SEMESTER REPORT

AT 30.06.2018

OF THE BOARD OF DIRECTORS

- elaborated in accordance with the ASF Regulation no. 5 / 2018-

Headquarters:	**ClujNapoca, 1st May Square, nr.1-2,**
Telephone/ fax number:	**0264/425861; 0264/425053**
Number and registration date:	**J12/15/1991**
with the Trade Registry Office	
Fiscal identification code:	**199117**
Tax attribute:	**RO**
Share capital:	**6.231.454 lei**
Number of shares:	**6.231.454**

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

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

CONTENT

INTRODUCTION

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

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

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

In 2018, the company was only active on the domestic market.

On the 30 June 2018 the company's share capital is 6.231.454 RON according to a number of 6.231.454 share, with a nominal value of 1,00 RON/share.

The shareholder structure is as follows:

- share capital held by companies with private capital 5,258,111 lei, shares, representing 84.38%;
- share capital owned by individuals 973,343 lei, representing 15.62%.

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

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

- ✓ CachitaFloareaDoina - chairman
- ✓ AlexandescuIoana - member
- ✓ Bene Alexandra - member

Development strategies state

In the first semester of 2018 the company planned to carry out works based on its profile, specifically: civil engineering, track repairs, water supply, roads and bridges using its own technological resources and qualified personnel.

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

The main construction projects underway In the first semester of 2018 are the following:

- The loading platform - Dangerous materials discharge - in The 546 OTOPENI Barrack;
- Air Base - Operational Zone in 727 Fetesti Barrack, contract concluded with the Ministry of National Defense;
- Construction of aircraft stationary platforms and related handling surfaces - Stage I AVRAM IANCU INTERNATIONAL AIRPORT Cluj R.A .;
- Modernization works Departure Terminal - Regrouping Zone AEROPORTUL INTERNATIONAL AVRAM IANCU Cluj R.A .
- Pathway in Floresti, Avram Iancu Street, Floresti County, Cluj County
- Sidewalks Luna de Sus County on the county road, the right side with the direction Vlaha, Floresti, Cluj County:
- Demolition, extension, office building layout at Somes Water Company S.A
- Intervention works of first necessity by consolidating / repairing the structural / nonstructural elements of the existing building - regarding the building facades of the building New York Hotel located in Cluj-Napoca, contract concluded with NAPOCAMIN SRL;
- Current maintenance of roads and maintenance of periodic roads on DJ103G: - Tureni, DJ107R Baisoara - Baisorii Mountain, DJ103G - DN1-Ceanu Mic - Aiton,

DJ103G- Aiton - Gheorghieni - Borhanci, DJ103G-DN75- Cheia - Turzii Gorge, DJ150- Viisoara - Frata - Criseni - Mociu, DJ103T - Feleac - Feleac Relay.

In the first semester of 2018, the company has carried out its activity with an average number of 176 employees, the turnover being 18.275.039 RON out of which 68% from mounting constructions and 32% from concrete and output sales and miscellaneous activities.

ANALYSIS OF THE BUSINESS OF THE COMMERCIAL SOCIETY

1.1. The activity carried out or to be carried out by the company

a) Construction Company Napoca S.A. has the following main activities: construction works, including works of art, concrete, mortars, sorted aggregates, various metallic and aluminum metalwork. It also provides transport services and equipment with basic and low-cost equipment for third parties

b) Date of establishment of the trading company

The company was founded in 1991 on the basis of Law 1/1990 and of the Prefect's Decision no.566 / December 1990 by division of the Cluj Construction Trust.

c) Significant mergers or reorganisations of the company, its subsidiaries or controlled companies during the financial year

During the financial year 2018, there were no significant mergers or reorganisations of the company.

d) Acquisitions or alienation of assets: during the reporting period, the Purchase-Sale Contract was completed, by which the land and immovable property under construction was built, located in Cluj-Napoca, Taietura Turcului street, a transaction that was paid in full . Also, the sale of land in the area of 42,497 sqm, located in Cluj-Napoca, Fabricii de Zahar Street, was finalized, for which the full price was collected.

The demolition of the constructions on the alienated land from Zahari Fabricii str., Cluj

- Napoca was completed.

1.1.1 General evaluation elements

a) The unit registered at the end of the first half of 2018 a gross profit of 1,384,419 lei, for which a profit tax was calculated in the amount of 367,532 lei, compared to the same period last year, when gross profit was 187,391 lei ;
b) Turnover is 18,275,039 lei, lower than the previous year by 8,564,880 lei;
c) The company does not carry out the export activity;
d) The total expenditures related to the first semester 2018 amount to 47,960,795 lei,
e) Liquidity:

On June 30, 2018 the house and current accounts with banks amounted to 3,590,129 lei.

General liquidity:

General liquidity at 30.06.2018 = Current assets / Short-term liabilities = 0.79

Immediate liquidity:

Immediate Liquidity on 30.06.2018 = Liquidity / Short-Term Liabilities = 0.07
This year, there is a sensible fall in the above-mentioned indicators, due to the short-term debt reduction, but in reasonable proportions over the previous period.
It was also intended that supplies should be made strictly on demand and as little as possible on stock.

1.1.2. Assessment of the technical level of the company

a) Main product / service markets as well as the distribution method:

Produse/servicii	**Pieşe de desfacere**	**Metode de distribuţie**
Construction and assembly works	Internal	Auction, negotiation, on demand
Concrete and mortar sales	Internal	Orders
Machinery works	Internal	Orders, on demand
Output sales	Internal	Orders, on demand

b) Ponderea fiecărei categorii de produse sau servicii in veniturile şi în totalul cifrei de afaceri ale societăţii comerciale pentru ultimii 3 ani.

Produse/servicii	2016		2017		2018	
	Cifra de afaceri	Venituri	Cifra de afaceri	Venituri	Cifra de afaceri	Venituri
Construction and assembly works	77,81	78.76	77	82	76	79.65
Concrete and mortar sales	3,52	3,56	3,46	3,46	3,85	3,58
Machinery works	3,49	3,53	3	3	3,6	3.23
Output sales	9,97	10,09	16,54	16,4	16,55	13.54

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

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

a) The main suppliers are:

Country of Origin	Supplier	Item
Romania	XANNAT MINERALS S.R.L.	Sorts, aggregates
Romania	NAPOCAMIN S.R.L	Sorts, aggregates
Romania	DORIANI OIL S.R.L.	Diesel
Romania	BEDELCO EAST EUROPE S.R.L.	Tires
Romania	M INSTALL S.R.L.	Plumbineg
Romania	EVOTERM S.R.L.	Joinery

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

The extent of the materials and raw materials inventory:

Materials and raw materials inventory	**Value** **-RON-**
Materials and raw materials	1.382.033
Semi-finished goods, work in progress	2.523.611
Finished goods	107.357
Small inventory	
Raw materials and consumables at third parties	
Advances for materials	1.227.659

1.1.4. Evaluarea activităţii de vanzare

On the domestic market, the volume of sales on 30 June 2018 is in the amount of 44,994,972 lei, of which:

- 12,345,277 lei income from the production sold;
- 5,929,762 lei income from the sale of the goods;
- 26,719,933 lei income from active sales, respectively land.

On the foreign market, the company has no sales. The company continuously participates in tenders for public works contracts, following the conclusion of new works contracts, depending on the existing capacity.

Concerning the competitive situation, the company operates on a competitive market as it is not the only construction company. The main competitors of the company are: PORR CONSTRUCT S.R.L., MAX BOEGL ROMANIA S.R.L., TECHNICAL ASSIST S.R.L., DIFERIT S.R.L., VIAROM CONSTRUCT, REPRESENTATION OF REPAIRS AND WORKS CLUJ S.A., CONSTRUCT PEROM, FLOREA GRUP S.R.L.

1.1.5. Evaluating issues related to company employees
a) The average number of employees on June 30, 2018 was 176, during the year there were more hiring and departures.
Employee training is appropriate to the job.
b) Employees of the company are not constituted in the trade union. Relationships between manager and employees are collaboration, guidance and control.
There are no conflicting elements between manager and employees.

1.1.6. The issuer's core business does not affect the environment beyond the legal norms.
There are no litigation and no litigation is expected on violation of environmental legislation.

1.1.7. Evaluation of the research and development company
The company does not carry out research and development.
No funds were allocated for research and development during 2018
1.1.8. Evaluating the business of the company on risk management
Price risk: The company practices prices according to the market evolution of the constructions, sometimes even under cost, due to circumstances.
Credit risk: The company has no bank loans.
Cash-flow risk:: There are periods when cash inflows are below the exit requirement. The company mainly uses the payment method through BO, during the reporting period, a number of 97 BO of RON 6,377,100 . We mention the last incident to pay was recorded in October 2016.
Obligations to BS and BASS are paid, with minor exceptions, at due dates, liabilities in the balance at the end of the reporting period are liabilities related to June 2018 and escalation rates according to ANAF Decision no. 4155 / 11.21.2017.

b) Describe the risk management policies and objectives of the company: The company constantly pursues the demand on the domestic market of construction works, participates in tenders for the contracting of new works, the collection from customers and the payment of obligations through payments, compensations, cessions, etc.

There is a permanent concern for the improvement of the personnel, for the modernization of the society in order to use modern working technologies.

1.1.9. Perspectives on the activity of the company

a) At 2018, the company did not incur significant capital expenditures.

b) In 2018, the revenues from basic activity have increased significantly compared to 2017; in 2018 other operating revenues also grew.

CORPORATE ACTIVITIES OF THE COMPANY

2.1. Location and characteristics of the main production capacities owned by the company

Production capacities	Features	Location
Production base composed of aggregate sorting station, concrete, prefabricated workshop, woodwork, car park and machinery	Functional	Cluj Napoca Str. Fabricii de Zahăr nr.163

2.2. There are no and no problems with the ownership of tangible assets of the company

MARKET OF MONEY VALUES ISSUED BY THE COMPANY

3.1. Securities issued by the company are traded on the Stock Exchange
Bucharest, from 27.04.2016 on the regulated market of B.V.B.

The subscribed and paid-up share capital as at 30.06.2018 is RON 6,231,454, corresponding to 6,231,454 nominative shares of RON 1 nominal value / share. S.C.

of Constructions Napoca S.A.

3.2. The company has not distributed dividends over the past 3 years.

3.3. The Company did not carry out any share purchase activity.

3.4. The company has no subsidiaries.

3.5. The company did not issue bonds or other debt securities

THE COMPANY'S MANAGEMENT

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

Cachita Floarea Doina - president of C.A .;

Alexandrescu Ioana - member of C.A .;

Bene Alexandra - member of C.A.

b) There is no agreement, understanding or family relationship between the members of the Board of Directors and another person, by virtue of which they have been appointed as members of the Board of Directors.

c) The members of the Board of Directors have no shares in the company.

Affiliated companies:

o IT Transilvania Invest S.A. Cluj Napoca -

o ARD Invest S.A. Cluj Napoca -

o NAPOCAMIN S.R.L.

Members of the Board of Directors have not been involved in any litigation or administrative procedure over the past 5 years.

4.2. Executive management of the company is provided by:

General Manager - Canta Dorel Daniel

Deputy Director-General Bene Alexandra

Economic Director - Maier Marioara

Members of the executive management have not been involved in any litigation or administrative procedure over the past 5 years.

ECONOMIC INDICATORS

Patrimonial solvency

Patrimonial Solvency 2018 = Equity / Total Assets x 100 = 44%

Patrimonial Solvency 2017 = Equity / Total Assets x 100 = 43.43%

The patrimonial solvency is the ability of the company to pay its debt at maturity. The value of this indicator is considered optimal when the result obtained exceeds 30%, indicating the share of own sources in the total liability.

The degree of indebtedness

Borrowing rate 2018 = Total liabilities / Total assets x 100 = 50%

Debt ratio 2017 = Total liabilities / Total assets x 100 = 54%

This indicator highlights the limit to which the company finances its activity from sources other than its own (loans, debts to the state and suppliers). Under normal business conditions, the indebtedness should be around 50%. A limit of less than 30% indicates a reserve in credit and loan applications, and over 80%, a credit addiction, which is an alarming situation for society.

Chairman of the Board of Directors

ec. CACHITA Florea Dorina

Societatea Comerciala de Constructii Napoca S.A.
Sediul: Cluj Napoca, Piata 1 Mai , nr. 1-2, Jud. CLuj
Cod de inregistrare fiscal: RO199117
Nr. Inreg. Registrul Comertului : J12/15/1991

Individual Financial Statements

ON 30 JUNE 2018

Drafted in accordance with the International Financial Reporting Standards adopted by the European Union, through the re-elaboration of the Individual Financial Situations prepared in accordance with the Accounting Regulations, approved by OMFP no. 2844/2016 and OMFP no. 2531/2018, with subsequent amendments and completions, whose financial year corresponds to the calendar year

SocietateaComerciala de ConstructiiNapoca S.A.
Sediul: ClujNapoca, Piata 1 Mai , nr. 1-2, Jud.CLuj
Cod de inregistrare fiscal: RO199117
Nr. Inreg. Registrul Comertului : J12/15/1991

BALANCE SHEET ASSET 30 June 2018

RON	**01 January 2018**	**30 June 2018**
Intangible assets		-
Tangible assets	38.642.454	51.724.786
Financial assets	5.483.241	3.255.190
Other current assets	23.357.337	6.111.278
Deferred tax assets	-	-
A. Total non-current assets	**67.483.032**	**61.091.254**
Trade receivables	19.107.217	24.919.702
Prepayments	38.084	86.165
Money, bank accounts and other assets	11.621.347	3.846.829
Other current assets, including stocks	10.146.092	11.227.734
B. Total current assets	**40.912.740**	**40.080.430**
I. TOTAL ASSETS (A + B)	**108.395.772**	**101.171.684**
Social capital	6.231.454	6.231.454
Share premium	-	-
Reserves	19.012.974	16.619.825
Reported result	17.349.947	20.320.401
The current result	1.621.101	1.016.887
C. Total equity	**44.215.476**	**44.188.567**
Advances billed to customers	20.378.814	11.550.824
Trade payables	25.816.386	32.866.769
Debts to credit institutions	9.835.557	0
Provisions	3.135.381	6.158.653
Other liabilities	5.014.158	6.406.871
D. Total liabilities	**64.180.296**	**56.983.117**
II. TOTAL LIABILITIES AND EQUITY (C + D)	**108.395.772**	**101.171.684**

SocietateaComerciala de ConstructiiNapoca S.A.
Sediul: ClujNapoca, Piata 1 Mai , nr. 1-2, Jud.CLuj
Cod de inregistrare fiscal: RO199117
Nr. Inreg. Registrul Comertului : J12/15/1991

COMPREHENSIVE INCOME STATEMENT AS AT 30 June 2018

RON	**30 June 2017**	**30June2018**
Income from work performed and services rendered	19.542.182	12.116.176
Income from sale of goods	4.936.948	5.929.762
Other operating income	97.421	26.719.933
Operating income	**24.576.551**	**44.765.871**
Materials and supplies expenses	12.065.122	9.367.249
Energy and water expenses	97.871	191.901
Goods expenses	4.842.091	5.720.562
Staff expenses	4.295.018	4.254.068
External supply expenses	2.541.039	12.795.988
Other taxes and fees expenses	164.287	433.965
Depreciation and amortization of intangible and tangible assets expenses	553.819	301.262
Other operating expenses	181.986	12.145.669
Adjustments of the provisions	0	3.023.272
Operational expenses	**24.741.233**	**48.233.936**
Operating result	**-164.682**	**-3.468.065**
Financial income	592.188	5.008.619
Financial expenses	240.115	156.135
Net financial income	**352.073**	**4.852.484**
Profit before tax	**187.391**	**1.384.419**
Income tax expense	31.464	367.532
Deferred income tax	-	-
Net profit for the period	**155.927**	**1.016.887**
Other elements for comprehensive income	-	
Other elements for comprehensive income after tax	-	-
Total comprehensive income for the period	**155.927**	**1.016.887**

Societatea Comerciala de Constructii Napoca S.A.
Sediul: Cluj Napoca, Piata 1 Mai , nr. 1-2, Jud. CLuj
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SITUATION OF CHANGES IN OWN CAPITAL
on June 30, 2018

	Social capital Nominal value	Reserves	Revaluations reserves	Reported result	Overall result of the period	Distribution of profit	Total equity
Balance at 1 ianuarie 2018	**6.231.454**	**1.377.924**	**17.635.050**	**17.349.947**	**1.621.101**		**44.215.476**
Increases	-			2.970.454			
Decreases	-		**2.393.149**		604.214		26.909
Balance 30 iunie 2018	**6.231.454**	**1.377.924**	**15.241.901**	**20.320.401**	**1.016.887**	**0**	**44.188.567**

CEO – Canta Danut Dorel
Economic Manager – Maier Marioara

EXPLANATORY NOTES ON THE FINANCIAL STATEMENTS

Reporting entity

Financial statements for the fiscal period ending on the 30.06.2018 pertaining to the Napoca SA Construction Company, which is a trading company, with its headquarters in Romania. The address and headquarters is in ClujNapoca, 1st May Square no. 1-2, Cluj County. The company was founded in 1991 and its registration number at the Trade Registry Office is J12/15/1991.

On the 30.06.2018, the company's' shareholders structure is the following:

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

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

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

2. Drawing up basis

a) Declaration of conformity

The individual financial statements are drawn up by the company according to the International Financial Reporting Standards ("IFRS"), obtained by the amendment financial data disclosed in the annual financial statements drawn up for the financial year ended on the 30.06.2018 according to the accounting regulations approved through OMPF NR. 2844/2016 and OMPF nr. 2531/2018, with the alterations and ulterior additions

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

b) Financial Statements presentation

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

c) The functional and presentation currency

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

d) Evaluation basis

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

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

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

e) The use of estimations and reasoning

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

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

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

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

3. Significant accounting policies

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

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

4. Estimations

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

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

5. Financial risk management and financial instruments

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

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

Receivables

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

Cash and cash equivalents

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

Investments held by due date

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

Current financial liabilities

The Entity intially appraises the current financial liabilities at the time of the transaction, when the Entity becomes the subject of the contractual provisions of the instrument. These are intially appraised at the fair value plus any other directly-attributable transactioning costs. Following the initial appraisal, these financial liabilities are evaluated at their amortized cost using the calculation of effective interest.

The Entity Societatea retracts a financial liability when the contractual obligations are fulfilled, annuled or expired.

The Entity holds the following current financial liabilities: loans, financial lease contracts, indemnities for subcontractors, commercial liabilities and others.

Social capital – ordinary shares

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

a) Tangible assets

Appraisal and evaluation

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

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

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

Reclassification as real estate investment

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

Subsequent costs

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

Amortization

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

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

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

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

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

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

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

The selling or annulment of tangible assets

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

Intangible assets
Recording and assesment

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

Research and development

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

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

Subsequent costs

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

Amortization

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

- software 1-3 years

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

Real estate investments

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

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

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

The Entity appraises real estate investments included in the balance at the time of its transition to IFRS, to their presumed costs which represents the fair value at the time of the last re-evaluation (December 31st, 2008), performed previous to the transition time, minus any amortization acumulated subsequently and any accumulated depreciation losses up to December 31st,2010

Any gain or loss on the disposal of a real estate investment (calculated as the difference between the net proceeds of disposal and the carrying amount of the item) is recognized in profit or loss.
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b) Inventory

Recording and evaluation

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

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

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

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

- buying price;
- custom taxes and other charges (except taxes which are subsequently recovered from fiscal authorities);

- transportation costs;
- handling costs;
- other costs which may be attributed to the direct acquisition of finite products, materials and services; \
- costs directly-attributable to the produced units (i.e. manual installation);
- systematic allocation of fixed production expenses (i.e. amortization, maintenance of the production departments and machinery, costs regarding management and administrations services etc);
- systematic allocation of variable production expenses (i.e. indirect materials, indirect manual labour etc. Which vary propotionally to the productions volume);
- general oncosts, other than those direclt-attributable to production;
- costs of indebtment.

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

Reclassification through real estate investment

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

c) Current construction accounts

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

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

Asset depreciation

Non-financial assets

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

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

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

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

Financial assets

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

Dividends to be distributed

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

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

1. Reevaluation reserves

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

At the time of the transition to the International Financial Reporting Standards, the company has assessed the tangible assets and the real estate assets at the assumed cost.The assumed costs attributed to the respective assets have been the values established on the 31st of December 2008, as a result of the reevaluation. With the transition to the IFRS, the reevaluation reserve in the balance, as well as the reserve which represents the realized reevaluation reserve surplus, have been added to the retained earnings. To quantify the fiscal impact, according to IFRS 12, the deferred profit income tax was recorded.

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

2. Legal reserves

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

3. Related parties

The parties are considered related in the case in which either one of them has the possibility of directly or indirectly controlling the other, either by ownership, contractual rights, familial relations or of any other nature, as defined in IAS 24 Related party disclosures.

4. Employees benefits

Short term benefits

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

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

Determined contribution plans

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

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

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

Long term employee benefits

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

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

Benefits for the termination of the work contract

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

5. Provisions

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

Guarantees

A guarantee provision is recorded when the products or services being covered by the guarantee are sold. The Entity has established provisions for guarantees in regards to the construction work performed for its clients.

The value of the provision is based on historical information in regards to granted guarantees and is estimated through calculating the average of all results possible divided by the fulfillment probability of each one. Starting with 2011, the provisions have been recorded at the level of good-completion guarantee quotes specified in the agreements, quotes which have been applied to the values of recorded income.

6. Income

- ✓ *Sale of goods*

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

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

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

Rendering of services

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

Construction contracts

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

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

Income from rent

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

7. The leasing contract

Assets acquired through leasing

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

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

Leasing payments

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

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

8. Financial incomes and expenses

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

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

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

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

9. Taxes

Income tax expenses contain both the current and deferred tax.

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

Current tax

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

For the financial period closed on the 31st of December 2016, the income tax rate was of 16% (31December 2015: 16%). The tax rate for incomes generated from taxable dividends was of 16%(31December2015: 16%).

Deferred tax

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

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

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

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

Fiscal exposures

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

10. Earnings per share

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

11. Segment reporting

A segment is a distinct component of the Entity which supplies certain products or services (operating segment) or supplies products and services to a certain geographical environment (geographical segment) and which is exposed to risks and benefits, different ones than the other segments. At 31 December 201 5 and 31 December 2016, the Entity has identified operating segments and did not identify significant reportable geographical segments.
Segment reporting results, which are presented to the Entity's directorate (the main operational stakeholder), include elements which can be directly-attributed to a segment, as well as elements which can be allocated on a reasonable basis. The elements which are not allocated mainly contain corporate assets (first and foremost the Entity's headquarters), expenses pertaining to the headquarters, receivables and liabilities regarding income tax, earnings originating from asset disposal, income and expenses on provisions.

12. Assets and contingent liabilities

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

13. Subsequent events

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

4. Determining fair values

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

5. Segments of activity

The entity has three reportable segments, as follows:

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

The Entity applies the same management principle, both for the reportable segments and for the activity segments included under "All other segments." As such, the Entity draws up an income and expenses budget at the beginning of each financial year-to-date.
Moreover, if necessary, during the financial year-to-date, the Entity will revise the income and expenses budget I order for it to reflect any changes in both internal and external circumstances.