Quarterly Report according to
National Securities Commission Regulation no. 1/2006
The IIIrd QUARTER of 2016
Date of report for 2016

S.C. PREFAB S.A.
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Number and date of registration in the Trade Register Office: J40/9212/2003
Tax Identification Number: RO 1916198

1. Economic and financial statement

a. STATEMENT OF FINANCIAL POSITION

	December 31, 2015	September 30, 2016
Intangible assets	219.227.582	217.746.666
Tangible assets	428.847	386.920
Investment property	2.928.503	2.928.503
Financial assets available for Sales, of which:	9.439.669	9.439.869
Investments in affiliates	9.439.669	9.439.869
Biological assets	13.298	12.522
TOTAL INTANGIBLE ASSETS	**232.037.899**	**230.514.480**
Stocks	9.510.478	8.959.346
Trade receivables and other receivables	36.895.681	35.949.548
Cash and cash equivalents	365.202	340.015
Other assets (Prepayments)	770.680	1.400.188
TOTAL CURRENT ASSETS	**47.542.041**	**46.649.097**
1.TOTAL ASSETS	**279.579.940**	**277.163.577**
Share capital	24.266.709	24.266.709
Adjustments of share capital	0	0
Other components of share capital	(674.435)	(366.662)
Share premium	14.305.342	14.305.342
Revaluation reserves	123.402.750	123.203.224
Reserves	34.911.541	35.343.983
Retained earnings except that from the adoption for the first time of IAS 29	9.352.650	9.552.175
Retained earnings from the adoption for the first time IAS 29	0	0
Profit at the end of the reporting period	1.081.334	649.363

Distribution of profit	0	0
2. TOTAL EQUITY	**206.645.891**	**206.954.134**
Long term loans	16.636.184	19.721.750
Deferred income tax liability	674.435	366.662
TOTAL LONG-TERM LIABILITIES	**17.310.619**	**20.088.412**
Trade payables and other payables	16.245.732	18.351.125
Short term loans	32.339.387	25.120.313
TOTAL SHORT-TERM LIABILITIES	**48.585.119**	**43.471.438**
Subsidies for investment, of which:	**7.038.311**	**6.649.593**
- current party		
- more than one year		
3. TOTAL LIABILITIES	**279.579.940**	**277.163.577**

b. STATEMENT OF REVENUE AND EXPENDITURE

	September 30, 2015	**September 30, 2016**
1.1. NET TURNOVER	**58.511.115**	**51.605.359**
1.2. Variation of finished products stocks and production in progress	4.585.733	3.494.894
1.3. Revenue from production of tangible assets	1.522.506	3.130.374
1.4. Other revenue	3.404.328	2.163.089
1. OPERATING REVENUES - TOTAL	**68.023.682**	**60.393.716**
2.1. Raw materials and consumables used	29.084.584	26.529.974
2.2. Other material expenses	2.473.429	2.282.849
2.3. Other external expenses (for energy and water)	13.238.387	9.611.272
2.4. Expenses on goods	63.886	914
2.5. Trade discounts received	(155.340)	(233.169)
2.6. Staff costs	7.342.782	7.882.067
2.6.1. Wages and allowances	5.852.981	6.363.722
2.6.2. Expenses on social security and welfare	1.489.801	1.518.345
2.7. Value adjustments on intangible and tangible assets, property investments and biological assets measured at cost	6.679.703	4.606.029
2.7.1. Expenses	6.679.703	4.606.029
2.7.2. Revenues	0	0
2.8. Value adjustments on current assets	0	0
2.8.1. Expenses	0	0
2.8.2. Revenues	0	0

2.9. Other operating expenses	9.105.370	7.859.930
2.9.1. Expenses on external supply	4.785.115	6.071.420
2.9.2. Other taxes, duties and similar expenses	1.456.219	1.272.424
2.9.3. Other expenses	2.864.036	516.086
2. OPERATING EXPENSES - TOTAL	**67.832.801**	**58.539.866**
3. OPERATING PROFIT OR LOSS	**190.881**	**1.853.850**
4.1. Other financial revenues	1.612.636	185.787
4.2. Interest income	4	4
4. FINANCIAL REVENUE	**1.612.640**	**185.791**
5.1. Interest expenses	1.393.555	1.097.648
5.2. Other financial expenses	(103.684)	138.648
5. FINANCIAL EXPENSES	**1.289.871**	**1.236.296**
6. FINANCIAL PROFIT OR LOSS	**322.769**	**(1.050.505)**
7. TOTAL REVENUE	**69.636.322**	**60.579.507**
8. TOTAL EXPENSES	**69.122.672**	**59.776.162**
9. GROSS PROFIT	**513.650**	**803.345**
10. Tax revenue	**109.656**	**153.982**
11. NET PROFIT	**403.994**	**649.363**

EXPLANATORY NOTES

If in 2015 compared to 2014 it was found a real increase in the sector in which we operate, thanks to investments nationwide, in 2016 it was felt a regression of the construction materials market. The lack of infrastructure projects, current economic conditions and the fact that 2016 is an election year put their mark on the Prefab SA company's activity especially in the first half of the year.

In these conditions, the turnover registered on 30.09.2016, was impaired, being of 51.605.359 ron, compared to 58.511.115 ron registered on 30.09.2015, in contrast it is found as assessed the operating result registered on 30.09.2016 whose value is 1.853.850 ron, compared to 190.881 ron, registered on 30.09.2015.

The value of current assets decreased by 1.522.452 ron, from 46.771.361 ron (31.12.2015) to 45.248.909 ron (30.09.2016), mainly due to diminishing stocks of finished products amid an increase in market demand for construction in summer, a market that is still unstable and affected by lack of capital for investments in 2016. The net assets of the Company was considered significant being in the amount of 3.177.659 ron on 30.09.2016, compared to -1.557.994 ron on 31.12.2015.

Amounts due on long term and short term credit institutions fell with 4.133.508 lei, from 48.975.571 ron (31.12.2015) to 44.842.063 ron (30.09.2016), a decrease due to monthly reimbursements in the account of the long-term loans.

The operating result on 30.09.2016 is the amount of 1.853.850 ron, compared to 190.881 ron, achieved on 30.09.2015, in increase compared to the same period of the previous year, appreciation due to policies and strategies adopted in order to optimize costs and margins offered.

The financial result on 30.09.2016 is the amount of -1.050.505 ron, compared to 322.759 ron achieved in the same period of 2015. The result registered in 2015 was driven by record revenues from the distribution of

dividends, by Prefab Invest SA, to Prefab SA, a shareholder who holds 99.9% of share capital.

The current economic context in which we operate is still characterized by lack of large national infrastructure investments, volatility in demand for construction materials market, excessive taxation, cumbersome legislation, influential currency risk in the price of raw materials.

During 2016 they have not made significant mergers or reorganizations of the company and were not alienated core assets of the Company.

On 30.09.2016 they were achieved total revenues amounting to 60.579.507 ron, representing 87% compared to revenues in the same period of the last year 2015, and total expenditure amounting to 59.776.162 ron, representing 86% compared to expenses incurred in the same period of the last year 2015. In these conditions, gross result is 803.345 ron, in increase compared to the one recorded in the same period of year 2015.

2. Analysis of the Company's business

2.1. Present and analyze events or factors of uncertainty that affects or could affect the company's liquidity, compared to the same period of the last year.

During 2016, there were various risks, but they were predictable and properly managed by the management of the company, situation that has generated no substantial additional costs.

The company is exposed to the following risks:
• Credit risk
• Liquidity risk
• Market risk
• Currency risk
• Operational risk
• Risk related to balancing cost
• Tax risk

Credit risk

The credit risk is the risk that the Company incurs a financial loss due to a non-fulfillment of contractual obligations by a customer or counterparty to a financial instrument and this risk mainly result from the trade receivables.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country in which it operates. Most clients of Company operates in Romania.
The main financial instruments used by the Company of which arise risks relating to financial instruments, are:

- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in equity affiliates, classified according to IAS 39 in "financial assets available for sale"
- Trade liabilities and other liabilities

Liquidity risk

The liquidity risk is the risk that the Company may encounter difficulties in fulfilling the obligations related to liabilities that are settled in cash or in another financial asset transfer. The Company's approach on liquidity risk is to ensure, to the extent possible, that it always hold sufficient liquidity to meet the liabilities when they become due, both under normal conditions and under stress, without incurring unacceptable losses or jeopardizing the Company's reputation.
The Company has committed long-term loans.
To counteract this risk factor, the Company has applied restrictive policies of delivery of products to uncertain customers. An important role was played by the Company's policy to require in some cases the payment in advance of the products delivered and a careful selection of new customers depending on their creditworthiness and financial discipline. There was requested guarantees for delivery contracts and tried to reduce the number of days of claims payment by customers of Company established by contract. There were extended the warranty contracts with mortgage in favor of banks with whom we have open credit lines and letters of guarantee so that we can pay our obligations in the event of a cash shortages.

Market risk

The market risk is the risk that market prices variation, such as exchange rate, interest rates and market demand reduction, to affect the Company's revenues.
Market risk - instability in the sale market for building materials, characterized by a significant drop in demand, a prevent risk through market research and marketing policies. The risk of price volatility in electricity, gas, metals, diesel was prevented by finding new suppliers or renegotiating the contracts with the traditional suppliers.

Exposure to interest rate risk

The Company's exposure to the risk of interest rate changes refers mainly to variable interest bearing loans that the Company has for long-term.
Interest rate risk management
In order to manage the interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.

Market risk - instability in the market for building materials, characterized by a significant drop in demand, prevent risk through market research and marketing policies. The risk of price volatility in electricity, marsh gas, metals, heavy oil, prevented by finding new suppliers or renegotiating contracts with traditional suppliers.

Currency risk

The Company has transactions and loans in other currency than the functional currency (RON).

The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.
The foreign exchange rate variations risk generally was prevented by an appropriate management, in the conditions of this economic crisis.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Company and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the

organizational behavior. The Company is exposed to the risk of disasters too. In these conditions, the Company acted towards concluding insurance policies to protect against disasters the company assets.
The operational risks come from all the Company's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Company's development of general standards of operational risk management in the following areas:
• Requirements of separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures
• Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them
• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate

Risk related to balancing cost

This risk is specific to the activity on the production and sale of electricity and it is generated by any unrealistic forecasting of quantities and delivery hourly volumes of electricity supply which may impact the financial situation by occurrence of additional costs for balancing. It is estimated that this risk is reduced due to the forecasting activity carried out by the special department of the entity.

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Company had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation.
The Company has implemented these changes, but the way of their implementation remains open to tax audit for 5 years or even 7 years, starting with the financial year 2009.

The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk that in some cases, the tax authorities could take a different position from that of the Company. It is possible that the Company continue to be subject to tax audits in so far as new tax rules are issued.

2.2. Present and analyze the effects of capital expenditures, current or anticipated on the company compared to the same period of the last year.

Upgrading existing production capacities, purchase new machinery and means of transport, extend the market and the object of activity, improvement of microclimate of work, automation of technological processes will increase the labor productivity and also of the economic result of the company.

The investments in 2016 were made from own sources and loans.

2.3. Present and analyze economic changes that significantly affect the revenues from basic activity.

Among the factors that exerted a negative influence over the results of the company, we mention:

- excessive taxation continued during the year 2016 too;
- price increases in some raw materials and fuel;
- emphasizing macroeconomic imbalances, with negative implications over the sales market;
- internal market entrance of similar products imported (fiber tubes - brick);
- volatility in the legislative field;
- excessive bureaucracy in obtaining approvals and permits required for operation.

3. Changes affecting the Company's share capital and management.

Not applicable

3.1. Describe any case in which the company was unable to respect its financial obligations during that period.

Not applicable

3.2. Description of any changes regarding the rights of holders of securities issued by the company.

Not applicable

4. Significant transactions

For the issuers of shares, information on major transactions concluded by the issuer with persons acting in collaboration or in which these people were involved in the relevant time period.

Not applicable

Chairman of the Board of Directors,	**Economic Director,**
Eng. Milut Petre Marian	**Ec. Boitan Daniela**