

**REPORT FOR SEMESTER,
ACCORDING TO C.N.V.M. REGULATION NR.1/2006**

Date of the report: 30.06.2017

S.C. ARTEGO S.A TG-JIU

Headquarter: Ciocarlau Street, no. 38, Tg-Jiu

Telephone: 0253/226066, fax: 0253/226066

Unique registration code at the Trade Registry Office:2157428

Registration no. at ORC: J 18/1120/1991

Subscribed and paid-up share capital: 24.873.443 lei

**The regulated market on which the issued securities are traded: BVB
Bucharest**

**ECONOMIC AND FINANCIAL SITUATION
1.a. ANALYSIS BASED ON BALANCE ELEMENTS**

Name of indicators	<u>31.12.2016</u>	<u>30.06.2017</u>
ASSETS		
Fixed assets	51.386.235	50.894.407
<i>Tangible assets</i>	38.293.297	37.516.512
<i>Intangible assets</i>	13.092.938	13.377.895
<i>Financial assets</i>		
Current assets	92.390.436	81.259.056
<i>Stocks</i>	41.527.415	44.120.278
<i>Commercial receivables</i>	44.426.848	28.723.078
<i>Financial assets of which</i>	14.397	14.397
<i>available for sale</i>	14.397	14.397
<i>Cash and cash equivalents</i>	6.106.780	8.095.711
<i>Prepayments</i>	314.996	305.592
TOTAL ASSETS	143.776.671	132.153.463
OWN CAPITAL AND LIABILITIES		
Own capitals		

<i>Subscribed and paid-up share capital</i>	24.873.443	24.873.443
<i>Other equity items</i>	995.481	966.025
<i>Reserves from reevaluation</i>	29.285.945	29.260.096
<i>Legal reserves</i>	4.974.689	4.974.689
<i>Other reserves</i>	10.041.455	16.492.991
<i>Own actions</i>	-1.515	-2.794.949
<i>Social Capital Adjustment</i>	89.052.449	89.052.449
<i>Reported result (without IAS 29)</i>	5.607.302	1.189.422
<i>Reported result (with IAS 29)</i>	-89.052.449	-89.052.449
<i>Current profit</i>	5.149.820	3.004.232
<i>Profit Distribution</i>		
Total own capitals	80.926.620	77.965.949
Long-term debt		
<i>Investment grants</i>	661.823	483.656
<i>Other long-term debts</i>	7.606	7.623
<i>Long-term provisions</i>		
Total long-term debts	669.429	491.279
Current debts		
<i>Investment grants</i>	356.334	356.334
<i>Commercial and other debts</i>	11.766.487	13.460.167
<i>Short-term loans</i>	44.215.941	34.898.703
<i>Tax and current tax liabilities</i>	5.841.860	4.981.031
<i>Short-term provisions</i>		
Total current debts	62.180.622	53.696.235
Total debts	62.850.051	54.187.514
TOTAL PASSIVE	143.776.671	132.153.463

The decrease in the net value of tangible assets is due to the depreciation of the existing fixed assets.

A detailed comparative situation of the company's debts is presented in the following way:

Elements	30 june2016	30 june 2017
1. State budget	494.745	565.211
- tax on profit	-	152.893
- tax on dividends	201.297	118.653
- tax on salaries	293.448	293.665
- VAT on payment	-	-
- increases	-	-
- penalties	-	-
2. Special fund budgets	277.171	226.556
- CASS	244.772	226.528
- average fund	32.399	28
- solidarity fund for people with disabilities	-	-
- increases	-	-

- penalties	-	-
3. Social security budgets	633.734	593.576
- CAS	603.315	565.187
- 0,5% unemployment	10.874	9.717
- 0,75% unemployment	16.320	14.337
- 0,214% accidents fund	3.225	4.335
- increases	-	-
- penalties	-	-
4. Other taxes, fees, payments	-	118.653

1.b. PROFIT AND LOSS ACCOUNT
at 30 june 2017

- lei-

Crt. No.	NAME OF INDICATORS	30.06.2016	30.06.2017
1.	Net turnover of which	59.490.007	62.882.290
	Revenues from the sold production	58.000.524	61.676.681
	Revenues from the sale of goods	1.489.512	1.288.827
	Commercial discounts granted	(29)	(83.218)
2.	Revenues from stored production	10.193.914	12.599.025
3.	Revenues from the production of fixed assets	373.742	541.562
4.	Revenues from fixed assets intended for sale	192.951	192.951
5.	Revenues from operating grants		225
6.	Other revenues from exploitation	447.658	654.463
I.	REVENUES FROM EXPLOITATION	70.698.272	76.870.516
7.	Expenditures on goods	1.364.107	1.128.822
8.	Material expenditures	43.317.562	48.698.784
9.	Expenditures on works and services performed by third parties	2.655.543	2.292.385
10.	Expenses with taxes and fees	906.040	585.073
11.	Staff costs	18.190.037	16.716.623
12.	Other expenses with exploitation	398.460	1.040.966
13.	Expenses with depreciation and provisions	2.592.581	2.355.534
II.	EXPENSES FOR EXPLOITATION	69.424.330	72.818.187
A.	RESULT FROM EXPLOITATION		
	- PROFIT	1.273.942	4.052.329
	- LOSS		
III.	FINANCIAL REVENUES	459.921	499.456
IV.	FINANCIAL EXPENSES	1.301.546	1.047.776
B.	FINANCIAL RESULT	(841.625)	(548.320)
V.	EXCEPTIONAL REVENUES		
VI.	EXCEPTIONAL EXPENSES		
C.	EXCEPTIONAL RESULT (LOSS)		
VII.	TOTAL REVENUES	71.158.193	77.369.972
VIII.	TOTAL EXPENSES	70.725.876	73.865.963
D.	GROSS RESULT		

	- PROFIT	432.317	3.504.009
	- LOSS		
	TAX	187.873	529.233
E	REVENUES FROM BENEFIT FROM PROFIT	29.496	29.456
F.	NET RESULT		
	- PROFIT	273.940	3.004.232
	- LOSS		
G.	Number of shares	9.949.377	9.949.377
H.	Output per share	0,028	0,302

The economic, financial and market activity of SC ARTEGO

The absence of the possibility to achieve coherent and correct predictions led to the maintenance of the volatility of the Romanian business climate, the main trade organizations in the steel, oil and energy sectors continuing to focus on the reduction of costs and implicitly the carrying out of acquisition activities characterized by the pursuit of the lowest acquisition prices.

Under these conditions, the stages of renegotiating of the commercial contracts with some companies in the above-mentioned fields were difficult and lasted much longer than the initial estimated time, which put their mark on the decrease of the volume of orders for the specific products and implicitly on the level of sales.

The late approval of the budgets for 2017 for economic operators in the mining and energy sectors, postponing the launch of public procurement procedures, diminishing the funds allocated to these acquisitions, all led to a reduction in the possibility of obtaining a large volume of orders and sales level that would have been the result of winning auctions.

At the same time, the unfair competition encountered in some auctions led either to an increase in the duration of the contract award, with the time needed to resolve the contestations, or to the loss of the auctions, as contracting authorities continued to opt for the award criterion "the lowest price", which led to the passage of qualitative aspects on a second plan. This aspect of price as the only award criterion produces both favoring the presence on the market of products of a qualitatively doubtful level, as well as diminishing the market share of the company on the related niches.

On the other hand, in the field of electricity distribution, for the acquisition of specific products, a number of additional criteria can be found in the awarding documentation for the legal conditions fulfilled, regarding the component of the eligibility and / or qualification documents (environment, health and occupational safety, etc.), the specific and differentiated technical conditions of the products, the required delivery terms, the ways of making the imposed payments, ultimately representing barriers that lead to the impossibility of participation and ultimately the decrease of sales potential to these organizations.

In other train of thoughts, the economic turbulences adversely affects the possibilities of payments by customers, as there are large delays in the collection of the money corresponding to the deliveries, which leads to the negative impact of the cash flows and the possibilities of making payments in time to the suppliers.

For the next period, the evolution on the market will be influenced by the impact that the measures that will be taken starting from July 2017 at the macroeconomic level (rising prices for natural gas, the evolution of the fuel price, the evolution of the leu / euro exchange rate, the unfolding and/or the finish of the privatization processes in the fields of rail, air transport,

the expected organizational developments in the energy field, insolvency status of some energy and petrochemical organizations) will have on the dynamics of acquisitions, investments, upgrades and maintenance.

Therefore, taking into account all these aspects, if the general evolution of the Romanian economy is to be relatively stable, it is possible to maintain, in the short and medium term, the existing situation in terms of sales level and productive activity, continuing on the other hand to make efforts to ensure cash flows that allow debts to be paid to employees, state and suppliers. At the same time, it will act to identify all the available means of decreasing the income and expense difference as much as possible and for an appropriate response to the influence of all these factors that have a potential impact on the evolution on market and on the performances of SC ARTEGO SA.

We mentione that the financial statements prepared on 30.06.2017 have not been audited / revised.

SITUATION OF TREASURY FLOWS

AT 30 june 2017

INDICATORS LEI (RON)	ACCOMPLI SHED 2016	ACCOMPLI SHED 30.06.2017
- lei -		
A. LIQUIDITY AT THE BEGINNING OF THE PERIOD	6.182.672	6.106.780
In accounts	6.092.071	6.010.229
Cash	11.461	4.864
Other Values	77.413	90.017
Treasury advances	-	-
Values to receive	1.726	1.670
Encashments from the exploitation activity	196.054.922	87.767.844
Customer encashments	158.912.846	84.169.895
Other encashments	37.142.076	3.597.949
PAYMENT FOR THE EXPLOITATION ACTIVITY	194.148.541	84.161.978
Provider payments	128.573.097	49.886.271
Payments for staff	27.793.499	12.116.892
Payments on taxes and fees	31.905.937	9.090.588

Tax / Advantage	1.678.288	1.010.115
Interest payments	1.295.343	482.485
Other payments	2.902.377	11.575.627
CASH FLOW FROM THE EXPLOITATION ACTIVITY	1.906.381	3.605.866
PROCEEDS FROM THE INVESTMENTS ACTIVITY	247.915	333.245
Proceeds from the sale of land, fixed assets and intangible assets	247.915	333.245
Proceeds from the sale of equity instruments and receivables from other enterprises	-	-
Proceeds from repayment of advances and loans to other parties	-	-
PAYMENT FROM THE INVESTMENTS ACTIVITY	2.230.188	1.950.180
Payments for the acquisition of land, fixed assets and intangible assets	2.230.188	1.950.180
Proceeds for the acquisition of equity instruments and receivables of other enterprises	-	-
Advances and loans made to other parties	-	-
CASH FLOW FROM THE INVESTMENT ACTIVITY	-1.982.273	-1.616.935
PROCEEDS FROM THE FINANCING ACTIVITY	-	-
PAYMENTS FOR THE FINANCING ACTIVITY	-	-
CASH FLOW FROM THE FINANCING ACTIVITY	-	-
CASH FLOW - TOTAL	-75.892	1.988.931
B. LIQUIDITIES AT THE END OF THE PERIOD	6.106.780	8.095.711
In accounts	6.010.229	7.835.934
Cash	4.864	3.343
Other Values	90.017	229.821
Treasury advances	-	26.613
Values to receive	1.670	-

2. ANALYSIS OF THE SOCIETY'S ACTIVITY

2.1. Liquidity indicators

- % -

Crt. No.	Name of indicators	Calculation formula	30.06.2016	30.06.2017
1.	Current patrimonial liquidity	[Current assets /DTS]	1,37	1,52
2.	Active (fast) liquidity	[Current assets.-Stocks]/DTS	61,39%	69,05%
3.	Speed of rotation fixed assets	Turnover /Intangible assets	1,13	1,24
4.	Speed of rotation of total assets	Turnover / total assets	0,42	0,48
5.	Interest rate cover indicator	Profit before payment of interest and profit tax / Expenses with interests	1,68	8,26
6.	Profitability of the Committed capital	Profit before interest and profit tax / Committed capital	0,0132	0,0508
7.	Gross margin from sales	Gross profit from sales / Turnover	2,14%	6,44%

2.2 Capital expenditures

Due to the economic situation, both at the company level and at macroeconomic level, the investments in the analyzed period stagnated, the cash outflow being destined for the payment of the debts accumulated in the previous period.

2.3. The structure of earnings from basic activity is presented below:

Revenues from exploitation

-lei-

Elements	30 june 2016	30 june 2017
Sold production	58.000.524	61.676.681
Revenues from sale of goods	1.489.512	1.288.827
Granted commercial discounts	(29)	(83.218)
Revenues related to the cost of product stocks	10.193.914	12.599.025
Revenues from the production of fixed assets	373.742	541.562
Revenues from fixed assets for sale	192.951	192.951
Revenues from exploitation grants		225

Other revenues from exploitation	447.658	654.463
Total revenues from exploitation	70.698.272	76.870.516

In the next period, in the short and medium term, considering the difficulty of predicting the evolution of the Romanian economy, but also counting on its possible stability, it can be estimated for S.C. ARTEGO SA. a constant trend of the existing situation as a productive activity and sales level.

3. CHANGES AFFECTING SOCIAL CAPITAL AND COMMERCIAL BUSINESS ADMINISTRATION

3.1. During the analyzed period, there were no cases in which the company could not honor its obligations to third parties, even if in some situations the payments were made late.

3.2. No changes were made to the rights of the holders of securities issued by the company during the analyzed period. Thus, on 30 June 2017 the structure of the shareholders is as follows:

Shareholders	Nominal value per share	Number of shares held	Total value	% of the social capital
ASSOCIATION OF THE EMPLOYEES PAS ARTEGO	2,50	6.968.820	17.422.050,00	70,0428%
SC GOTERA 2012 SA TG JIU	2,50	1.125.219	2.813.047,00	11,3094%
Individual shareholders	2,50	720.631	1.801.578,00	7,2430%
Other legal entities	2,50	1.134.705	2.836.763,00	11,4048%
THE ROMANIAN STATE THROUGH THE AUTHORITY FOR THE ADMINISTRATION OF STATE ASSETS	2,50	2	5,00	0,0000%
TOTAL	2,50	9.949.377	24.873.443,00	100,000%

4. SIGNIFICANT TRANSACTIONS

In May 2017, SC ARTEGO SA TG JIU redeemed 399.062 shares at the price of 7 lei / share in a total value of 2.793.434 lei.

SIGNATURES

Chairman

eng. Viorel David

Economic Manager

Ec. Mihai Jianu