statements.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Loss for the period		**-1.998.845**	**-2.265.903**
Other elements of the comprehensive income:			
Gain/(Loss) from revaluation of buildings		369.058	3.361.708
Impact of deferred tax on revaluation reserves		(59.049)	(537.873)
Other elements of the comprehensive income for the period, net of tax	**6**	**310.009**	**2.823.835**
Comprehensive income for the period - Total		**-1.688.836**	**557.932**

The financial statements have been signed this 27th day of March 2015.

Peter Ujvari
Administrator

Ec. Diana Florentina Bunea
Head of the Finance and Accounting Department

ARMATURA S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015
(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Share capital	Revaluation Reserves	Other Reserves	Retained Earnings	Total
Balance at 1 January 2014	**18,110,957**	**5,654,117**	**950,947**	**-26.616.711**	**-1.900.690**
Profit/loss for the year	-	-	-	-2.265.903	-2.265.903
Other items of the comprehensive income					-
Revaluation reserves	-	2.823.835	-	-	2.823.835
Comprehensive income - Total	**-**	**2.823.835**	**-**	**-2.265.903**	**557.932**
Balance at 31 December 2014	**18.110.957**	**8.477.952**	**950.947**	**-28.882.614**	**-1.342.758**
Balance at 1 January 2015	**18.110.957**	**8.477.952**	**950.947**	**-28.882.615**	**-1.342.758**
Profit/loss for the year	-	-	-	-1.998.845	-1.998.845
Other items of the comprehensive income	-	-	-	-	-
Revaluation reserves	-	310.009	-	-	310.009
Comprehensive income - Total	**-**	**310.009**	**-**	**-1.998.845**	**1.688.836**
Balance at 31 December 2015	**18.110.957**	**8.787.961**	**950.947**	**-30.881.459**	**-3.031.594**

The financial statements have been signed this 27th day of March 2016.

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Head of the Finance and Accounting Department

The notes are an integral part of the these financial statements.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Cash flow from operating activities			
Cash from operating activities	**24**	**-32.851**	**-248.484**
Interest paid		-	-
Net cash from operating activities		**-32.851**	**-248.484**
Cash flow from investment activities			
Tangible asset purchases		-256.851	-22.062
Net income from sales of tangible assets		-	-
Interest received		97	13.799
Net cash used in investment activities		**-256.754**	**-8.263**
Cash flow from financing activities			
Transaction with shareholders		-	-4.107.401
Net cash used in financing activities		**-**	**-4.107.401**
Net changes in cash and cash equivalents		**-289.605**	**-4.364.148**
Cash and cash equivalents at the beginning of the period	**12**	**550.896**	**4.915.044**
Gains /- Reductions		**-289.605**	**-4.364.148**
Cash and cash equivalents at the end of period	**12**	**261.291**	**550.896**

The financial statements have been signed this 28th day of March 2016.

Peter Ujvari
Administrator

Ec. Diana Florentina Bunea
Head of the Finance and Accounting Department

1 GENERAL INFORMATION

ARMATURA SA ("the Company") was registered early in 1991 at the Cluj Trade Register as a joint stock company, and by the end of 1996 its privatisation process was completed. Now it is a privately owned company, with its registered office in Cluj-Napoca, 19 Garii St., which is also the location of its manufacturing activities.

The activity of the Company is "Manufacture of other taps and valves" (NACE code 2814), and the Company is involved in the field of metallic fittings, with expertise in the manufacturing of fittings for heating installations and water and gas supply installations, with its product portfolio of more than 1,500 items of different types and sizes. The Company has both domestic and international customers.

The shares of the Company are traded at the second tier of the Bucharest Stock Exchange since 1997. In 2004 HERZ ARMATUREN from Austria became the majority shareholder of the Company.

The Company has no subsidiaries, is not associated with any company and holds no shares of other companies.

The Company has a subscribed and paid capital of RON 4,000,000 consisting of 40,000,000 shares with a par value of RON 0.1 per share.

2 SUMMARY OF THE SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies which are the basis for these separate financial statements are presented below. These policies have been applied consistently throughout all the years covered, unless otherwise stated.

2.1 Bases of Preparation

The separate financial statements of the company were prepared in accordance with the provisions of the Order of the Minister of Public Finance no. 1286/2012 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards applicable to the companies whose securities are traded on a regulated market, including any subsequent amendments and clarifications.
These provisions comply with the requirements of the International Financial Reporting Standards (IFRS) adopted by the European Union (EU), except IAS 21 The Effects of Changes in Foreign Exchange Rates, regarding the functional currency. in order to have these financial statements prepared according to the Romanian legal requirements, the functional currency of the Company is the RON ("Romanian Lei").
For the year ended 31 December 2011 and for all previous financial years the Company has prepared separate financial statements in accordance with the Romanian accounting regulations (local accounting principles) stated in OMF (Order of the Minister of Finance) no. 3055/2009 for the years 2011 and 2010. On 31 December 2012 the Company prepared the first set of separate financial statements in accordance with the IFRS adopted by the EU.

In order to prepare the separate financial statements in accordance with the IFRS, certain crucial accounting estimates are required. In addition, it requires the management to use rationale when applying the accounting policies of the Company. The fields with a higher degree of complexity and application of such rationales or where assumptions and estimates have a significant impact on the separate financial statements are presented under Note 4.

2.1.1. Business Continuity

These financial statements have been prepared based on the principle of business continuity, which presumes that the Company will continue its business in the predictable future.

The nature of the Company's business is such that there can be unpredictable variations in the timing of the future cash inflows. The management has addressed the issue of the appropriateness of the preparation of the financial statements under the going concern basis.

At 31 December 2015 the Company recorded a total loss of RON 1.998.845 (31 December 2014: RON 2.265.903), with a carried forward loss of RON 30.881.460 (31 December 2014: RON 28.882.615).

Due to the losses, the net assets of the Company have dropped to less than half of the subscribed share capital. In 2011 the Extraordinary General Meeting decided to reduce the share capital by a value equal to the losses the Company was unable to cover from the reserves, that is by RON 16,000,000 at the historic value, managing to fully cover the losses for the period 2006-2008 and partially the losses recorded in 2009.

On 07 March 2013 the Extraordinary General Meeting of Shareholders decided to reduce the share capital to "zero" and, at the same time, to increase it to RON 4,000,000 by cash contributions of the Company's shareholders. The completion of this operation failed because shareholder Radu Bugică challenged this decision at the Commercial Court of Cluj, a claim registered under file no. 817/1285/2013, and the decision of the EGMS was nullified by the court through a final decision. The only financial loss the Company incurred was related to the failure to solve the issue concerning the equities, which, at 31.12.2012, represented less than 50% of the share capital. The main reason for this annulment was that prior to the approval of the reduction and increase of the share capital the Company did not organise an EGMS to discuss the dissolution and liquidation of the Company.

On 29.04.2014 an EGMS was organised which rejected the proposal of the Board of Directors concerning the dissolution and liquidation of the Company.

On 12.02.2015, the Shareholders' General Meeting decided to reduce the Company's share capital from RON 4.000.000 to 400.000 by reducing the number of shares from 40.000.000 to 4.000.000 registered shares and simultaneously increase the shared capital from RON 400.000 to RON 4.000.000 by a cash influx. Completion of this operation was not possible until 31.12.2015 because there was no response from ASF to the recorded action of share capital reduction, until the coclusion of the reference year. This response was communicated to the Company after the date of 12.02.2016. Consequently, the EGMS of April 2016 will decide the continuation of the operation that started in 2015 or the cancellation of the whole process.

In the same EGMS, the loan repayment of the 5 million Euros towards the shareholder HERZ ARMATUREN Ges.m.b.H was approved to be be extended by one year starting 15.04.2015.

During 2015, there was a partial division of majority Shareholder Herz Armaturen Ges.m.b.H Viena by which 26% of the shared capital of Armătura S.A was transfered to HRIC Beteiligungs GmbH. The recording of this share transfer action în the Shareholders' Registry took place in on 16.03.2016.

The Company's management offers measures to the Shareholders to reorganize production activity in order to eliminate cosltly steps in the production process.
During this time, the Company primarily depends on the continous support of the main shareholder, Herz Armaturen Ges.m.b.H.

The managemet considers that the support given by Herz Armaturen Ges.m.b.H and the process of reorganization that will begin following the decision of EGMS at the end of April 2016, will be sufficient to continue the Company's activities.

2.1.2 The new accounting regulations

The new standads, amendments and interpretations issued, but have not entered into force for the financial year beginning 1 January 2016 and which have not yet been adopted, but which are relevant to individual financial statements of the Company are presented as follows:

IFRS 9, „Financial instruments” refers to the classification, assesment and recognition of financial assets and liabilities. The full version of IFRS 9 was issued in July 2014. It replaces parts of IAS 39 that refer to the classification and assesment of financial instruments. IFRS 9 keeps, but simplifies the model of mixed assessment and establishes three main cathegories of evaluation of financial assets: depreciated cost, the fair value by OCI (other elements of the financial position) and the fair value by P&P (statement of profit and loss account). The basis for the classification depends on the business model of the entity and the characteristics of the contractual cash flow of the financial asset. The investment in equity instruments must be assessed to their fair value by profit and loss, with the irrevocable option at start of presenting changes of fair value in IRM not recycled.

There is now a new model of expected loss from credit that replaces the depreciation model of loss used in IAS 39. For financial liabilities there were no changes in classification and assessment, with the exception of recognizing the risk of self-credit in other elements of the financial statement, for liabilities at fair value by the profit and loss account statement. IFRS 9 relaxes the requirements for efficiency of protection by replacing the objective evaluation criteria of protection efficiency. This requires an economical relationship between the covered article and the covering instrument and that the ”covering index” is the same that the management effectively uses to manage risk.

The present documentation is stil requested, but it is different from the one done in the present according to IAS 39. The standard is effective for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company has not yet assessed the full impact of IFRS 9. The standard has not been approved yet by the EU.

IFRS 15, „Profit from customer contracts” considers revenue recognition and sets out principles for reporting useful information to users of financial statements regarding the type, amount, distribution and uncertainty of revenue and cash flows arising from the Company's customer contracts. Revenue is recognized when a customer obtains control of a product or service and thus has the ability to direct the use and benefit of that product or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction Contracts' and related interpretations. The Standard is effective for annual periods beginning on or after 1 January 2017, and earlier application is permitted. The Company assesses the impact of IFRS 15. The standard has not been approved yet by the EU.

IFRS 16, "Leasing contracts" It provides the principles for the recognition, assessment and presentation of leasing contracts. All contracts that result in the tenant having the right to use an asset at the beginning of the contract, and payments are made in time, using financing, are considered. Therefore, IFRS 16 eliminates classification of leasing contracts as either operating leases or finance leases as required by IAS 17 and instead introduces a single accounting model for the tenant. The tenant will be obliged to recognize: (a) assets and liabilities for all leasing contracts with a term longer than 12 months, unless the underlying asset is of little value; and (b) the registration of leasing assets depreciation charge separately from interest on the outstanding liability in the profit and loss account. IFRS 16 keeps the accounting requirements of IAS 17. Therefore the tenant continues to classify its leasing contracts as operating leases or finance leases, accounting these two types of contracts differently. The Standard is effective for annual periods beginning on or after January 1, 2019 and earlier application is permitted. The Company assesses the impact of IFRS 16. The standard has not been approved yet by the EU.

Changes on the presentation of financial information IAS 1 (issued in December 2014 and is effective for periods beginning on or after January 2016). The standard was amended to clarify the concept of materiality and explains that an entity shall not

provide a specific information required by an IFRS if the information resulting from this presentation is not significant, even if IFRS contains a list of specific requirements or describes them as minimum requirements. The standard also provides guidance to subtotals in the financial statements, in particular, these subtotals (a) must be made from the line elements made out of amounts recognized and assessed in accordance to IFRS; (B) must be presented and labeled in a way that makes items of the subtotal line clear and understandable; (C) must be consistent from one period to another; and (d) must not be displayed with more importance than subtotals and totals required by IFRS. The Company is currently assessing the impact of the changes on the financial statements. The standard was approved by the EU with effect from 1 January 2016.

Clarification on the acceptable methods of depreciation and impairment – Amendments on IAS 16 and IAS 38 (issued on 12 May 2014 and effective for periods beginning on or after January 2016). In this amendment, the IASB clarified that the use of methods based on income to calculate the impairment of an asset is not appropriate because the income 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 . The Company is currently assessing the impact of changes on the financial statements. The standard was approved by the EU with effect from 1 January 2016.

There are no other IFRS or IFRIC interpretations that have not yet entered into force and which could have a significant impact on the individual financial statements of the Company.

2.2 Reporting on Sections

A section is a specific part of the Company that provides certain products or services (section of activity) or provides products and services in a certain geographical area (geographical section), and is subject to risks and benefits different from the other sections. As far as the sections of activity are concerned, the Company does not recognise different sections in terms of risks and benefits.

2.3 Conversion of Foreign Currency

(a) Functional Currency and Disclosure Currency

The financial statements are prepared in Romanian Lei (RON), the domestic currency of Romania. The *Company* keeps its records in RON, and prepares and discloses its financial statements according to the relevant legislation and the accounting and financial and accounting reporting regulations issued by the Ministry of Public Finance.

(b) Transactions and Balances

Transactions in foreign currency are converted in the functional currency based on the exchange rate effective on the date of the transaction. The gains and losses due to exchange rate fluctuations resulting from the conclusion of such transactions and due to the end of year conversion of monetary assets and foreign currency liabilities at the end of year exchange rate are reflected in the profit and loss account.

Exchange rate gains and losses for loans, cash and cash equivalents are included in the profit and loss account under "financial revenues and expenses". All the other exchange rate gains and losses are included in the profit and loss account under "other (losses)/gains – net".

Foreign currency monetary assets and liabilities are expressed in RON on the balance sheet date. At 31 December 2015 the exchange rate used to convert foreign currency balances were EUR = 4.5245 RON (1 January 2014: 1 EUR = 4.4821 RON). The gains and losses resulting from the conversion of monetary assets and liabilities are reflected in the profit and loss account during the year.

2.4 Accounting for the Effects of Hyper-Inflation

The Romanian economy has gone through periods of relatively high inflation and was considered hyper-inflationary according to IAS 29 "Financial Reporting in Hyper-inflationary Economies" ("IAS 29").

IAS 29 requires the financial statements prepared in the domestic currency of a hyper-inflationary economy to be drawn up again in terms of the purchasing power at the balance sheet date. The amounts expressed in terms of the purchasing power at 31 December 2004 (the date the hyperinflation ceased) are used as basis for the carrying amounts in these financial statements.

The Company has decided to reflect the impact of the application of IAS 29 for the financial statements prepared on 31 December 2012. The impact of these adjustments affected the value of the land, share capital and the retained earnings.

2.5 Tangible Assets

Buildings and land are included at their fair value, based on the periodic valuations carried out at least once every three years by independent assessors, less the subsequent depreciation and impairment. Any cumulative depreciation at the revaluation date is deducted from the gross carrying amount of the asset, and the net value is recorded as the revaluation value of the asset. All the other tangible assets are recorded at their historic cost less the depreciation. The historic cost includes expenses that may be attributed directly to the acquisition of those items.

Subsequent expenses are included in the carrying amount of the asset or stated as a separate asset, as applicable, only if future financial gains related to the item are probable, and the cost of the item can be reliably valued.

Any increases of the carrying amount resulting from the revaluation of buildings are credited under "revaluation reserves" from the equities.

The reductions offsetting the related increases for the same asset are recorded together with other reserves directly under the equities; all other reductions are recorded in the profit and loss account. The amounts recorded under revaluation reserves are transferred to the retained earnings carried forward at the end of the service life of the asset or when the asset is unrecognisable.

The cost of repairs and maintenance are recorded in the revenue and expense statement for the financial period they were carried out. The cost of replacement for essential parts of the tangible assets and equipment are capitalised, and the replaced parts are scrapped.

The gains and losses resulted from the deductions following the comparison of the income with the carrying amounts are recognised as profit or loss.

2.6 Tangible Assets (Continued)

Land is not depreciated. Depreciation of other tangible assets is calculated on a straight-line basis in order to apportion the revaluation value of each asset up to its residual value during its service life, as follows:

Type	Years
Buildings	7 - 45
Machines	2 - 12
Vehicles	3 - 15

The residual value of an asset is the estimated value that can be obtained by the Company from the sale of that asset less the estimated cost of the sale, if the asset has the age and fulfils the requirements related to the end of its service life. The residual value of an asset is zero if the Company intends to use the asset until the end of its life cycle. The residual values of the assets and their service life are reviewed and properly adjusted at every balance sheet date.

2.7 Intangible Assets

Computer Programmes

Licenses purchased for computer programmes are capitalised based on the cost of the acquisition and commissioning of these computer programmes. Such costs are written off during their service life (three years). The costs related to the development or maintenance of computer programmes are recognised as expenses in the period they occurred.

Other Intangible Assets

Under other intangible assets are included computer programmes developed by the entity or purchased from third parties for its own needs, as well as other intangible assets owned by the Company.

Expenses enabling intangible assets to generate future financial revenues above the performance initially estimated are added to their original cost. These expenses are capitalised as intangible assets, unless they are an integral part of tangible assets.

2.8 Impairment of Non-Financial Assets

Assets not subject to depreciation are adjusted in order to identify the impairment losses every time certain events or changes to circumstances suggest that the carrying amount cannot be recovered anymore. The impairment loss is the difference between the carrying amount and the recoverable value of the asset. The recoverable value is the highest value of the fair value of the asset less the sales costs and the usage value.

2.9 Financial Assets

Loans and Receivables

Classification

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Assets in this category are included in the current assets except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

Recognition and Valuation

Regular purchases and sales of financial assets are recognised on the transaction date, i.e. the date the Company commits itself to buy or sell the asset. Financial assets are no longer recognised from the time the right to collect cash flows from investment expires or is transferred, while the Company transfers all risks and benefits related to the ownership. Loans and receivables are recorded at amortised cost based on the effective interest rate method. The loans and receivables of the Company are presented in the balance sheet as "cash and cash equivalents", and as "trade and other receivables", respectively (notes 2.12 and 2.13).

2.10 Offsetting of Financial Instruments

Financial assets and liabilities are offset, and the net value is presented in the balance sheet only if an applicable legal right to offset the recognised amounts exists and there is an intent to offset on a net basis or to capitalise the asset and to offset the debt at the same time.

2.11 Inventories

Inventories are recorded at the purchase or manufacturing cost. The ending inventories shall be prepared using the weighted average cost method.
Finished products and work in progress are recorded at the actual manufacturing cost.
Where necessary, allowance is made for slow moving, physically or morally obsolete inventories. The net realisable value is the sales price estimated to be obtained less the finishing costs and the sales costs.

2.12 Trade Receivables

Trade receivables are recorded at their nominal value less an allowance for their impairment.

Trade receivables are the amounts owed to customers for the products and goods sold, or for the services rendered during the ordinary course of business.

The allowance for the impairment of trade receivables is made when there is objective evidence that the Company will not be able to collect all the debts within the initially agreed term. The significant difficulties the debtor faces, the probability to have the debtor enter into bankruptcy proceedings or financial reorganisation, non-payment or failure to meet the payment conditions are considered indications of the impairment of the trade receivables.

The carrying amount of the asset is reduced by using a provision account, and the value of the loss is recognised in the statement of revenue and expenditure under "Other income / (loss), net" in the profit and loss account. When a trade receivable is uncollectible, it must be presented as expense, and the provision for trade receivables must be properly reversed. The subsequent collections of amortised amounts will be credited in the profit and loss account.

2.13 Cash and Cash Equivalents

In the cash flow statement the cash and cash equivalents include cash in hand, bank accounts, short-term deposits, other short-term financial investments, overdraft accounts and the short-term part of restricted bank accounts.

2.14 Share Capital and Reserves

Share capital consisting of common shares is recorded at the value established based on the set-up agreement and the addenda, as applicable, as well as supporting documentation regarding the payments made for the share capital.

Own shares that were redeemed according to the law are recorded in the balance sheet as an adjustment to equity.

The gains or losses related to the issuance, redemption, sale, transfer free of charge or annulment of the entity's equity instruments are recognised directly in equity under the lines "Gains / Losses related to own shares instruments".

2.15 Trade Payables

Trade payables are recognised at their fair value.

Trade payables are payment obligations for goods or services purchased during the ordinary course of business from suppliers. Supplier accounts are classified as current payables if the payment must be made within one year or less (or later, during the ordinary course of business). Otherwise they will be presented as long-term liabilities.

2.16 Loans

Short-term and long-term loans are recorded initially at the amount received, net of the costs related to obtaining the loans. In the subsequent periods loans are recorded at the amortised cost using the actual performance method, and the differences between the amounts received (net of the cost of obtainment) and the normal redemption value are recognised in the profit and loss account during the credit agreement.

The short-term portion of the long-term loans is classified in "Liabilities: Amounts to be paid within a period of up to one year" and included together with the cumulative interest at the balance sheet date in "Payables to credit institutions" under current liabilities.

2.17 Current and Deferred Income Tax

The Company records a current income tax at a rate of 16% from the net fiscal income resulting from the statutory financial statements by adjusting the non-deductible expenses and nontaxable income, in accordance with the Fiscal Code of Romania and the related regulations.

The tax expense for the period includes the current tax and the deferred tax. The tax is recognised in the profit and loss account, except when it refers to items recognised under different items of the comprehensive income or directly in the equities. In this case the related tax is also recognised in different items of the comprehensive income or directly in the equities.

The current tax expense is calculated in accordance with the Romanian tax legislation in force at the balance sheet date. The management periodically reviews the positions in the financial statements for situations when the applicable tax regulations are interpretable. The management makes provisions, where applicable, based on the estimated amounts payable to the tax authorities.

The deferred income tax is recognised using the balance sheet liability method for the temporary differences between the tax bases of the assets and liabilities and their carrying amounts in the separate financial statements. However, the deferred income tax resulting from the initial recognition of an asset or liability in a transaction different from a combination of enterprises and which, at the time of the transaction, does not affect the accounting profit or the taxable profit, is not recognised. The deferred income tax is calculated based on the tax rates (and legislation) in force at the balance sheet date and which will be applied during the period when the deferred tax will be collected will be capitalised or the deferred income will be paid.

The payable deferred tax is recognised only if in the future it is likely to obtain a taxable profit from which the temporary differences are deducted.

Receivables and payables related to the deferred tax are offset if an applicable legal right to offset current tax receivables with current tax liabilities, and when the receivables and payables related to the deferred tax imposed by the same tax authority either on the same taxable entity, or to different taxable entities, if there is an intent to offset the balances on a net basis.

2.18 Uncertain Tax Positions

The uncertain tax positions of the Company are reviewed by the management at each balance sheet date. For the tax positions for which the management considers that it is likely to have additional taxes applied liabilities will be recorded, if these tax positions would be audited by the tax authorities. The review is based on the interpretation of the tax legislation in force at the balance sheet date. Liabilities related to penalties, interests and taxes other than the income tax are recognised based on the management's best estimates required to pay the liabilities at the balance sheet date.

2.19 Employee Benefits

The *Company*, in the ordinary course of business, makes payments to the Romanian social security budget on behalf of its employees. All employees of the Company are members of the Romanian State pension plan.

The *Company* does not pay any contribution to any other retirement plan or post-retirement benefits plan and has no other liabilities similar to the above for its employees.

Retirement Benefits

The collective labour agreement binds the *Company* to pay to its employees, at their retirement, a premium equivalent to a single base salary for the month prior to the retirement date. The Company has estimated the updated value of this promised benefit in order to make the required provision, but it was not put in practice, since these are considered not to have a significant impact on the financial statements.

2.20 Provisions

Provisions are recognised when the Company has a legal or implied current liability determined by a previous event, and is likely that an outflow of resources is needed in to meet this obligation, and the liability can be reliably estimated.

Tax provisions are set up for the amounts payable to the state budget, if these amounts are not presented as liabilities to the state budget.

Provisions are reviewed at the balance sheet date and adjusted in order to reflect the management's best current estimate in this matter. If for the payment of a liability it is not likely to need an outflow of resources, the provision must be cancelled by reincluding it as income.

2.21 Revenue Recognition

Revenue is recorded when the significant risks and rewards related to ownership of goods are transferred to the customer. The amounts accounted as revenue do not include selling taxes (VAT), but they do include trade discounts awarded. The financial discounts awarded to customers (discounts) decrease the value of the Company's revenues.

The Company recognises revenue when its value can be reliably estimated, when it s likely that it generates future economic benefits for the entity and when specific criteria are met for all activities of the Company as described below. The value of the revenue is not considered reliably assessable unless all the contingencies related to sales have been resolved. The Company prepares its estimates based on the historic results, considering the customer type, transaction type and the specific elements of each contract.

Revenue from services rendered is recognised in the period they were rendered and with reference to the stage of completion.

Interest revenues are recognised proportionally as the revenue is earned on an accrual basis, based on the contractual provisions.

Revenues from rents and/or rights of use of assets are recognised based on the contractual provisions.

Dividends distributed to shareholders, as proposed or stated after the balance sheet date, are recognised as revenues from dividends when the right of the shareholders to collect them is established.

2.22 Leasing Agreements

Leasing agreements for tangible assets where the Company assumes all risks and benefits related to the property are classified as financial leasing agreements. Financial leasing is capitalised at the beginning of the lease at the lowest value between the fair value of the least property and the current value of the minimum lease payments. Each payment is apportioned between the principal and the interest in order to obtain a constant interest throughout the duration of the leasing agreement. The liabilities related to the rent, net of the financing costs, are included under other long-term liabilities. The interest part of the financing cost is charged in the profit and loss account for the duration of the agreement. The tangible assets obtained under financial leasing agreements are depreciated over the shorter period between the service life of the asset and the duration of the leasing agreement.

Leasing agreements under which a significant part of the risks and benefits related to the property is withheld by the lessor are classified as operational leasing agreements. during the period of the lease, payments made under such an agreement (net of any discounts granted by the lessor) are recorded in the profit and loss account using a straight-line method.

2.23 Dividend Distribution

In the financial statements of the Company dividend distribution is recognised as liability for the period the dividends are approved by the Company shareholders.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial Risk Factors

Due to the nature of its activities, the Company is exposed to various risks such as: market risk (including currency risk, interest rate risk related to the fair value, interest rate risk related to the cash flow and price risk), credit risk and liquidity risk. The Company's risk management system focuses on the unpredictability of the financial markets and looks to minimize the potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to protect itself from certain risk exposures.

The management of ARMATURA SA is responsible for risk management based on the policies approved by the board of directors. The management of ARMATURA SA identifies and assesses the financial in close co-operation with the operational units of the Company. The board of directors provides the basic principles for risk management, as well as recommendations for specific fields such as foreign currency risk, interest rate risk, credit risk and excessive liquidity investment.

(a) *Market Risk*

(i) Foreign currency risk

The Company operates mainly in Romania and as such it is exposed to foreign currency risk related to various currencies, especially the Euro. Foreign currency risks are associated mainly with the loans, credits and trade payables of the Company.

The Company is not covered against the foreign currency risks. Since the Company operates mostly on the domestic market, the revenue is generated in a currency different from the loans. However, the management receives on a regular basis forecasts regarding the evolution of the RON / EUR exchange rate and uses the information for its pricing policy. The management intends to prepare policies to protect the Company against the foreign currency risk.

If the domestic currency depreciated with 10% relative to the currency the assets and liabilities of the entity are denominated, the net profit of the Company would decrease as follows:

	31 December 2015	**31 December 2014**
Payables and receivables in EUR	-2.093.258	-2.070.119

(ii) Interest rate risk related to cash flow and fair value

The Company does not have significant interest bearing assets. The interest rate risk the company is exposed to is determined by the long-term loan. The credit obtained has a variable interest rate and exposes the Company to the interest rate risk related to cash flow, which is partially offset by the cash held at variable rates. In 2015 and 2014 the credit obtained by the Company at a variable rate was denominated in EUR.

The Company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on simulations performed, in the case of a 2% increase in interest rates, the Company's net profit for the 12 months ended 31 December 2015 would decrease by RON 380 053 (31 December 2014: RON 376 496). The relatively constant impact in the two years of analysis is due to the contracted loan is fully paid upon maturity, so its value was constant and the interest had large variations.

(b) *Credit Risk*

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independently rated parties with a minimum rating of "BB" are accepted. There is no independent rating of the customers, therefore the management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board of directors. The utilisation of credit limits is regularly monitored. Please see note 9 for additional presentations referring to credit risk.

(c) *Liquidity Risk*

Cash flow forecasting is performed in the operating entities of the Company and aggregated by the management of the Company. The management of the Company monitors forecasts of the Company’s liquidity requirements to ensure it has sufficient cash to meet operational needs. These forecasts consider the Company's debt financing plans, compliance with agreements, and compliance with the internal objectives related to the balance sheet indicators.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

The management of the Company invests surplus cash in interest bearing current accounts, time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The values presented in the table are gross values at the balance sheet date.

At 31 December 2015

	< 1 year	1 - 5 years	> 5 years	Total
Loans	22.622.500	-	-	22.622.500
Trade and other payables	5.387.068	-	-	5.387.068
Total	**28.009.568**	**-**	**-**	**28.009.568**

At 31 December 2014

	< 1 year	1 - 5 years	> 5 years	Total
Loans	22.410.500	-	-	22.410.500
Trade and other payables	3.863.496	-	-	3.863.496
Total	**26.273.996**	**-**	**-**	**26.273.996**

3.2 Capital Risk Management

The objectives of the Company when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total loans (including "short-term and long-term loans" as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the balance sheet plus net debt.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

	31 December 2015	31 December 2014
Total loans (note 15)	22.622.500	22.410.500
Less: cash and cash equivalents available to the Company (note 12)	-261.191	-550.796
Net debt	22.361.309	21.859.704
Total equity	-3.031.595	-1.342.758
Total capital	**19.329.713**	**20.516.946**
Gearing ratio	**-7.38**	**-16.28**

3.3 *Fair Value Estimation*

The Company does not hold financial instruments estimated in the balance sheet at fair values and consequently the disclosures of information related to the estimations at fair value are not applicable.

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Critical Accounting Estimates and Assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

(a) *Income Tax*

Significant judgement is required in determining the provision for income taxes. There are several transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. Recognition of an asset in terms of the deferred income tax considers a detailed analysis of the possibility to realise it.

(b) *Estimated impairment of non-current assets*

In order to determine the loss resulting from the depreciation of equipment, significant rationales are required, as described under note 2.8. When the Company makes this estimation, it compares the net carrying value of this equipment with the highest value among the estimated selling price and the net updated value of the cash flows to be generated by the equipment throughout their remaining service life.

5 RETAINED EARNINGS

At 31 December 2015 the Company included in the retained earnings the amount of RON 446,872, representing the statutory reserves that are not distributed to the shareholders (31 December 2014: RON 446,872).

(all amounts are expressed in Romanian Lei, unless stated otherwise)

6 TANGIBLE ASSETS

	Land and buildings	Vehicles and machines	Furniture	Work in progress	Total
Financial year ended 31 December 2014					
Beginning net carrying value	13.728.035	2.367.413	12.645	137.360	16.245.453
Transfers	3.361.708	-	-	-	3.361.708
Inflow	-	-	-	20.161	20.161
Outflow	-	-	-	-	-
Depreciation expenses	-404.386	-589.994	-2.798	-	-997.178
Ending net carrying value	**16.685.357**	**1.777.419**	**9.847**	**157.521**	**18.630.144**
At 31 December 2014					
Cost or evaluation	17.550.028	8.469.719	61.051	157.521	26.238.319
Cumulative depreciation	864.671	6.692.300	51.204	-	7.608.175
Net carrying value	**16.685.357**	**1.777.419**	**9.847**	**157.521**	**18.630.144**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

6. TANGIBLE ASSETS

	Land and buildings	Vehicles and machines	Furniture	Work in progress	Total
Financial year ended 31 December 2015					
Beginning net carrying value	16.685.357	1.777.419	9.847	157.521	18.630.144
Increases from revaluation in equity	369.058	-	-	-	369.058
Transfers	289.468	43.979	-	-333.447	-
Inflow	-	18.492	34.776	201.338	254.606
Outflow	-	-	-	-	-
Depreciation expenses	-407.566	-421.997	-4.247	-	-833.810
Increases from reassessment of financial position	619.920	-	-	-	619.920
Ending net carrying value	**17.556.237**	**1.417.893**	**40.375**	**25.413**	**19.039.918**
At 31 December 2015					
Cost or evaluation	17.610.674	8.532.191	95.827	25.413	26.264.104
Cumulative depreciation	54.436	7.114.298	55.452	-	7.224.186
Net carrying value	**17.556.237**	**1.417.893**	**40.375**	**25.413**	**19.039.918**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

6. TANGIBLE ASSETS

The buildings of the Company have been revalued on 31 December 2015 by an independent assesor, member of ANEVAR. The last revaluation was done on 31 December 2012. The revaluation surplus was in "Revaluation reserves" less the deferred tax calculated for this surplus, while the impairment losses which cannot be covered from the revaluation difference were recorded in the expenses for the period.

In 2014 it was decided to change the accounting policy related to the land owned by the company, by using the fair value model. Thus, on 31 December 2014 a revaluation of the land owned by the Company was carried out. The revaluation surplus was credited in the revaluation reserves account under equities. The land of the Company was revalued on 31 December 2014 by an independent assessor, member of ANEVAR.

The revaluation reserve changed as follows:

	2015 (lei)	**2014 (lei)**
Revaluation reserve at the beginning of the financial year	8.477.952	5.654.117
Revaluation differences during the financial year	310.009	2.823.835
Amounts transferred from the revaluation reserve during the financial year	-	-
Revaluation reserve at the end of the financial year	8.787.961	8.477.952

The land and buildings are used as security for the credit obtained by the Company from the significant shareholder, Herz Armaturen GmbH.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

7 INTANGIBLE ASSETS

	Computer programmes	Advances and other intangible assets	Total
Financial year ended 31 December 2014			
Beginning balance	124.031	-	124.031
Inflow	1.901	-	1.901
Depreciation expenses	-63.011	-	-63.011
Transfers	-	-	-
Ending balance at 31 December 2014	**62.921**	**-**	**62.921**
Cost	263.724	-	263.724
Cumulative depreciation and impairment	200.803	-	200.803
Net carrying value	**62.921**	**-**	**62.921**

	Computer programmes	Advances and other intangible assets	Total
Financial year ended 31 December 2015			
Beginning balance	62.921	-	62.921
Inflow	2.245	-	2.245
Depreciation expenses	-46.101	-	-46.101
Transfers	-	-	-
Ending balance at 31 December 2015	**19.065**	**-**	**19.065**
Cost	265.969	-	265.969
Cumulative depreciation and impairment	246.904	-	246.904
Net carrying value	**19.065**	**-**	**19.065**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

8 FINANCIAL INSTRUMENTS BY CATEGORY

All the financial assets of the company are classified as loans and receivables. Their carrying value is presented below:

	31 December 2015	**31 December 2014**
Trade and other receivables (except advances, trade advances and VAT to be collected)	1.268.781	1.889.525
Cash and cash equivalents (Note 12)	261.291	550.896
Total	**1.530.072**	**2.440.421**

All the financial liabilities of the company are financial liabilities measured using the amortised cost method. Their carrying value is presented below:

	31 December 2015	**31 December 2014**
Loans	22.622.500	22.410.500
Trade payables and other payables (ex statutory liabilities and prepayments)	5.555.339	4.524.066
Total	**28.177.839**	**26.934.566**

9. CREDIT RISK FOR FINANCIAL ASSETS

The credit risk for financial assets that are neither past due nor impaired can be assessed by reference to historical data about counterparty default rates, since there are no external independent ratings for the Company's customers:

	2015	**2014**
Trade receivables that are neither past due, nor impaired:		
Group 1	999.648	1.404.311
Out of which affiliates	118.449	-
Group 2	47.478	118.173
Out of which affiliates	47.478	118.173
Group 3	-	-
Out of which affiliates	-	-
Group 4		
	1.047.126	**1.522.484**

9. CREDIT RISK FOR FINANCIAL ASSETS (CONTINUED)

The details for the trade receivables depending on the credit risk were compiled based on the historical data for the financial year 2015 and, where possible, for the financial year 2014, using the following criteria:

- Group 1: debtors for whom the historical average collection period was between 1 and 60 days;
- Group 2: debtors for whom the historical average collection period was between 61 and 90 days;
- Group 3: debtors for whom the historical average collection period was between 91 and 180 days;
- Group 4: debtors for whom the historical average collection period was between 180 and 360 days.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

10. TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
Trade receivables	1.864.413	2.451.042
Less: provision for impairment of trade receivables	-731.905	-730.213
Trade receivables – net	1.132.508	1.720.829
- out of which related to affiliates (note 26)	165.926	118.173
VAT receivable	-	-
Accrued expenses	133.368	65.632
Advance payments to suppliers	1.483	10.913
Less: provision for impairment of advance payments	-	-
Miscellaneous debtors	16.676	296
Other receivables	119.597	168.400
Current portion of trade receivables and other receivables	**1.403.632**	**1.966.070**

The ageing analysis of trade receivables that are past due but not impaired is as follows:

	31 December 2015	31 December 2014
1 to 3 months	52.191	182.992
3 to 6 months	193	5.537
> 6 months	759	9.816
Total	**53.143**	**198.345**

The carrying amounts of the Company's trade and other receivables are denominated in the following currencies:

	31 December 2015	31 December 2014
RON	807.842	1.490.192
EUR	292.427	230.637
	1.100.269	**1.720.829**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

10. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movements on the provisions of the company for impairment of trade receivables are as follows:

	2015	2014
At 1 January	730.213	910.764
Provision for receivables impairment	1.692	-
Amounts reversed during the period	-	-180.551
At the end of period	**731.905**	**730.213**

11 INVENTORIES

	31 December 2015	31 December 2014
Raw materials	2.893.694	2.357.100
Provisions for raw materials	-139.665	-98.898
Work in progress	2.118.637	2.600.834
Provisions for work in progress	-279.133	-260.318
Commodities	657.266	674.351
Provisions for commodities	-4.071	-4.406
Finished goods	1.819.213	1.978.751
Provisions for finished goods	-743.852	985.697
Other inventories	124.777	156.689
Provisions for other inventories	-55.240	-
Total	**6.391.627**	**6.418.406**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

12 CASH AND CASH EQUIVALENTS

For the cash flow statement the cash and cash equivalents include the following:

	31 December 2015	31 December 2014
Cash at bank	121.663	147.859
- amounts in RON	61.798	125.422
- amounts in other currency	59.865	22.437
Restricted bank accounts	100	100
- short-term		
- RON	100	100
- foreign currency	-	-
Cash on hand	1.554	1.157
- amounts in RON	1.554	1.157
- amounts in other currency	-	-
Bank deposits	137.974	401.780
- amounts in RON	137.974	401.780
- amounts in other currency	-	-
	261.291	550.896

(all amounts are expressed in Romanian Lei, unless stated otherwise)

13 SHARE CAPITAL

Shares

At 31 December 2015 the shareholding structure is as follows

	31 December 2015 Number of shares	31 December 2015 Value of the subscribed and paid up capital (without the influence of IAS 29) (RON)	31 decembrie 2015 Value of the subscribed and paid up capital (with the influence of IAS 29) (RON)	31 decembrie 2015 Percentage held (%)
Herz Armaturen GmbH	13.197.352	1.319.735	5.975.420	32,9934
Tridelta Heal Beteiligungsgesellschaft	6.703.418	670.342	3.035.125	16,7585
Swiss Capital SA	2.915.000	281.500	1.319.816	7,2875
Broadhurst Investments Limited	2.730.881	273.088	1.236.471	6,8276
FDI Active Dinamic/SAI Swiss Capital	2.216.875	221.688	1.003.745	5,5422
Natural persons	8.926.275	892.628	4.041.587	22,3157
Legal entities	3.310.199	331.020	1.498.773	8,2755
Total	**40.000.000**	**4.000.000**	**18.110.957**	**100,0000**

The total authorised number of shares is 40,000,000 with a net value of RON 0.1 per share.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

SHARE CAPITAL

At 31 December 2014 the shareholding structure is as follows:

	31 December 2014 Number of shares	31 December 2014 Value of the subscribed and paid up capital (without the influence of IAS 29) (RON)	31 decembrie 2014 Value of the subscribed and paid up capital (with the influence of IAS 29) (RON)	31 decembrie 2014 Percentage held (%)
Herz Armaturen GmbH	13.197.352	1.319.735	5.975.420	32,9934
Tridelta Heal Beteiligungsgesellschaft	6.703.418	670.342	3.035.125	16,7585
Swiss Capital SA	2.915.000	281.500	1.319.816	7,2875
Broadhurst Investments Limited	2.730.881	273.088	1.236.471	6,8276
FDI Active Dinamic/SAI Swiss Capital	2.216.875	221.688	1.003.745	5,5422
Natural persons	8.926.275	892.628	4.041.587	22,3157
Legal entities	3.310.199	331.020	1.498.773	8,2755
Total	**40.000.000**	**4.000.000**	**18.110.957**	**100,0000**

The total authorised number of shares is 40,000,000 with a net value of RON 0.1 per share.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

14 TRADE AND OTHER PAYABLES

	31 December 2015	31 December 2014
Trade Payables	5.555.339	4.524.066
- out of which related to affiliates (note 26)	2.580.201	2.472.055
Payables related to personnel, contributions, social security	515.807	454.857
Value added tax	81.457	136.457
Other payables	92.788	131.051
	6.245.390	**5.246.431**
Less: long-term portion: subsidies	-75.814	-113.721
Current portion of trade and other payables	6.169.576	5.132.710

15 LOANS

	31 December 2015	31 December 2014
Short-term		
Short-term loans	22.622.500	22.410.500
Long-term		
Long-term loans	-	-

In April 2010 the Company obtained a loan for a period of 5 years from the majority shareholder, Herz Armaturen Ges.m.b.H, in an amount of 5 million Euros, that is RON 22,410,500, at the variable Euribor interest rate +2%, to be paid in full at maturity. Following a EGMS decision of 2015 the maturity of the loan was extended for 1 year, that is up to 15.04.2016.

The loans are guaranteed as follows:

	31 December 2015	31 December 2014
Tangible Assets	17.556.237	16.685.357

The accounting values of the loans approximate their fair values.

At 31 December 2015 and 31 December 2014 the Company does not have any undrawn borrowing facilities.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

16 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	31 December 2015	31 December 2014
Deferred tax assets:		
– Deferred tax assets to be recovered within 12 months	333.405	364.770
Deferred tax liabilities:		
– Deferred tax liability		
to be recovered after more than 12 months	1.418.297	1.399.776
to be recovered within 12 months		
	-1.084.892	-1.035.006

The gross movement on the deferred income tax account is as follows:

	2015	2014
At 1 January	**-1.035.006**	**-469.256**
(Expense) / Reversal in the profit and loss account	9.163	-27.877
(Expense) / Reversal in the statement of comprehensive income	-59.049	-537.873
At 31 December: assets/ (liabilities)	**-1.084.892**	**-1.035.006**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

16 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax authority, is as follows

	At 1 January 2014	(Charged)/ credited to the profit and loss account	Charged to the retained earnings	At 31 December 2014	(Charged)/ credited to the profit and loss account	Charged to the retained earnings	At 31 December 2015
Revaluation of tangible assets	902.430	-40.527	537.873	1.399.776	-40.527	59.049	1.418.297
Deferred tax liabilities	**902.430**	**-40.527**	**537.873**	**1.399.776**	**-40.527**	**59.049**	**1.418.297**
Provision for trade receivables	145.722	28.887	-	116.835	-271	-	117.105
Provision for supplier penalties	29.561	2.195	-	27.366	6.580	-	20.787
Provision for inventories	220.450	20.383	-	200.067	4.554	-	195.514
Litigations	1.387	1.387	-	-	-	-	-
Provision for annual holidays not taken	36.054	15.552	-	20.502	20.502	-	-
Deferred tax assets	**433.174**	**68.404**	**-**	**364.770**	**31.364**	**-**	**333.405**
Effect of the net deferred tax	**-469.256**	**27.877**	**537.873**	**-1.035.006**	**-9.163**	**59.049**	**-1.084.892**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

17 PROVISIONS FOR RISKS AND EXPENDITURES

	Guarantees given to customers	Litigations	Other provisions	Total
At 01 January 2015	99.449	8.668	171.042	279.159
Recorded in the profit and loss account	-35.117	-8.668	-41.125	-84.910
Unused reversed amounts	-	-	-	-
At 31 December 2015	**64.332**	**-**	**129.916**	**194.249**

(a) Guarantees given to customers

The Company offers guarantee to its customers for the products delivered. Based on historical information a provision for 10% of the value of the products returned by the customers was calculated and recorded.

(b) Annual holidays not taken

At the end of each period the Company sets up provisions for the value of the annual holidays not taken by its employees.

(c) Other provisions

The Company made provisions for supplier penalties

18 OTHER (LOSSES) / INCOME - NET

	2015	2014
(Loss)/income from the transfer of tangible assets	-	-
(Expense) / Reversal of provision for inventories	125.666	32.883
(Expense) / Reversal of provision for receivables	-	-149.988
Other net expense/income	-80	550
Total	**125.586**	**-116.555**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

19 OTHER OPERATING EXPENSES

	2015	2014
Travel expenses and per diem	15.728	10.824
Rents	203.266	192.043
Insurance	15.521	23.136
Repairs and maintenance	443.384	230.331
Transportation	90.752	89.294
Taxes and similar expenses	230.631	207.876
Advertisement and entertainment	18.923	2.975
Miscellaneous	319.346	288.126
Total	**1.337.551**	**1.044.605**

20 STAFF COSTS

	2015	2014
Salaries and benefits	4.738.269	4.546.823
Social security expenses	1.187.196	1.318.340
	5.925.465	**5.865.163**

Although the expenditures with wages and benefits were up in 2015 compared to 2014, related social security costs were down. This decrease is due the 5 percentage points reduction of the social security contribution payable by the employer, effective starting from 10.01.2014.

Number of employees

	2015	2014
Number of employees	178	176
Management staff	2	2
Administrative staff	27	33
Manufacturing staff	149	141

(all amounts are expressed in Romanian Lei, unless stated otherwise)

21 FINANCIAL REVENUES AND EXPENSES

	2015	2014
Interest expenses:	457.567	499.556
- Borrowings	-	-
Foreign exchange difference expenses	1.166.316	748.253
Foreign exchange difference gains	-933.219	-739.410
Net financial expenses	690.664	508.399
Short-term bank deposit interest revenue	-97	-13.799
Financial revenues	**-97**	**-13.799**
Financial cost, net	**690.567**	**494.600**

Business transactions expressed in foreign currency carried out by the Company during the financial years ended 31 December 2015 and 31 December 2014 are not significant for the Company's financial statements, and, as such, for these transactions the foreign exchange differences were not classified as financial or operational.

22 INCOME TAX EXPENSE

	2015	2014
Current tax:		
Current tax for the annual profit	-	-
Current tax total	-	-
Deferred tax (note 16):		
Occurrence and reversal of temporary differences	9.163	-27.877
Deferred tax total	9.163	-27.877
Tax expense	9.163	-27.877

(all amounts are expressed in Romanian Lei, unless stated otherwise)

22 INCOME TAX EXPENSE (CONTINUED)

	2015	2014
Profit / (loss) before tax -IFRS	**-2.008.008**	**-2.238.027**
Tax calculated at the tax rate of 16%	-321.281	-358.084
Tax effects of:		
– Income not subject to tax	-303.471	-308.367
– Expenses not deductible for tax purpose	412.237	355.303
Unused tax credit	203.352	339.026
Income tax expense / (revenue)	-9.163	27.878

23 CASH GENERATED FROM OPERATIONS

	2015	2014
Net profit	-1.998.945	-2.265.903
Adjustments for:		
– Depreciation expense (note 6)	259.991	1.060.189
– (Profit) / loss from tangible asset sales (note 18)	-	-
– Interest revenue (note 21)	-97	-13.799
– Interest expense (note 21)	457.567	499.556
– Income tax (note 22)	-9.163	27.877
– Provisions for inventories and trade receivables (note 18)	-125.666	117.105
– Provisions for risks and expenditures (note 17)	-84.910	-399.136
– Foreign exchange difference loss	212.000	-13.000
Changes in working capital:		
– Inventories	152.443	582.085
– Trade and other receivables	562.438	578.364
– Trade and other payables	541.391	-421.822
Cash generated from operations	-32.851	-248.484

Non-monetary transactions

The main non-monetary transactions are offsets of trade payables and receivables with various domestic and foreign customers.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

24 REVENUE BY CATEGORY

Analysis of the revenues by category

	31 December 2015	**31 December 2014**
Sales of goods	19.292.969	17.437.747
Income from services rendered	203.984	190.343
	19.496.953	**17.628.090**

Analysis of the revenues by geographical area

	31 December 2015	**31 December 2014**
Export sales – Europe	6.439.902	5.253.521
Domestic revenues	13.057.051	12.374.569
	19.496.953	**17.628.090**

25 CONTINGENCIES

(a) Litigations

The Company has litigations with its trade partners arising from the normal course of business, as well as with the shareholders and the Company's Union. The management of the Company considers that these actions will not have a significant negative effect on the Company's financial results and financial position.

Most of the litigations refer to the recovery of certain receivables from companies under insolvency procedure and for which the Company has already set up provisions in previous years.

On 31.12.2015 there are three disputes in court against the Shareholders:

- File no. 914/1285/2014 in contesting OGMS Decision No. 01 / 28.04.2014 where Commercial Court Cluj delivered a partial annulment decision of the OGMS decision and and Armătura appealed against the annulment decision;
- File no. 620/1285/2015 in contesting EGMS Decision no. 01 / 12.02.2015 where Commercial Court Cluj suspended the file from trial until the resolution of file no. 914/1285/2014;
- File no. 835/1285/2015 in contesting OGMS Decision No Hago. 02 / 29.04.2015 where Commercial Court Cluj suspended the file from trial until the resolution of file no. 914/1285/2014.

At 31.12.2014 a legal action filed by the Armătura Free Union is under the proceedings of the Court of Cluj as case no. 5990/117/2014, by which the Union demands, on behalf of the employees, the following:

- beginning with November 2011 – November 2014 each employee listed in the attached tables shall receive food vouchers equivalent to the amount of RON 92 per month, as due under Art. 208 par. 3 of the CLC concluded at plant level and under addendum no. 5216/07.06.2007 - amounts indexed with the rate of inflation, applied from the due date of each payment until the final decision of the court, as well as the legal interest calculated and payable for the amounts owed to each employee - from the date a final decision is issued until the date of the actual payment.
- the wage of each employee nominated in the tables attached to be updated using the inflation rate published by INS (National Institute of Statistics) for the last 3 years.
- each employee listed to be paid for the last 3 years the amounts payable to them as wage difference between the wage paid and the due wage updated using the inflation rate until a final decision is issued, as well as the legal interest calculated and payable for the amount payable to each employee from the date of a final decision is issued until the date of the actual payment.

In this case Armătura has filed a counterclaim by which it requests the employees to be bound to pay compensations for the inventory shrinkages of the last three years and for the scraps produced by the employees which exceed the limits allowed by the technical standards. The Court Cluj dismissed the lawsuit filed by the Trade Union, and the union appealed against the Court decision. Currently the case is under Court of Appeal Cluj and the trial is suspended.
The counterclaim was severed in another case and adjourned the proceedings with the consent of both parties to finalize negotiations on the new CA.

On 31 December 2015 there dispute registered in Court, file no. 3828/117/2015 where a former employee claims compensation, without mentioning the amount. Armătura filed a counterclaim, in which claims cover of a damage worth 110,000 lei. The case is in the trial procedure at Court Cluj in the evidence management phase .

On 31 December 2015 there is a dispute registered in Court, file no. 22358/211/2015 subject in which a former employee filed a criminal complaint against Armatura, but without mentioning that the claims.

(b) Taxation

All amounts payable to the state budget as taxes and levies have been paid or recorded at the date of the financial statements. The Romanian tax system is in process of consolidation and harmonisation with the European legislation, therefore the authorities can give different interpretations of the tax legislation, which may lead to additional taxes, levies and penalties to be enforced. If the state authorities find breaches of the legal provisions in force in Romania, they may decide on a case by case basis to: seize these amounts, impose additional tax liabilities, assess fines, apply delay penalties for the outstanding payments). Consequently, the tax sanctions due to breaches of the legal provisions may add up to important amounts payable to the state budget. The Company considers that it has paid in due time and in full all its taxes, levies, penalties and moratory interests, if applicable.

The Romanian tax authorities have carried out audits regarding the calculation of the income tax until 31.12.2008.
In Romania the financial year remains open for audits for a period of 5 years.

(c) Transfer pricing

According to the applicable relevant Romanian tax legislation, the tax assessment of related party transactions is based on the concept of market value for the respective transfers. Following this concept, the transfer prices should be adjusted so that they reflect the market prices that would have been set between unrelated companies acting independently (i.e. based on the "arm's length principle").

In September 2011 an audit of the business relationships between Armatura SA and the affiliate companies within the Herz group was carried out. The audited period was the financial years 2009 – 2010. Since at that time the Company did not have a transfer pricing file, the Company was allowed to prepare the documentation within the time frames stipulated by the legislation in force.

The Company prepared and submitted a transfer pricing file for the above-mentioned period within the legal deadline, that is on 17 February 2013. At the date of these financial statements the Tax Control Service under ANAF Cluj (National Agency for Fiscal Administration - NAFA) did not control and has not drawn any conclusions regarding the compliance with of the "arm's length principle" and that the taxpayer's taxable base is not skewed. The management of the Company is unable to estimate the outcome of this control, and up to this date no documentation on the transfer pricing applied for affiliates has been prepared for 2011 and 2013.

(d) Financial crisis

The recent volatility of the international and Romanian financial markets:

The current global liquidity crisis that started in mid-2007 has caused, among others, a very low financing of the financial markets, low levels of liquidity in the banking sector and occasionally higher rates for inter-banking loans and a very high volatility of the stock exchanges.
Currently the full impact of the current financial crisis is impossible to predict and prevent.

The management is unable to reliably estimate the effects on the financial position of the Company of the further reduction of the liquidity of the financial markets and of the ever increasing volatility of the exchange rate of the domestic currency and of the stock market indexes. The management considers that it has taken all the required measures to ensure the continuity of the Company under the current conditions.

Impact on liquidity:

Lately the economy financing volume has decreased significantly. This may affect the Company's ability to obtain new loans and/or to refinance existing loans under the same terms and conditions as before.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

Impact on customers/creditors:

Customers and other debtors of the Company may be affected by the market conditions, which can affect their ability to pay the amounts due. This can also impact the forecasts of the Company's management regarding cash flows and the assessment of the impairment of the financial and non-financial assets. Provided there is information available, the management properly reflected the revised estimates of the future cash flows when assessing impairment.

26 RELATED PARTY TRANSACTIONS

The Company carried out transactions with the following related parties:

Herz Armaturen Ges.m.b.H – significant shareholder;
Herz D.D. – entity under common control;
Herz Energietechnik GmbH – entity under common control;
Herz Armaturen EOOD – entity under common control;
Herz Armaturen Romania SRL – entity under common control.

Sales of goods and services

	2015	**2014**
Sales of goods	*9.733.897*	*7.686.767*
Significant shareholder	4.501.947	3.100.666
Entities under common control with the significant shareholder	5.231.950	4.586.101
Sales of services	*72.861*	*73.720*
Significant shareholder	-	411
Entities under common control with the significant shareholder	72.861	73.309
	9.806.758	**7.760.487**

Purchases of goods and services

	2015	**2014**
Purchases of goods	*4.430.234*	*3.141.834*
Significant shareholder	3.186.686	1.944.474
Entities under common control with the significant shareholder	1.243.547	1.197.359
Purchases of services	*305.278*	*189.205*
Significant shareholder	295.269	184.997
Entities under common control with the significant shareholder	10.009	4.208
Purchases of fixed assets	*20.688*	-
Significant shareholder	11.771	-
Entities under common control with the significant shareholder	8.917	-
	4.756.200	**3.331.039**

(all amounts are expressed in Romanian Lei, unless stated otherwise)

26 RELATED PARTY TRANSACTIONS (CONTINUED)

Key management compensation

Key management includes directors (executive and non-executive), and members of the Board of Directors. The compensation paid in 2015 and 2014 to key management for employee services is shown below:

	2015	2014
Members of the Board	-	1.791
Management staff	205.578	256.425

Year-end balances arising from sales/purchases of goods/services

	2015	2014
Trade receivables from entities under common control with the significant shareholder	165.926	118.173
	165.926	**118.173**
Trade payables to the significant shareholder	2.426.029	1.629.338
Trade payables to entities under common control with the significant shareholder	-	196.480
Advances from the significant shareholder	154.172	646.237
	2.580.201	**2.472.055**

	2015	2014
Loans from the significant shareholder	22.622.500	22.410.500
Period interest expense	466.669	499.052

The receivables from related parties arise mainly from sale transactions and are due within 30 to 90 days after the date of sales, depending on the agreed contractual terms and conditions. The receivables are unsecured in nature and bear no interest. At 31 December 2015 and at 31 December 2014 no provisions were set up against receivables from related parties.

The payables to related parties arise mainly from purchase transactions and are due two months after the date of purchase. The payables bear no interest.

(all amounts are expressed in Romanian Lei, unless stated otherwise)

27 EVENTS AFTER THE REPORTING PERIOD

On March 16, 2016 a transfer of ownership was registered in the Shareholders' register, of a total of 10.4 million shares, representing 26% of the share capital of the society, from the account of the shareholder HERZ ARMATUREN Ges.mbH to the account of HRIC BETEILIGUNGS GMBH, following the partial division of the company Herz Armaturen Ges.mbH completed in December 2015.

Below there is synthetic structure of shareholders on 22.03.2016, according to information received from the Central Depository:

Shareholder name	Number of Shares	Percent in the shared capital
Hric Beteiligungs GmbH	10.400.000	26.00 %
Tridelta Heal Beteiligungsgesellschaft	6.703.418	16.76 %
Legal entities	13.970.307	34.93 %
Natural persons	8.926.275	22.31%
Total	**40.000.000**	**100%**

The financial statements have been signed this 28th day of March 2016.

Peter Ujvari
Administrator

Ec. Diana Florentina Bunea
Head of the Finance and Accounting Department

MANAGEMENT REPORT
2015

Information on the Company:

Registered office: 400267 Cluj-Napoca, Str. Gării, Nr. 19
Phone: +40 264 435 367
Fax: +40 264 435 368
Email: office@armatura.ro
Web site: www.armatura.ro
Unique Registration Number: RO 199001
Trade Register registration number: J 12/13/1991
Subscribed and paid up share capital: RON 4,000,000
The Company has no subsidiaries.

Information on the shareholders and the shares issued:

The consolidated summarised shareholding structure at 31.12.2015, based on the information provided by the Central Depositary is as follows:

Shareholder's Name	Percentage (%)
Herz Armaturen Ges.m.b.H	32.99
Tridelta Heal Beteiligungsgesellschaft	16.76
Swiss Capital SA	7.29
Broadhurst Investments Limited	6.83
FDI Active Dinamic/Sai Swiss Capital	5.54
Natural persons	22.32
Legal entities	8.28
Total	100.00

The regulated market where the issued securities are traded: the Bucharest Stock Exchange.

Main features of the securities issued by the Company:

- Number of shares: 40,000,000;
- Par value: RON 0,1 per share;
- Dematerialised nominal shares issued are registered in the independent register SC Depozitarul Central SA;
- The Company did not purchase own shares during the financial year 2015;
- There are no limitations related to the transfer of securities issued by the Company;
- There are no owners of securities issued by the Company who have special control rights and a description of such rights;
- There are no employee share schemes;
- There are no limitations concerning the voting rights;
- The entity has no knowledge of any agreements between shareholders that may determine limitations on the transfer of securities and/or on the voting rights;
- Appointing or replacement of the members of the board of directors, as well as any amendments to the Company's instruments of incorporation are made only upon the approval of the Shareholders' General Meeting.

Corporate governance:

The Company implemented Organisational and Operational Regulations, as well as Internal Regulations meant to ensure safe operation and help the Company reach its objectives. The internal control system is operating according to its requirements and no significant deficiencies were found in the operation of the internal system.

The basic principles of the internal control system put in place are decision separation, existence of automatic controls built in the computer application, authorisation limits, periodic reporting, etc.

Information on the line of business:

The main activity of SC Armatura SA: is "Manufacture of other taps and valves."

The Company develops, manufactures and sells the following products:

- Products for gas, water, heating, cooling and air conditioning plant equipment;
- Industrial products as supplier for OEM customers.

The Company's products are sold both on the domestic and the foreign markets.

Presentation of the financial statements:

The documents referring to the economic and financial operations carried out in the reporting period were recorded properly, in accordance with the accounting principles, the accounting rules and methods required by the regulations in force.

The rules for the preparation of financial statements have been observed, as stipulated in Law 82/1991 and Order of the Minister of Public Finance no. 1286/2012, and the information provided in the Statement of Financial Position is consistent with the information recorded in the accounting records, and is reconciled with the actual situation of the wealth assets.

The statement of comprehensive income accurately reflects the revenues, expenditures and financial results for the reporting period.

In the period between 01.01.2015 and 31.12.2015 the Company recorded losses of RON 1.998.845 lei.

Items of the Statement of Financial Position:

Row No.	Indicator name	Balance at	
		01.01.2015	31.12.2015
	NON-CURRENT ASSETS		
1	Intangible assets	62.921	19.065
2	Tangible assets	18.630.144	19.039.918
3	Financial investments	0	0
4	**NON-CURRENT ASSETS – TOTAL (rows 01 to 03)**	**18.693.065**	**19.058.983**
	CURRENT ASSETS		
5	Inventories	6.418.406	6.391.627
6	Receivables	1.966.070	1.403.634
7	Short-term financial assets	401.780	137.974
8	Cash and bank accounts	149.116	123.317
9	**CURRENT ASSETS – TOTAL (rows 05 to 08)**	**8.935.371**	**8.056.552**
10	**ASSETS – TOTAL (row 4 + row 9)**	**27.628.437**	**27.115.535**
	EQUITY AND LIABILITIES		
	EQUITY		
11	Share capital	18.110.957	18.110.957
12	Reserves	9.428.899	9.738.908
13	Retained earnings	-28.882.614	-30.881.459
14	**EQUITY – TOTAL (rows 11 to 13)**	-1.342.758	-3.031.594
	LIABILITIES		
15	LONG-TERM LIABILITIES	1.148.727	1.160.704
16	SHORT-TERM LIABILITIES	27.822.468	28.986.425
17	**LIABILITIES – TOTAL (row 15 + row 16)**	28.971.195	30.147.129
18	**EQUITY AND LIABILITIES – TOTAL (row 14 + row 17)**	27.628.437	27.115.535

Inventory analysis:

Compared to 01.01.2015, the inventories of the Company have an unsignifiant decrease of 8%, which means an absolute value decrease of RON 26.777.

The structure of the inventories at 31.12.2015 is as follows:

- finished products and commodities 27.06 %
- work in progress 28.78 %
- raw materials and consumables 44.16 %

<u>*The average inventory turnover*</u> calculated as the ratio between the average inventory and the turnover is as follows:

- *raw materials. consumables*

AITrm = rm average inventory / turnover * 360 days

2014: AITrm = [(2,470,933+2,353,600) / 2] /17,628,090 * 360 days = 49 days
2015: AITrm = [(2,353,600+2.890.191) / 2] /19.496.953 * 360 days = 47 days

- *semi-finished products*

AITwip = wip average inventory / turnover * 360 days

2014: AITwip = [(2,348,531+2,600,834) / 2] / 17,628,090 * 360 days = 51 days
2015: AITwip = [(2,600,834+2,118.637 / 2] / 19.496.953 * 360 days = 43 days

- *finished products*

AITfp = fp average inventory / turnover * 360 days

2014: AITfp = [(2,562,842+1,927,698) / 2] / 17,628,090 * 360 days = 46 days
2015: AITfp = [(1,927,698+1,818,457) / 2] / 19.496.953 * 360 days = 36 days

<u>*The average inventory turnover rate*</u> calculated as the ratio between the turnover and average inventory is as follows:

- *raw materials. consumables*

TRrm = turnover / rm average inventory

2014: TRrm =17,628,090 / [(2,470,933+2,353,600) / 2] = 7 times
2015: TRrm =19.496.953 / [(2,353,600+2.890.191) / 2] = 7 times

- *work in progress*

  TRwip= turnover / wip average inventory

2014: TRwip =17,628,090 / [(2,348,531+2,600,834) / 2] = 7 times
2015: TRwip =19.496.953 / [(2,600,834+2,118.637) / 2] = 8 times

- *finished products*

  TRfp = turnover / fp average inventory

2014: TRfp =17,628,090/ [(2,562,842+1,927,698) / 2] = 8 times
2015: TRfp =19.496.953 / [(1,927,698+1,818,457) / 2] = 10 times

Analysis of receivables:

At 31.12.2015 the structure of the Company's receivables of RON 1.270.263 was as follows:

	Value RON	**% total current assets**
Trade receivables:	1.132.508	14.29
Other receivables	137.755	1.74

The balance of trade receivables and other receivables have decreased during the year 2015 by RON 588.763, and RON 41.412 respectively.

<u>*Average days sales outstanding*</u>:

A so = [(receivables at the beginning of period + receivables at the end of period) / 2] / turnover * 360 days

2014: A so = [(2.601.407+1.900.438) / 2] / 17.628.090 * 360 days = 46 days
2015: A so = [(1.900.438+1.270.263) / 2] / 19.496.953 * 360 days = 29 days

At the end of 2015 the Company set up provisions, from precedent years, for the trade receivables impairment of 731.905 lei.

Analysis of payables:

At 31.12.2015 the structure of the Company's payables was as follows:

Category	Balance (RON)
Suppliers (including affiliates)	5.387.068
Capital settlements with shareholders	100
Payables to staff	160.538
Liabilities with related personnel’s leaves not taken	125.649
Tax liabilities and social security liabilities	173.818
VAT	81.457
Wage type income tax	55.802
Amounts payable to credit institutions credit (including interest)	22.622.500
Crediting customers	168.271
Other payables	1.375.389
TOTAL	**30.150.592**

Analysis of the credits and other loans:

At 31.12.2015 the Company had a credit from its shareholder Herz Armaturen GmbH of 5 million Euros to pay the Company's debts (RON 22.622.500 lei).

The credits were guaranteed by a mortgage of the assets owned by the Company.

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Statement of Financial Position at 31.12.2015

The statement of financial position at 31.12.2015 includes: the net turnover, the revenue and expenses for the year, grouped by their nature, as well as the operational result.

Item No.	Index name		Financial year: 31.12.2015	Financial year: 31.12.2014
1	Net turnover		19.496.953	17.628.090
2	Operating result	Profit	-	-
		Loss	1.317.441	1.743.426
3	Financial result	Profit	-	-
		Loss	690.567	494.600
4	Gross result	Profit	-	-
		Loss	2.008.008	2.238.026
5	Deferred income tax		(9.163)	27.877
6	Net result	Profit	-	-
		Loss	1.998.845	2.265.903

The Company's predictable results:

The probable results of the Company for 2015 are presented in the Revenue and Expense Budget, which estimates that the turnover will slightly increase compared to 2014, as well as in the Investment Budget.

Risks and uncertainties:

The management of the Company constantly identifies, analyses and develops strategies to control the risks it is exposed to during its course of business.

Since a significant part of the Company's sales are exports, a risk that is closely monitored is the foreign currency risk.

In addition, due to the fact that the Company is operating in a global economic environment, the fluctuations of the market demand bear an influence on the financial performance of the Company.

In the context of the general economic environment, the management of the Company closely monitored the liquidity risk and the cash flow risk, and tried to find the best solution to control these risks, which included, inter alia: analysis of the maturity dates of payables, efforts to collect receivables, optimum utilisation of banking resources, etc.

On 07 March 2013 the Extraordinary General Meeting of Shareholders decided to reduce the share capital to "zero" and, at the same time, to increase it to RON 4,000,000 by cash contributions of the Company's shareholders. The completion of this operation failed because shareholder Radu Bugică challenged this decision at the Commercial Court of Cluj, a claim registered under file no. 817/1285/2013, and the decision of the EGMS was nullified by the court through a final decision. The only financial loss the Company incurred was related to the failure to solve the issue concerning the equities, which, at 31.12.2015, represented less than 50% of the share capital. The main reason for this annulment was that prior to the approval of the reduction and increase of the share capital the Company did not organise an EGMS to discuss the dissolution and liquidation of the Company.

On 29.04.2014 an EGSM was held that rejected the proposal of the Board with respect to the dissolution and liquidation of the Company, and the Company was given a year to make a proposal to the shareholders to resolve the issue of negative share capital recorded at the end of 2014.

On 12.02.2015, the Shareholders’ General Meeting decided to reduce the Company’s share capital from RON 4.000.000 to 400.000 by reducing the number of shares from 40.000.000 to 4.000.000 registered shares and simultaneously increase the shared capital from RON 400.000 to RON 4.000.000 by a cash influx. Completion of this operation was not possible until 31.12.2015 because there was no response from ASF to the recorded action of share capital reduction, until the coclusion of the reference year.

This response was communicated to the Company after the date of 12.02.2016. Consequently, the EGMS of April 2016 will decide the continuation of the operation that started in 2015 or the cancellation of the whole process.

In the same EGMS, the loan repayment of the 5 million Euros towards the shareholder HERZ ARMATUREN Ges.m.b.H was approved to be be extended by one year starting 15.04.2015.

Important events occurred after the end of the financial year

On 16.03.2016 the Shareholders Register booked the transfer of ownership of 10.4 million shares, representing 26% of the share capital of society off the account of shareholder HERZ ARMATUREN Ges.mbH to account of the shareholder HRIC BETEILIGUNGS GMBH due to the partial division of Herz Armaturen Ges.mbH finalized in December 2015.

Cluj Napoca
28.03.2016

Administrator,

Ujvari Peter