

Financial report

Report of the Directorate for Q3/2016

according to annex 30 to the Regulation no. 1/2006 and Regulation no. 31/2016 issued by CNVM

Date of the report: 15.11.2016

Name of the company: S.C. PRODPLAST S.A.

Registered office: B-dul Basarabia nr. 256, Sector 3, Bucharest

Telephone / fax: 021 252 35 78 / 021 252 36 17

Registered with the Trade Register under no.: J40/161/1991

Unique Registration Code: 108

Subscribed and Paid-up Share Capital: RON 17,072,385

The regulated market where the securities issued are traded:

The Bucharest Stock Exchange, Standard category, PPL symbol

This report regarding the statement of financial position, statement of financial result and explanatory notes for the third quarter of 2016 was drafted by the Directorate of S.C. Prodplast SA.

I. Financial statements on the first 9 months of 2016

1. The main indicators achieved on 30 September 2016 compared to 30 September 2015

Indicator, thousand RON	30 September 2016	30 September 2015	Increase/Decrease %
Turnover	48,009	37,480	28%
EBITDA operational	5,937	2,648	124%

2. The statement of financial position on 30 September 2016

	Indicator (thousand RON)	30 September 2016	1 January 2016	Increase/Decrease (%)
	ASSETS			
A.	Fixed assets - TOTAL	11,083	10,728	3.3%
	I. Intangible Assets	26	26	-
	II. Tangible Assets	10,113	9,687	4.4%
	III. Financial fixed assets	944	1,015	-7.0%
B.	Current assets - TOTAL	59,746	54,725	9.2%
	I. Inventories	5,435	4,751	14.4%
	II. Receivables	21,806	14,665	48.7%
	III. Short-term investments	25,103	24,610	2.0%
	IV. Cash at bank and in hand	7,402	10,699	-30.8%
C.	Accrued charges	165	137	20.0%
	TOTAL ASSETS	70,994	65,590	8.2%
	EQUITY AND DEBTS			
	Equity	61,001	60,099	1.5%
	Current debts TOTAL	9,890	5,388	83.5%
	Loans	-	-	0.0%
	Trade and other payables	9,890	5,388	83.5%
	Provisions	103	103	0.0%
	TOTAL EQUITY AND DEBTS	70,994	65,590	8.2%

In the first 9 months of 2016, a priority concern was to increase the turnover compared to the similar period of last year. It determined an increase in working capital, respectively receivables (48.7%) and inventories (14.4%). Increase in sale volumes determined a growth of receivables and a higher level of inventories necessary to ensure a constant production and deliveries flow.

Financing of working capital was ensured from both own sources (EBITDA) and short-term attracted sources (supplier's credit +83.5%), so as not to adversely affect the company's cash flow.

3. Income, expenditure and results reflected in the profit and loss account in 9 months 2016 compared to 9 months 2015

Indicator, thousand RON	30 September 2016	30 September 2015	Increase/Decrease (%)
Turnover	48,009	37,480	28%
Revenues from the production stored	537	(75)	-
Other operating income	1,332	223	497%
Raw materials, materials, energy and freight	(37,221)	(30,855)	21%
Employee benefits expense	(2,861)	(2,315)	24%
Value adjustments	(650)	(859)	-24%
Other operating expenses	(3,859)	(1,810)	113%
Financial result	(3,982)	931	-
Gross profit	1,305	2,720	-52%
Net profit	972	2,621	-63%
EBITDA (operational)	5,937	2,648	124%

In the first 9 months of 2016, the company was on an upward trend, continuing the evolution and indicators in the first half of this year. A main concern of the management was to maintain production costs under control.

Turnover evolution in the 9 months (+28%) was determined by both internal measures and favorable market evolution, the construction market recording a significant growth in the first 8 months of the year. However, we mention that starting with September the company's sales fell and, if this trend is maintained, there is a risk to register a lower profitability in the last quarter of the year.

The company has tried to be covered, in all decisions on market funding, with insurance instruments and payment guarantees. At the same time, given the significant savings made, the company was able to develop the export segments less affordable in the past, which reflected in the increase in turnover in the first 9 months.

Even if the net profit had a downward trend compared to the similar period of 2015, due to the negative financial result in this period, generated by the quarterly reevaluation of financial instruments held in the short term, the operating profit recorded a significant growth.

At operational level, EBITDA grew by 124% compared to 2015, due to all the organizational measures implemented, mainly due to higher sales in export markets, optimizing product mix offered and new contracts for the procurement of raw materials.

II. Analysis of activity of S.C. Prodplast S.A.

1. During the first 9 months of 2016, there were no trends, events or uncertainty factors to significantly affect the liquidity of S.C. Prodplast compared to the same period of 2015. We mention however that Prodplast purchases petrochemical products as raw materials with extremely volatile prices (LDPE, PVC), which depend on the oil price and positioning of large plants in the field.

2. In the analyzed period, there were no significant investments.

3. Changes affecting the capital and management of the company

3.1. S.C. Prodplast was not in the impossibility to comply with its financial obligations in the reporting period. We mention that at S.C. Prodplast it was pursued to ensure liquidities to make payments to suppliers depending on due dates, avoiding the payment of delay penalties. Also, the company met its obligations to employees in due term, as well as its debts to state budget

3.2. In the first 9 months of 2016, there were no operations affecting the rights of holders of securities issued by S.C. Prodplast or the management of the company.

4. Significant transactions

4.1. There were no major transactions between S.C. Prodplast and persons part of the executive management, Directorate and Supervisory Board.

4.2. In Q3/2016, the Supervisory Board, based on mandate given by the Extraordinary General Meeting of Shareholders, decided the better utilization of excess liquidity by purchasing on the capital market a number of 2.8 million SIF5 titles.

Management structures of Prodplast

1. Supervisory Board

Prodplast S.A. is managed in two-tier system by a Supervisory Board elected by the General Meeting of Shareholders, by secret ballot. Its composition is as follows:

Matei Dimitriu – President
Florin Tonescu – Member
Daniela Dumitrescu – Member
Silviu Chirita – Member
Camelia Puscu – Member

2. Executive Management

The executive management of Prodplast is elected by the Supervisory Board, being designated to a Directorate consisting of the following three members:

Tudor Alexandru Georgescu - General Manager
Gheorghe Luca - Economic Director
Mihail Dragne - Investments Director

Statement of the management

According to the best information available, we confirm that the financial statements for the first 9 months of 2016, prepared in accordance with the International Financial Reporting Standards, provide an accurate image, consistent with reality, of assets, liabilities, financial position and profit and loss account of Prodplast, as it is provided for in the applicable accounting standards. We also confirm that the statement of operational performance and information presented in this report provide an accurate image, consistent with reality, of the main events that took place over the first nine months of 2016 and their impact on financial statements.

We also mention that the Statements for the first 9 months of 2016 are not audited.

General Manager and President of the Directorate,
Tudor Alexandru Georgescu