

S.C. PRODPLAST S.A.

**INDIVIDUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED ON DECEMBER 31, 2016
PREPARED ACCORDING TO ORDER OF MINISTER OF PUBLIC FINANCES
NO. 2844/2016
FOR THE APPROVAL OF ACCOUNTING REGULATIONS ACCORDING TO
THE INTERNATIONAL STANDARDS FOR FINANCIAL REPORTING**

SC PRODPLAST SA

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Fiscal code / CUI: 108
Trade Registry number: J40/161/1991
Subscribed and paid-in share capital: RON
17.072.385

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FINANCIAL POSITION STATEMENT on December 31, 2016

Indicator (RON)	Year ended at 31.12.2016 (audited)	Year ended at 31.12.2015 (audited)
ASSETS		
Fixed assets	18.470.157	9.687.071
Tangible assets	25.617	26.200
Intangible assets	891.000	935.250
Financial assets available for sale	82.780	79.937
Fixed assets – total	19.469.554	10.728.458
Current assets		
Stocks	6.253.377	4.742.764
Commercial receivables and advance payments	13.166.343	14.543.040
Other receivables	882.437	129.544
Current financial assets	26.802.489	24.610.373
Cash and bank accounts	6.353.429	10.698.779
Advance expenses	200.508	137.450
Current assets – total	53.658.583	54.861.949
TOTAL ACTIVE	73.128.137	65.590.407
OWN CAPITAL AND DEBTS		
Capital and reserves		
Equity	17.072.385	17.072.385
Other elements of own capital	(486.750)	(442.500)
Reserves from re-assessment	-	-
Reserves	43.560.859	37.694.891
Carried forward result	-	(1.690.534)
Result of the period of time	1.656.673	7.910.647
Profit distribution	(91.889)	(446.034)
Own capital - total	61.711.278	60.098.855
Long-term debts		
Long term bank loan	6.467.023	-

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

FINANCIAL POSITION STATEMENT on December 31, 2016 (cont.)

Indicator (RON)	Year ended at 31.12.2016 (audited)	Year ended at 31.12.2015 (audited)
Short term debts		
Short term bank loan	431.135	-
Commercial debts and cashed pre-payments	3.652.915	3.370.301
Other current debts	865.786	2.121.250
Short term debts – total	4.949.836	5.491.551
TOTAL OWN CAPITAL AND DEBTS	73.128.137	65.590.406

These individual financial statements were approved by the Directorate and were authorized for being issued on March 23, 2017.

 President of the Directorate,
 Tudor Georgescu

 Financial Director
 Gheorghe Luca

GLOBAL RESULT STATEMENT on December 31, 2016

Indicator (RON)	Year ended on 31.12.2016 (audited)	Year ended on 31.12.2015 (audited)
Income from sales	57.670.386	49.904.704
Other operating incomes	1.683.183	457.585
Variation of stocks of finished products and products in course of execution	1.358.430	(511.312)
Expenses for raw materials and consumables	(39.472.966)	(36.292.892)
Expenses for energy and water	(1.129.897)	(985.576)
Expenses for personnel	(4.190.164)	(3.442.827)
Expenses for adjustments for depreciation and amortization	(2.162.550)	(1.449.200)
Expenses for external services	(3.405.608)	(2.387.131)
Other operating incomes	(6.514.520)	(3.760.288)
Operational result	3.836.294	1.533.063
Profit / loss from current financial assets	(2.254.444)	6.518.914
Other incomes	684.561	1.288.580
Other expenses	(428.616)	(412.647)
Financial result	(1.998.499)	7.394.847
Result before tax	1.837.795	8.927.910
Current profit tax	(498.815)	(1.017.263)
Income associated to the deferred profit taxa	317.693	-
Net result of the year	1.656.673	7.910.647
Other elements of the global result	(486.750)	(442.500)
Total global result	1.169.923	7.468.147
Share result (RON/share)	0,0970	0,4634

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 Tudor Georgescu

 Financial Director
 Gheorghe Luca

CASH FLOW STATEMENT ON DECEMBER 31, 2016

Element name	Year 2016	Year 2015
Cash flow from operating activities:		
Income from sale of goods and service provision	68.731.659	53.919.984
Income from retail sales	289.342	516.286
Other income	79.337	394.264
Payments to goods and service providers	(55.265.192)	(49.218.925)
Payments to employees	(2.059.781)	(1.885.494)
Payments on behalf of employees	(251.233)	(4.919)
Payments regarding social insurances and unemployment	(1.317.664)	(791.025)
Payments regarding salary tax	(488.145)	(269.176)
Payments regarding profit tax	(1.248.967)	(101.883)
Payments regarding VAT	(5.637.940)	(3.130.236)
Payment regarding custom taxes, other taxes	(40.123)	(16.088)
Payments regarding special funds	(32.828)	(21)
Other payments	(328.805)	(425.975)
Cash from operating activities	2.429.661	(1.013.208)
Cash flow from investment activities:		
Incomes from sale of fixed assets	36.317	281.060
Payments for purchasing tangible and intangible assets	(9.505.309)	(427.390)
Incomes from sale of shares	-	26.489.600
Payments for purchase of shares	(4.080.539)	(25.117.633)
Cash from investment activities	(13.549.531)	1.225.637
Cash flow from financing activities:		
Bank credit	6.898.158	(1.598.246)
Cashed interests	12.214	31.448
Paid interests	(12.266)	(42.894)
Cashed dividends	-	1.023.102
Incomes from favorable differences of exchange rate	32.408	18.786

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

CASH FLOW STATEMENT FOR YEAR ENDED ON DECEMBER 31, 2016 (cont.)

Name of element	Year 2016	Year 2015
Paid dividends	-	-
Paid bank commissions	(72.869)	(62.363)
Payments for non-favorable differences of exchange rate	(83.126)	(135.696)
Cash from financing activities	6.774.519	(765.863)
Net increase of cash flow and cash equivalent	(4.345.350)	(553.434)
Cash and cash equivalents at the beginning of the year	10.698.779	11.252.213
Cash and cash equivalents at the end of the year	6.353.429	10.698.779

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President of the Directorate,
Tudor Georgescu

Financial Director,
Gheorghe Luca

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

STATEMENTS ON CHANGES OF OWN CAPITALS FOR THE YEAR ENDED ON DECEMBER 31, 2015

	Equity + other capital elements	Reserves for reassessment	Legal reserves	Reserves	Reported result	Result of the period	Profit distribution	Own capital total
Balance on January 1, 2015	17.042.885	204.586	2.587.337	34.661.520	9.780	(1.904.900)	-	52.601.208
Distributed result	-	(204.586)	446.034	-	(1.700.313)	1.904.900	(446.034)	-
Result of the period	-	-	-	-	-	7.910.647		7.910.647
Other own capital elements	(413.000)	-	-	-	-	-	-	(413.000)
Balance on December 2015	16.629.885	-	3.033.371	34.661.520	(1.690.534)	7.910.647	(446.034)	60.098.855

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President of the Directorate,
Tudor Georgescu

Financial Director,
Gheorghe Luca

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

STATEMENT OF CHANGES ON OWN CAPITAL FOR THE YEAR ENDED ON DECEMBER 31, 2016

	Equity + other capital elements	Reserves for reassessment	Legal reserves	Reserves	Reported result	Result of the period	Profit distribution	Own capital total
Balance on January 1, 2016	16.629.885	-	3.033.371	34.661.520	(1.690.534)	7.910.647	(446.034)	60.098.855
Distributed results	-	-	91.890	5.774.079	1.690.534	(7.910.647)	354.144	-
Result of the period	-	-	-	-	-	1.656.673	-	1.656.673
Other elements of own capital	(44.250)	-	-	-	-	-	-	(44.250)
Balance on December 2016	16.585.635	-	3.125.261	40.435.599	-	1.656.673	(91.890)	61.711.278

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 President of the Directorate,
 Tudor Georgescu

 Financial Director,
 Gheorghe Luca

1. REPORTING ENTITY

S.C. PRODPLAST S.A.

Headquarters: B-dul Basarabia, nr. 256, sector 3, Bucharest

Phone number/fax: 021 252 35 78/ 021 252 36 17

Unique registration number at the Trade Registry: 108

Trade Registry number: J40/161/1991

Regulated market on which issued securities are traded: Bucharest Stock Exchange

Subscribed and paid equity: RON 17.072.385

Main characteristics of the securities issued by SC Prodplast SA: 17.072.385 shares with a nominal value of RON 1/share, traded at BSE, standard category, PPL symbol.

2. GENERAL FRAMEWORK

1. GENERAL PRESENTATION OF THE PRODPLAST S.A. COMPANY

Headquarters: Bucharest, B-dul Basarabia, nr. 256, sector 3.

Established in 1957 under the name of Fabrica de Mase Plastice Bucuresti. From 1990, it functions as joint stock company under the name of "PRODPLAST" S.A.

Until December 2012, the headquarters was located in 23 Ziduri Mosi Str, district 2 Bucharest. The headquarters relocation was made on the basis of the Directorate's Decision no. 92 / 01.11.2012, empowered by means of AGAE Decision / 27.04.2012.

The main activity consists in processing of plastics.

2. COMPANY PROFILE – STRUCTURE OF THE PRODUCTION

PRODPLAST S.A. has more than 60 years of experience within the field of plastics processing.

S.C. PRODPLAST S.A. has continuously diversified the production, so that currently its products are designed for a large number of users, both industrial as well as domestic. Its products are valued on

the Romanian market as well as in countries like Germany, France, Holland, Sweden, Austria, Spain, Serbia, Bulgaria, Republic of Moldova, Hungary etc.

2. GENERAL FRAMEWORK (cont.)

2. COMPANY PROFILE – STRUCTURE OF PRODUCTION (cont.)

The company has 100% (Romanian and foreign) private capital and is listed within Bucharest Stock Exchange.

By means of its two factories, S.C. PRODPLAST S.A. puts at the disposal of its customers the following products:

- PVC processing (polyvinyl chloride) :
- PVC grains for footwear, electrical cables, hoses etc.;
- Polyethylene items:
- three layers co-extruded foils, having a width of maximum 6 m for: solar foils, thermo-contractible covering; covering for palletized materials; thermo-contractible foils for covering the containers of drinks, tins, detergents; foils for FFS type packing devices;
- thermo-contractible foils;

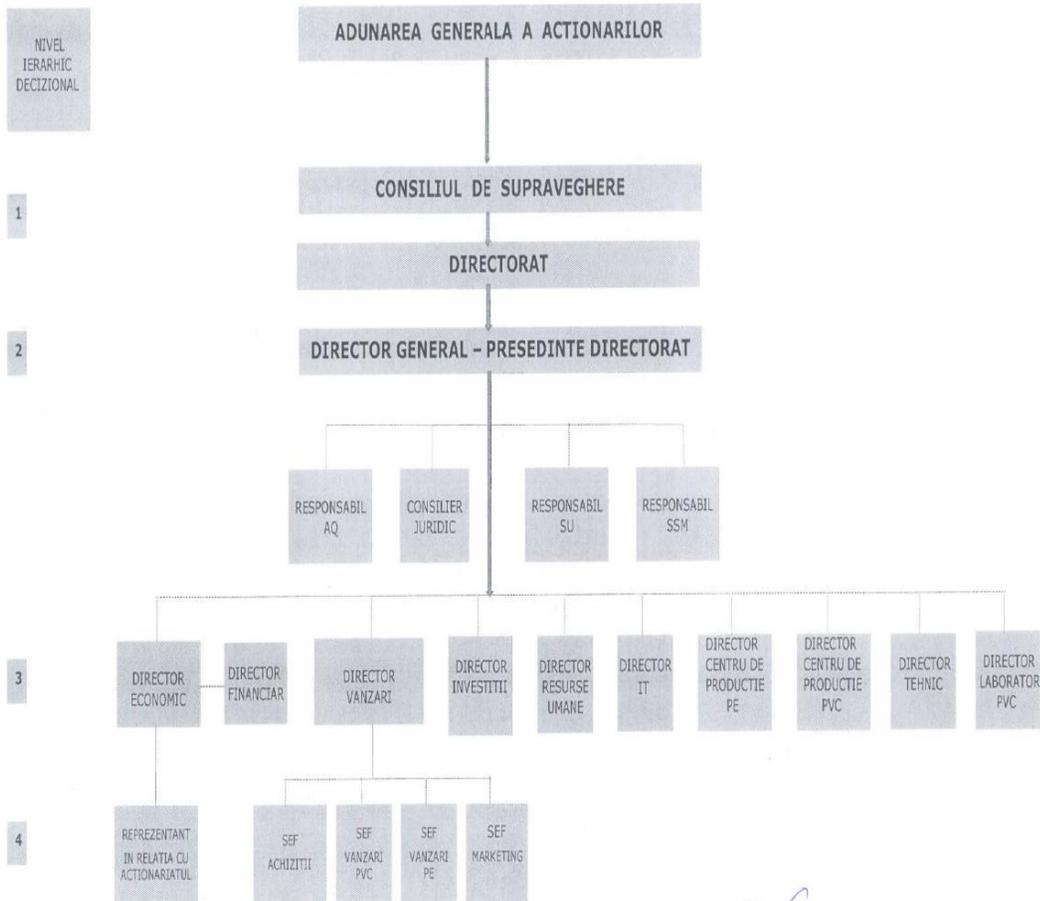
By means of its experience, professionalism and motivating its employees and with the help of its technologies and equipment and careful check of its products, PRODPLAST S.A. has the technical and human capacity of meeting the most exigent requirements of its customers.

PRODPLAST S.A. offers solutions for the problems of its customers.

2. GENERAL FRAMEWORK (cont.)

3. ORGANIZATIONAL CHART

DIAGRAMA STRUCTURALA SI FUNCTIONALA A S.C. PRODPLAST S.A.



2. GENERAL FRAMEWORK (cont.)

BASES USED FOR THE DRAFTING OF FINANCIAL STATEMENTS

The financial statements were drafted according to:

- International Financial Reporting Standards (IFRS) adopted by European Union
- Accounting Law no. 82 / 1991, republished and updated
- Order nr. 2844/2016 for the approval of Accounting Regulations with the International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as further amended and supplemented.

The members of the management consider that the company has the adequate measures to continue to function in the predictable future. Thus, the company adopts the principle of activity's continuity for preparing the financial statements.

The financial statements are drafted using their historic cost, excepting the tangible assets, other as tangible assets in progress, which are evaluated using the reevaluated value, while the financial assets held for the purpose of being sold and the ones for being traded are evaluated using the fair value.

The financial statements are presented in RON, as the presenting currency is the same with the functional currency of the company. The entire financial information is presented in lei, rounded, without decimals.

The transactions in foreign currency are registered in functional currency by using the exchange rate valid on transaction date. The monetary assets and debts existing on the date of preparing the financial statements are converted in RON using the exchange rates communicated by National Bank of Romania on December 31, 2016. The profit or loss resulted from settling the transaction and conversion of monetary assets and debts expressed in foreign currency are presented in the result of the year.

The exchange rates of the main foreign currencies were the following:

	2015	2016
EUR	4,5245	4,5411
USD	4,1477	4,3033

2. GENERAL FRAMEWORK (cont.)

Use of professional assessments and reasoning

The drafting of the financial statements according to IFRS adopted by European Union implies the use of some assessments and hypotheses by the company's management, affecting the application of the accounting policies as well as the reported value of assets, debts, revenues and expenses. The related assessments and reasoning are based on historical data and other factors considered to be indicative under the given circumstances and the result of these factors builds the reasoning basis used for establishing the book value of assets and liabilities for which there are not any other available assessment sources. The actual results may be different from the assessed values.

The assessments and reasoning are periodically revised. The revision of accounting assessments is acknowledged in the period of time in which the assessment is revised, provide the fact that the revision affects only that period of time or in the current and future periods of time, provided the fact the revision affects both the current period as well as the future periods of time. The effect of the current period related change is acknowledged as revenue or expense in the current period of time. If any, the effect on the future periods of time is acknowledged as revenue or expense in those future periods of time.

The company's management considers that the possible differences from these assessments shall not have a significant influence on the financial statements in the near future.

The assessments and hypotheses are especially used for adjusting the depreciation of fixed assets, held and cost evaluated securities, for adjusting the depreciation of stocks and receivables.

According to IAS 36, both intangible assets as well as tangible assets are analyzed for identifying if there are any depreciation indications on the balance sheet date. If the net book value is higher than its recoverable value, there is acknowledged a loss from depreciation for reducing the net book value of the respective asset at the level of the recoverable value.

If the reasons for acknowledging the loss from depreciation disappear in the future periods of time, the net book value of the asset is increased to the level of net book value, which would have been established if any loss from depreciation would not have been acknowledged.

For evaluating the depreciation of stocks, the management makes certain assessments regarding the use value of stock, taking into consideration the date of expiry, the possibility of being used in the current activity of the company and other specific factors of each stock category.

The assessment for depreciation of receivables is individually made and is based on the best assessment of the management regarding the current value of expected cash flow. The company revises the commercial receivables and receivables of other nature on each date of the financial

position, in order to evaluate if there must be entered a value depreciation in the profit and loss account.

2. GENERAL FRAMEWORK (cont.)

APPLICATION OF NEW AND REVISED FINANCIAL REPORTING INTERNATIONAL STANDARDS

Standards and interpretations in force in the current period

The following standards and amendments of the existing standards and construction issued by the Accountancy International Standards Committee (IASB) and adopted by the European Union are valid in the current period of time:

- Amendments to IFRS 10 “Consolidated financial statements”, IFRS 12 “Presentation of information on the interests in other entities” and IAS 28 “Investments in affiliated entities and joint ventures” – Investment companies: application of consolidation exception (applicable for the yearly periods of time starting on or after January 1, 2016);
- Amendments la IFRS 11 “Joint Ventures” –bookkeeping method of interests in jointly controlled entities “Joint Ventures” – adopted by EU on 24th of November 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);
- Amendments to IAS 1 “Presentation of Financial Statements” – initiative regarding the presentation requirements – adopted by EU on 18th of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);
- Amendments to IAS 16 “Tangible assets” and IAS 38 “Intangible assets” – Clarification regarding the acceptable amortization methods – adopted by EU on 2nd of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);
- Amendments to IAS 19 “Employee Benefits” – plans of defined benefits: contributions of employees, adopted by EU on 17th of December 2014 (applicable for the yearly periods of time starting on or after February 1, 2015);
- Amendments to IAS 27 “Individual financial statements” – equity method within the individual financial statements – adopted by EU on December 18, 2015 (applicable for the yearly periods of time starting on or after January 1, 2016);
- Amendments of different standards “IFRS Improvements (2011-2013 cycle)” resulting from the yearly project for IFRS improvement (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and

IAS 38) with the main purpose of eliminating the inconsistencies and clarifying some formulations – adopted by EU on 18th of December 2014 (applicable for the yearly periods of time starting on or after January 1, 2016);

2. GENERAL FRAMEWORK (cont.)

Standards and interpretations in force in the current period (cont.)

- Amendments to various standards “IFRS Improvements (2012-2014 cycle)” resulting from the yearly project for IFRS improvement (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistencies and clarifying some formulations – adopted by EU on 15th of December 2015 (applicable for the yearly periods of time starting on or after January 1, 2016).

The passing of these completions to the existing standards did not change the accountancy policies of the Company.

Standards and interpretations issued by IASB and adopted by EU, which are not yet in force

- IFRS 9 “Financial Instruments” – adopted by the EU on November 22, 2016 (applicable for annual periods of time starting on or after January 1, 2018).
- IFRS 15 “Income from contracts concluded with customers”, as further amended, and amendments to IFRS 15 “Effective date of IFRS 15” – adopted by the EU on September 22, 2016 (applicable for annual periods of time starting on or after January 1, 2018)
- IFRS 9 includes the requirements regarding the financial instruments, related to acknowledgement, classification and evaluation, depreciation losses, de-acknowledgement and covering accountancy against risks.
- Classification and assessment: IFRS 9 introduces a new approach on the classification of financial assets and consists of three main categories of financial assets: measured at amortized cost, at fair value by other elements of the global result, at fair value by the profit and loss account. The classification of IFRS 9 is determined by the characteristics of the cash flow and business model within which an asset is held. This unitary approach based on principles eliminates the classification categories of financial assets of IAS 39: held until maturity, credits and advances and financial assets available for sale. This new model shall determine the existence of a sole depreciation model applicable to all financial instruments as well.
- According to IFRS 9, derivatives incorporated in contracts, in which the host instrument is a financial instrument within this standard, not separate, but the entire hybrid instrument is considered for classification.
- Depreciation loss: IFRS 9 introduces a new model regarding the depreciation losses, based on expected losses, imposing the more rapid acknowledgement of the losses expected as a result from receivables depreciation. The standard provides that the entities register the expected depreciation losses corresponding to receivables from the moment of initial acknowledgement of the financial instruments and the more rapid acknowledgement of

the depreciation losses expected for their entire life duration.

2. GENERAL FRAMEWORK (cont.)

Standards and interpretations issued by IASB and adopted by EU, which are not yet in force (continuation)

- Coverage accountancy: IFRS 9 introduces a significantly improved model regarding the coverage accountancy, containing additional presentation requirements of information on the risks management activity. The new model represents a significant revision of the principles of coverage accountancy, allowing the alignment of the accountancy treatment to the risks management activities.
- Own credit risk: IFRS 9 eliminates the volatility from the profit and loss account caused by changing the credit risk corresponding to the debts evaluated to their real value. The change of the accountancy requirements of these debts assumes that the income generated by the deterioration of the own credit risk of an entity shall not longer be acknowledged as profit or loss.

Standards and interpretations issued by IASB, but not yet adopted by EU

At the date of reporting of these financial statements, IFRS as adopted by EU do not significantly differ by the regulations adopted by IASB, excepting the following standards, amendments and interpretations, whose applications was not yet approved by EU until the date of the authorization of these financial statements:

- IFRS 14 “Deferring account for regulated entities” (applicable for the yearly periods of time starting on or after January 1, 2016) – the European Commission decided not to initiate the process of adopting this interim standard, but to wait for the issuance of the final standard;
- IFRS 16 „Leasing” (applicable for the yearly periods of time starting on or after January 1, 2019);
- Amendments to IFRS “Payment based on shares” – Classification and assessment of transactions based on shares (applicable for annual periods starting on or after January 1, 2018), adoption is still on hold for the second half of 2017,
- Amendments to IFRS 4 “Insurance contracts” – The application of IFRS 9 Financial Instruments with IFRS 4 Insurance contracts (applicable for annual periods starting on or after January 1, 2018 or when IFRS 9 – “Financial instruments” is applied for the first time), adoption is still waited in 2019,
- Amendments to IFRS 10 “Consolidated financial statements” and IAS 28 “Investments in affiliated entities and joint ventures”- Sale of or contribution with assets between an investor and affiliated entities or its joint ventures and the subsequent amendments (the date of entering into force was postponed for an indefinite period of time, until completing the research project regarding the equity method).

2. GENERAL FRAMEWORK (cont.)

Standards and interpretations issued by IASB, but not yet adopted by EU

- IFRS 15 “Income from contracts concluded with customers” – Clarifications of IFRS 15 Income from contracts concluded with customers (applicable for annual periods starting on or after January 1, 2018), adoption is still waited for the second quarter of 2017;
- Amendments to IAS 7 “Cash flow statement” – initiative on presentation requirements (applicable for annual periods starting on or after January 1, 2017);
- Amendments to IAS 12 “Profit tax” – recognition of receivables on deferred tax from unachieved losses (applicable for annual periods starting on or after January 1, 2017),
- Amendments to IAS 40 “Real estate investments” – transfer of real estate investments (applicable for annual periods starting on or after January 1, 2018), adoption is still waited in the second half of 2017
- Amendments to various standards “Improvements of IFRS (cycle 2014-2016)”, which result from the annual improvement of IFRS project (IFRS 1, IFRS 12 and IAS 28), with the main purpose of eliminating inconsistencies and of clarifying certain formulations (amendments to IFRS 12 are applicable for annual periods starting on or after January 1, 2018), adoption is still waited in the second half of 2017;
- IFRIC 22 “Trading in foreign currency and Advance Consideration” (applicable for annual periods starting on or after January 1, 2018), adoption is still waited in the second half of 2017.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS

According to IFRS, International Accounting Standard 8 “Accounting policies, changes of accounting assessments and errors”, accounting policies represent the principles, bases, conventions, rules and specific practices applied by this entity for preparing and presenting the financial statements.

The company selected and frequently applies accounting policies for transactions, other events and similar conditions, excepting the case in which a standard or a construction specifically provide or allow, the classification of elements for which the application of some different accounting policies might be adequate. If a standard or a construction provide or allow such a classification, an adequate accounting policy must be selected and applied to each category in a consistent way.

The company changes the accounting policy only if the change:

- is imposed by a standard or by an interpretation, or
- has as result financial statements providing reliable and more relevant information on the effects of transactions, of other elements or conditions regarding the financial position, of financial performance or cash flows of the company.

We present a summary of the significant accounting policies sequentially applied for all periods of time presented in the financial statements:

1. Fixed Assets

The fixed assets are assets generating future economic benefits intended for being used for a period of time longer than one year, for the purpose of carrying out the entity’s activity.

The future economic benefits represent the potential to directly or indirectly contribute to the cash flow or cash flow equivalents to the entity.

1.1. Intangible Assets

According to IAS 38, an intangible asset is an identifiable, non-monetary asset without having a material base. An intangible asset fulfills the identification criterion if:

- it is separable, i.e. it may be separated or divided from the entity and sold, authorized, leased or exchanged, either individually or together with contract, an identifiable asset or an identifiable debt; or
- results from contractual rights or rights having another legal nature, notwithstanding if these rights are transferable or separable from entity or from other rights and duties.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

1. Fixed assets (cont.)

1.1. Intangible assets (cont.)

The separately purchased intangible assets are initially registered using the acquisition or production cost (direct labor), according to IAS 38. After the initial acknowledgment, the intangible assets are registered in accountancy registers using the cost minus the cumulated amortization and the loss resulted from depreciation, if any.

The intangible assets having an indefinite life expectancy are not amortized, but are subject of a depreciation test. The intangible assets having a definite useful life expectancy are amortized during the economic life expectancy and assessed for depreciation whenever there are signs of depreciation.

The amortization is calculated based on the linear method during the assessed life expectancy of the intangible asset. The majority of registered intangible assets are represented by software and licenses. The software is amortized for a period of time of 3 years and the licenses are amortized based on their validity (2 – 3 years).

The costs related to software maintenance are acknowledged as expenses within the period of time in which they are made.

The profit or loss resulted from derecognition of an intangible asset are calculated as a difference between the net revenues from assignation and their book value and are acknowledged in the profit and loss account when the asset is derecognized.

1.2. Tangible assets

Initial Assessment

The tangible assets are initially entered at the acquisition or construction cost and are presented at the net values for cumulated amortization and loss from cumulated depreciation.

The cost of acquired tangible assets is represented by the value paid for acquiring the respective assets as well as by other values of other directly attributable costs for bringing the assets at the location and in the required condition so that they may be operated in the way intended by the management. The costs of assets build by ourselves include the salary costs, materials, indirect production costs and other directly attributable costs for bringing the assets at the desired located and in the desired condition.

The subsequent expenses for repairing and maintaining the tangible assets paid for the purpose of providing their continuous use are acknowledged in the profit and loss account on the respective date.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

1. Fixed assets (cont.)

1.2. Intangible assets (cont.)

Initial assessment (cont.)

The subsequent expenses in form of investments made for tangible assets have as effect the improvement of their initial technical parameters and result in obtaining future economic benefits, additional to the ones initially assessed, are acknowledged as a component of the tangible asset and are amortized on the left life duration. The benefits may be either directly obtained by means of increasing the revenues as well as indirectly obtained by reducing the maintenance and operational expenses.

The expenses in form of investments made by the company for the leased buildings in the new location and used as production hall are entered as tangible assets and are amortized on the period of time of the lease contract.

Subsequent assessment

The company opted for using the model of reassessment for the assessment following the initial recognition of the tangible assets. According to model of reassessment, an element of tangible assets whose fair value may be assessed in a reliable way, must be entered into the accounts using the reassessed value, as this is the fair value on the reassessment ate minus any subsequent cumulated amortization and any losses cumulated by depreciation.

The reassessment must be regularly made in order to ensure the fact that the book value does not significantly differ from what it would have been established by using the fair value at the end of the reporting period of time.

Generally, the fair value of tangible assets is established based on market samples, by means of an assessment made by qualified professional assessors.

The company opted for reassessing the plots of land and building at least once every three years and for reassessing other categories of assets at least once every five years.

IAS 16 suggests that the annual reassessment may be require in case of significant and volatile changes of values.

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

The company performed the assessment of the fixed assets within the previous periods of time, as a result of the requirements imposed by normative acts (HG 26/1992, HG 500/1994, HG 983/1998, HG 1553/2003).

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

1. Fixed assets (cont.)

1.2. Intangible assets (cont.)

Subsequent assessment (cont.)

The last reassessment was entered into accounts of December 31, 2015 for the plot of land. The results have been registered based on the Assessment Technical Expertise Report prepared by an authorized assessment company. The decrease of the book value of the plot of land resulted from this reassessment was debited in the reassessment reserve, within the limit of the existing amounts from the previous assessment, and the uncovered difference was registered as an expense.

If the book value of the assets increases as a result of the reassessment, the increase is directly credited in own capital, as surplus from reassessment.

If the reassessment results in a decrease of the asset's value, this decrease is registered as a loss, provided that it does not diminish a previously registered surplus from reassessment.

If a positive reassessment balances a negative reassessment of the same asset, previously entered as expenses, the positive reassessment must be entered as revenues.

The surplus from reassessment corresponding to a tangible asset which was included in own capital is directly transferred in the carried forward result, provided that the surplus is obtained (amortized) also on the date of write-off or sale of the asset.

Amortization

The amortization of an assets begins when the respective asset is available for being used, i.e. when the asset may be found in the required location and state for being used a desired by the management.

The used method of amortization reflects the envisaged rhythm for consuming the future economic benefits of the asset by the unit.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

1. Fixed assets (cont.)

1.2. Intangible assets (cont.)

Amortization (cont.)

The corresponding amortization of the fixed assets belonging to patrimony is calculated using the linear method and the normal life expectancies provided by Law 15/1994 and Catalogue regarding the classification and normal working duration of the fixed assets approved by means of HG 2139/2004, i.e.:

- technologic equipment	8 – 12 years
- measuring, control and regulating devices and installations	4 – 12 years
- means of transport	5 – 10 years
- calculation technique	3 years
- furniture and work equipment	4 – 12 years
- constructions	24 years

For a part of the equipment and internal means of transport belonging to patrimony after 30th of June 2002, there was calculated the accelerated amortization according to paragraph (6), letter a), art. 24 of Law no. 571/2003 regarding the Fiscal Code and Law no. 15/1994 regarding the amortization of capital consisting in tangible and intangible assets, amended and republished.

For plots of land, no amortization is calculated.

Derecognition

The book value of an element of tangible asset is derecognized upon assignment or when future benefits from its use or assignment are no longer expected. The surplus from reassessment included in the own capital corresponding to an element of tangible assets is directly transferred in the carried forward result, whenever the assets is derecognized, upon assignment or writing off.

The profit or loss resulting from derecognition of an element of tangible assets must be included in profit or loss whenever the element is derecognized.

Financial Instruments

According to IAS 39, the financial instruments are divided into four categories:

- financial instruments at their fair value by means of profit or loss – are financial assets held for being traded;
- credits and receivables – are non-derived financial assets with fixed or determinable payments which are not rated on an active market, excepting the ones:

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

1. Fixed assets (cont.)

1.2. Intangible assets (cont.)

- the entity intends to sell immediately or in a short time (which must be classified as held for being traded) and the one the entity designates them as being at the fair value by means of profit or loss, upon the initial recognition;
- the entity designates them as available for being sold, upon the initial recognition; or
- the holder might not substantially recover the entire initial investment, for other reasons as the credit deterioration (which must be classified as available for being sold);
- investments held until due date – are non-derived financial assets with fixed or determinable payments and fixed due date for which the entity has the firm intention and capacity of keeping them until the due date;
- financial assets available for the purpose of being sold – all financial assets which are not included in any other above category.

1.3. The financial assets presented in the Statement of the financial position represent:

- participation titles held within SC Romtatay. They are unlisted shares and classified by the company as financial assets available for sale. The financial assets available for sale for which there isn't an active market and for which the establishing of a fair value, in a credible way, is not possible, are assessed according to their cost and are periodically tested for depreciation. In order to establish this, the company's management uses a series of arguments and takes into consideration if the value of the investment on the reporting date is smaller than its cost, the financial health and the short-term perspective of the entity, the technological changes and the operational and financing cash flows.
- shares bought from the capital market assessed at the fair value by means of capitals. They are indicated in the financial statements according to the quotation price on the last transacting day and the plus or minus differences are registered by means of capitals.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

2. Current assets

An asset must be considered as current asset if it meets one of the following requirements:

- a) it is expected to be obtained or is held for the purpose of being sold or consumed within the normal course of the company's cycle of operation;
- b) is mainly held for being transacted;
- c) it is expected to be obtained within 12 months following the balance sheet date;
- d) is represented by cash or cash equivalents whose use is not restricted.

The other assets must be considered as being fixed (non-current) assets.

2.1 Stocks

According to IAS 2 "Stocks", these are assets:

- held for sale within the normal activity;
- in course of production for sale within the normal activity;
- in form of raw materials, materials and other consumables to be used within the production process or for provision of services.

The raw materials, materials, packaging, inventory objects are entered using the acquisition price. The end products, unfinished production and semi-finished products are indicated in the balance sheet using the actual cost. If the book value of the stocks is higher than the inventory value, the value of stocks is diminished up to the net achievable value by means of constituting adjustments for depreciation. The net achievable value is assessed based on the sale price corresponding to normal activity, less the assessed costs for finishing the good and for sale.

The building and restart of adjustments for depreciation of stocks are made using the profit and loss account.

In case of output, the stocks are assessed and entered on the basis of weighted average cost method (CMP).

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

2. Current assets (cont.)

2.2. Commercial receivables and other receivables

The receivables are initially acknowledged at the nominal value.

For the purpose of being indicated in the annual financial statements, the receivables are assessed using the probable value to be cashed. Whenever it is estimated that a receivable shall not be cashed in full according to established due dates, there are entered adjustments for depreciations to the level of the amount which cannot longer be recovered. According to provisions of IFRS, the company must acknowledge the receivables using the maximum recoverable value (nominal value diminished by the adjustments for depreciation).

The building and recovery of adjustments for depreciation of receivables are made by means of profit and loss account. The losses as a result of depreciation acknowledged in the previous periods of time are assessed don each reporting date for establishing if there are any proofs regarding the diminishing or the inexistence of the loss. A previously entered loss resulted from depreciation is kept if there are not any changes of the assessments used for establishing the recoverable value.

The deregistering of receivables takes place as a result of their cashing or assignment to a third party. The current receivables may be deregistered also by mutual compensation of receivables and debts between third parties, under the observance of the legal provisions.

The deregistering of the receivables whose cashing terms are prescribed is made after the company obtains documents proving the fact that all legal measures have been taken for their recovery. The deregistered receivables are registered in the order and inventory account outside the balance sheet and still monitored.

2.3. Cash and cash equivalents

For preparing the Cash Flows Statement, the cash includes the available cash in lei and foreign currency and the current bank accounts. The cash equivalent represents deposits and investments with a high liquidity degree, on a period of time shorter than three months.

The cash and cash equivalent are reported in the Financial Position Statement as follows:

- the cash in lei and amounts in bank accounts as well as the cash equivalent are indicated using their nominal value;
- the amounts in foreign currency in bank accounts and the cash in foreign currency are re-assessed using the exchange rate communicated by National Bank of Romania on December 31, 2016. The exchange rate differences resulted from re-assessing the foreign currency are entered as revenues or

expenses.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

2. Current assets (cont.)

2.4. Current assets held for being traded

According to IAS 39 “Financial Instruments”, the financial assets at their fair value by means of profit or loss include the financial assets held for being traded and the financial assets designated upon their initial recognition as being at the fair value by means of profit or loss. The financial assets are classified as being held for the purpose of being traded if purchased for being sold in a short period of time.

The current assets held for being traded (shares) are indicated in the financial statements using the listing price on the last trading day and the differences are entered as not obtained revenues / expenses.

2.5. Assessment at fair value

According to IFRS 13, the fair value represents the price which might be cashed from selling an asset or paid for transferring a debit within a transaction regulated between the market participants, on the assessment date.

The assessment at the fair value is based on the principle that the transaction for selling the asset or transferring the debt:

- take place on a representative market for re-assessed assets or debts, or
- if there is not any representative market, there is used the most advantageous market for the respective assets and debts.

The principle of the most advantageous market must be accessible to the company.

An entity must assess the fair value of an asset or debt on the basis of hypotheses which might be used by the market participants upon establishing the price of the asset or debt, assuming that they act for obtaining maximum economic benefits.

The assessment at the fair value of a non-financial asset takes into consideration the capacity of the market participant to generate economic benefits by means of the best use of the asset or by its sale to another market participant, who might maximize the use of the asset.

An entity uses appropriate assessment techniques under the given circumstances and for which sufficient information is available for the purpose of making the assessment at the fair value.

maximizing the use of available relevant information and diminishing to minimum the use of data which is not available.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

2. Current assets (cont.)

2.5. Assessment at fair value (cont.)

All assets and debts assessed at the fair value in the financial statements must be framed in the hierarchy of the fair value, based on the nature of inputs, as follows:

- Level 1 – the listed prices for active markets for identical assets or debts which can be accessed by the entity on the assessment date;
- Level 2 – inputs, other as the prices listed on the market which are included in level 1, which are noticeable for asset or debt, either directly or indirectly;
- Level 3 – unnoticeable inputs for asset or debt.

At each reporting date, the company's management analyzes the value of assets and debts requiring re-assessment or updating of the fair value according to applied accounting policies.

The book value of the main assets and debts of the company (cash, commercial receivables and other receivables, commercial debts and other current debts) approximates their fair value on the reporting date, taking into consideration, that in majority of cases, the due date is shorter than one year.

2. Debts

A debt represents a company's current debt resulting from past events and whose settlement is expected to lead to an output of resources incorporating economic benefits.

A debt is acknowledged in accountancy and presented in financial statements whenever there is the probability that an output of resources bearing economic benefits shall result in settling a current debt (probability) and whenever the value at which this settlement is made may be assessed in a credible way (credibility).

Current debts are the debts to be paid within a period of time shorter than one year.

A debt must be classified as short-term debt, referred to as current debt, whenever one of the following requirements is met:

- a) it is expected to be settled in the normal course of the operating cycle of a company
- b) is mainly held for the purpose of being transacted;
- c) must be settled within 12 months following the balance sheet date;
- d) the company has not the unconditioned right to postpone the reimbursement of the debt for at least 12 months following the balance sheet date.

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

3. Debts (cont.)

All other debts must be classified as being **long-term debts**, even if they must be settled within 12 months following the balance sheet date, if:

- a) the initial term was for a period of time longer than 12 months;
- b) the company intends to refinance the long-term obligation by means of a refinancing agreement or by means of agreement for re-spacing out the payments, concluded before approving the financial statements for being published.

The company derecognize a debt, if the contractual obligations are paid, cancelled or expired.

3.1. Commercial debts

The commercial debts are the payments obligations for the goods or services purchased from suppliers during the normal course of activity. If the goods and services supplied in connection with the current activities have not been invoiced, but the delivery was made and their value is available, the respective obligation is registered as debt.

The debts generated by transactions in foreign currency are assessed in lei on the basis of the exchange rate on the date of making the transactions. The existing debts in foreign currency are converted in lei, on a monthly basis, using the exchange rate communicated by National Bank of Romania, valid at the end of the month.

3.2. Dividend distribution

The amounts representing dividends distributed from the net profit of the reporting period of time are highlighted in the next year in the carried forward result and after the General Meeting of Shareholders approves this purpose, they are indicated in account 457 "Dividends payable".

The distribution of dividends is acknowledged as debt in the financial statements of the company in the period of time in which the dividends are approved by the company's shareholders.

3.3. Benefits of Employees

The obligation regarding the short-term benefits granted to employees are not updated and are acknowledged as the corresponding service is provided.

The short-term benefits granted to employees include salaries, bonuses and corresponding contributions and are acknowledged as expenses whenever the services are provided.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

3. Debts (cont.)

3.3. Employee benefits (cont.)

The company makes payments on behalf of the own employees to the pension system of Romanian state, health insurances and unemployment fund while carrying out the normal activity.

The company is not engaged in any independent pension system and therefore it does not have any obligations in this regard.

Currently, the company does not grant benefits in form of participation of employees in profit or benefits in form of company's own shares.

Upon retiring, the company grants compensatory salaries registered on the date of their granting, i.e. in the last month in which the person is registered as employee before retiring.

3.4. Profit Tax including Deferred Tax

The profit tax corresponding to the year consists in current tax and deferred tax.

The profit tax is acknowledged in the global result statement or in other elements of the global result, provided that the tax corresponds to the elements acknowledged in the own capital

Current Profit Tax

The current tax to be paid is based on taxable profit of the year. The fiscal profit differs from the profit reported in the profit and loss account, as it excludes both the revenue or expense elements which are taxable or deductible in other years as well as elements which shall never become taxable or deductible.

The company must pay current profit tax according to valid Romanian legislation on the date of financial statements. Currently, the tax amounts to 16%.

Deferred tax

The deferred tax is constituted by using the balance sheet method for temporary differences of assets and debts (differences between the book values presented in the company's balance sheet and its fiscal base). The deferred tax related receivables is acknowledged only to the extent of probability of

obtaining taxable profit in the future, after offsetting the fiscal loss of previous years and the profit tax to recover.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

3. Debts (cont.)

3.4. Profit tax including deferred tax (cont.)

Deferred tax (cont.)

The receivables and debts regarding the deferred profit tax are offset whenever this right may be applied and when they correspond to the taxes levied by the same fiscal authority. If the probability of obtaining the receivables regarding the deferred profit tax is higher than 50%, then the receivables are taken into consideration. If not, then there is registered a value adjustment for receivables regarding the deferred tax.

4. Acknowledgement of incomes

The incomes are assessed according to IAS 18 at the fair value of the provided service or of the service to be provided, taking into consideration any commercial discounts and deductions allowed by the company. The value of the incomes obtained from a transaction is usually established by means of an agreement between the company and the buyer or the user of the asset.

4.1. The incomes from sale of goods are acknowledged at the time of meeting the following requirements:

- a) the company transferred to the buyer the significant risks and advantages resulting from the owning the goods;
- b) the company does not longer administer the sold goods if it would normally administer, in case of owning them and does not longer have the actual control over them;
- c) the size of incomes can be assessed in a reliable way;
- d) there is the possibility that the transaction related economic benefits are generated towards the company;
- e) the transaction costs may be assessed in a reliable way.

The incomes from current activities are acknowledged whenever there is the possibility that the company obtains in the future certain economic benefits and whenever these benefits may be assessed in a credible way.

The value of incomes resulted from a transaction is usually established by means of an agreement between the entity and the buyer or user of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

4. Acknowledgement of incomes (cont.)

4.2. Revenues from provision of services are acknowledged depending on the completion station of the transaction at the end of the reporting period of time. Therefore, the revenues are acknowledged within the period of time of providing the services.

The result of a transaction may be assessed in a reliable way, if the following requirements are met:

- a) the value of revenues may be assessed in a reliable way;
- b) there is a probability that the transaction related economic benefits are generated for the company;
- c) the execution stage of the transaction on the balance sheet date may be assessed in a reliable way;
- d) the costs born for the transaction and the costs for completing the transaction may be assessed in a reliable way.

4.3. Revenues resulted from use of entity's assets by third parties generating interests and dividends are acknowledged whenever there is a probability that the transaction relating economic benefits are generated for the entity and the amount of revenues may be assessed in a reliable way.

a) **Revenues from interests** are obtained by the company as remuneration for using its liquidities and liquidities equivalent by third parties. They are acknowledged on the basis of engagements accounting using the method of actual interest.

b) **Revenues from dividends** are obtained for holding shares or other instruments of own capital. They are acknowledged in case of establishing the company's right of cashing them, generally, upon approving the dividend.

5. Provisions

The provisions are constituted for current obligations towards third parties, whenever there is a probability that the respective duties are met and the required amount for settling the obligations may be assessed in a reliable way. The provisions for separate obligations are constituted at a value equal to the best assessment of the amount required for settling the obligation.

The provisions are divided into categories and are constituted for:

- litigations;
- guarantees granted to customers;
- restructuring;
- benefits of employees;
- other provisions.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

5. Provisions

Provisions for litigations

If the analysis made by the management together with the attorney-at-law regarding the chances of losing the trial by the company leads to the conclusion that the estimated losing chances are higher than 51%, there is constituted a provision at the credible estimated value.

Provisions for guarantees granted to customers

These provisions are constituted depending on the assessments made by the management and sales, technical and quality department with regard to the level of expenses for repairs made within the warranty period.

Provisions for restructuring

The default restructuring duty occurs if a company has an official detailed plan for restructuring marking out: the activity or a part of activity it refers to, the main affected locations, position and the approximate number of employees receiving indemnification for the cease of their activity, involved expenses, date on which the restructuring plan shall be implemented.

Provisions for benefits of employees

For untaken holidays, for other long-term benefits granted to employees (if provided in the employment contract), as well as the ones granted upon ending the employment contract, provisions are registered in the course of the financial years. Upon their recognition, the value of provisions shall be resumed by means of the corresponding income accounts.

Other provisions

There are registered other provisions in case of identifying any debts having an unknown due date or value and meeting the recognition requirements of provisions according to IAS 37, but which do not belong to any above identified categories.

At the end of each reporting period of time, the provisions are re-analyzed and adjusted so that they represent the best current assessment.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

6. The result of the exercise

In accounting, the profit or loss are established on a cumulative basis, from the beginning of the financial year, as difference between revenue and expenses.

The distribution of profit is made according to valid legal provisions. The legal reserve constituted from the gross profit is registered at the end of the current year. The profit remained after this distribution is carried forward at the beginning of the financial year following the year for which the yearly financial statements are prepared, in account 1171 "Profit/Loss carried forward"; from this account, the profit is distributed to other purposes established by the General Meeting of Shareholders, under the observance of legal provisions.

7. Earnings per share

IAS 33 “Earnings per Share” provides that if an entity submits both consolidated financial statements as well as separate financial statements, the presentation of the earnings per share is prepared only based on consolidated information. If the entity chooses to submit the earnings per share based on its separate financial statements, it must submit such information regarding the earnings per share only in case of global earnings.

The company presents the earnings per basic share for its ordinary shares. It is calculated by dividing the profit or loss assignable to holder of company’s ordinary shares to weighted mean of ordinary shares in circulation during the period of time (it is the number of shares in circulation at the beginning of the period of time adjusted by the number of shares bought back or issued in the respective period of time multiplied by a time weighing factor or the number of days in which the share have been in circulation, as proportion from the total number of days of the period of time respectively).

Earnings per share = net earnings / equity is the net earnings assigned to a share)

8. Legal reserve

According to Romanian legislation, the companies must distribute a value equal to minimum 5% from the profit before tax to legal reserves, until they reach 20% from equity. The legal reserve constituted in this way is deductible from calculation of the profit tax. If this reserve is totally or partially used for covering losses or for distributing in any form (for issuing of new shares), the reserve becomes taxable.

3. SIGNIFICANT ACCOUNTING POLICIES AND METHODS (cont.)

9. Reporting on segments

A company must present information for providing the users of the financial statements with the possibility of assessing both the nature and financial effects of the business activities they involve in as well as the economic environments in which they carry out their activity.

An operational segment is a distinct component of the company engaging in activities which might result in revenues and expenses, including revenues and expenses corresponding to the transactions with any other components of the company, subject to risks and benefits differing from the ones of the other segments. The company's main format for reporting using segments is represented by dividing the activities into segments.

According to IFRS 8 "Operating Segments", an activity segment is a component of an entity:

- engaging in business activities from which it may obtain revenues and which may lead to expenses (including revenues corresponding to transactions with other components of the same entity);
- whose results from activity are periodically examined by the main decisional operational factor of the company for the purpose of making decision regarding the allotting of resources for segments and assessing its performance, and
- for which there are available distinct financial information.

Taking into consideration the criteria for identifying both the activity segments as well as the quantitative thresholds described in IFRS 8, SC Prodplast SA has identified only one activity segment, i.e. production segment.

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

4. FIXED ASSETS

	Land and constructions	Installations, machines and equipment	Tangible assets in progress	Total tangible assets	Intangible assets	Financial assets	Advances of fixed assets	Total fixed assets
Cost								
Balance at 01.01.2015	6.535.739	17.461.175	151.881	24.148.795	110.894	1.425.729	-	25.685.418
Inputs	-	21.393	411.796	433.189	23.374	2.458	-	459.021
Outputs	(92.795)	(910.611)	(21.393)	(1.024.799)	-	(413.000)	-	(1.437.799)
Balance at 31.12.2015	6.442.944	16.571.957	542.284	23.557.185	134.268	1.015.187	-	24.706.640
Cumulated amortization								
Balance at 01.01.2015	231.077	13.228.267	-	13.459.344	107.319	-	-	13.566.663
Year amortization	210.964	929.776	-	1.140.740	749	-	-	1.141.489
Outputs	-	(753.970)	-	(753.970)	-	-	-	(753.970)
Balance at 31.12.2015	442.041	13.404.073	-	13.846.114	108.068	-	-	13.954.182
Adjustment for depreciation	-	-	(24.000)	(24.000)	-	-	-	(24.000)
Net accounting value								-
On 31.12.2015	6.000.903	3.167.884	518.284	9.687.071	26.200	1.015.187	-	10.728.458

Individual financial statements for the year ended on December 31, 2016

(All amounts are expressed in RON)

4. Fixed assets (cont.)

	Land and constructions	Installations, machines and equipment	Tangible assets in progress	Total tangible assets	Intangible assets	Financial assets	Advances of fixed assets	Total fixed assets
Cost								
Balance at 01.01.2016	6.442.944	16.571.957	542.284	23.557.185	134.268	1.015.187	-	24.706.640
Inputs	7.732.120	867.880	1.139.111	9.739.111	-	(41.407)	919.663	10.617.367
Outputs	-	(10.523)	(885.380)	(895.903)	-	-	-	(895.903)
Balance at 31.12.2016	14.175.064	17.429.314	796.015	32.400.393	134.268	973.780	919.663	34.428.104
Cumulated amortization								
Balance at 01.01.2016	442.041	13.404.073	-	13.846.114	108.068	-	-	13.954.182
Year amortization	249.417	740.518	-	989.935	583	-	-	990.518
Outputs	-	(10.150)	-	(10.150)	-	-	-	(10.150)
Balance at 31.12.2016	691.458	14.134.441	-	14.825.899	108.651	-	-	14.934.550
Adjustments for depreciation	-	-	(24.000)	(24.000)	-	-	-	(24.000)
Net accounting value								-
On 31.12.2016	13.483.606	3.294.873	772.015	17.550.494	25.617	973.780	919.663	19.469.554

4. Fixed assets (cont.)

1. The tangible assets put into operation in 2016 amounting to RON 867,880 mainly represent various production equipment.

2. The fixed assets existing on 31.12.2016, amounting to RON 19,469,554, consist in:

- intangible assets	25.617 lei
- tangible assets	17.550.494 lei

out of which:

- land (reassessed at 31.12.2015)	5.160.305 lei
- land (purchased in 2016)	2.254.300 lei
- constructions (Faur)	608.681 lei
- constructions (Buftea)	5.460.320 lei
- technical installations and machineries	3.232.403 lei
- other installations, equipment and furniture	62.470 lei
- tangible assets in course of execution	772.015 lei
- financial assets available for sale	891.000 lei
- fixed receivables	82.780 lei
- advances for fixed asset purchases	919.663 lei

The fixed assets reflected in the Statement of the financial position on 31.12.2016 are expressed using not-amortized remained value.

a) Intangible assets include computer operating licenses, antivirus, “PVC grains fabrication optimization” maintenance software and accounting – financial software.

The intangible assets are assessed in the Financial Position Statement according to basis treatment provided in IAS 38 (acquisition cost minus cumulated amortization).

b) Lands:

- o The plot of land existing in the patrimony of Prodplast SA located in Belciugatele Commune, Calarasi County, having an area of 91.242 m² with an opening of 145 m to DN3, registered in Land Register Book, within the built-up areas, industry, amounting to RON 5.160.305. The plot of land was re-assessed according to IFRS in January 2016 by a specialized company, registered in A.S.F. and A.N.E.V.A.R.

- The land in the Prodplast SA patrimony situated in Buftea, Ilfov, with a surface of 34.993 m², purchased in October 2016, registered in the Land Register Book, within built-up areas, industry, amounting to RON 2.254.300 lei.

4. Fixed assets (cont.)

- c) The tangible assets (without plot of land) existing on December 31, 2016 are registered using 240 positions consisting in 149 integrally amortized positions and 91 integrally not-amortized positions.
- d) The tangible assets in course of execution amounting to RON 796.015 consist in:
- Assets in course lands = RON 298.654
 - Assets in course constructions = RON 490.716
 - Video supervisory system in the Buftea location = RON 6.644

For assets in course land, it was constituted, in 2012, an adjustment of RON 24.000.

On December 31, 2016, the company did not re-assess the tangible assets, considering that the net value reflects the fair value on the date of the financial statements.

3. The tangible assets deregistered in 2016 amount to 910.611 lei at the inventory value, totally amortized.

4. Fair value of tangible assets

The tangible assets of the Company, other than the tangible assets in course, are presented in the financial statements at the reassessed value, these representing the fair value on the date of assessment, except the amortization and the depreciation adjustments.

The fair value of the lands of the Company was determined using the direct comparison method.

This method is recommended for real estate, when there are sufficient and safe data on the transactions or similar sale offers in the area. The analysis of the prices at which the transaction was performed or of the prices requested or offered for the similar real estate is followed by the performance of certain correction of the prices, in order to quantify the differences between the prices paid, requested or offered, caused by the differences between the specific characteristics of each real estate, name comparison elements.

The fair value of the buildings, equipment and measurement instruments was determined using the cost approach.

This method proposes that the maximum value of an asset for an informed buyer is the amount that is necessary in order to build or buy a new asset with equivalent utility. When the asset is not new,

from the gross current cost all the depreciation forms that may be attributed to it must be excluded, until the date of assessment.

4. Fixed assets (cont.)

Information on the hierarchy of the fair value on December 31, 2016 and December 31, 2015.

	Level 1	Level 2	Level 3	Fair value on December 31, 2016
Lands and design of lands	-	-	7.414.605	7.414.605
Building and special installations	-	-	6.069.001	6.069.001
Machineries and equipment	-	-	2.736.834	2.736.834
Measurement and control devices	-	-	91.257	91.257
Vehicles	-	-	404.313	404.313
Other tangible assets	-	-	62.470	62.470

	Level 1	Level 2	Level 3	Fair value on December 31, 2015
Lands and design of lands	-	-	5.160.305	5.160.305
Building and special installations	-	-	840.597	840.597
Machineries and equipment	-	-	2.829.195	2.829.195
Measurement and control devices	-	-	17.138	17.138
Vehicles	-	-	264.550	264.550
Other tangible assets	-	-	57.000	57.000

Both during 2016 and 2015, there were no transfers between the levels associated to the fair value.

5. Long term receivables, in the amount of RON 82.780 lei, represent guarantees to the location contracts for the spaces leased from SC Pro Faur and SC Faur, as well as to the lease contract for the retail store in Matca, Galati county.
6. The financial assets on 31.12.2016, in the amount of RON 891.000, classified by the company as financial assets available for sale, consist in:
 - RON 492.750 not listed shares held at S.C.Romtatay S.A.;
 - RON 398.250 listed shares purchased on the capital market, assessed at fair value on own capital

4. Fixed assets (cont.)

Information regarding SC Romtatay SA

SC Romtatay SA is a mixed Romanian – Spanish company having as objective the production of injected plastics articles, established in 1991, registered within the Register of Companies under no. J40/2798/1992, on the basis of Company’s Contract and Statute authenticated by State Notary Office of District 1 Bucharest under no. 11062/20.06.1991. In 2011, the Company’s Contract and the Statute unified and formed the Articles of Association, according to requirements of Law no. 31 / 1990 changed, registered at the Register of Companies by means of registration application no. 216873 / 31.05.2011.

The significant shareholders of SC Romtatay SA are:

- Plasticos Tatay Company – Spain = 54,45%
- Prodplast SA Company – Romania = 45,54%
- Other shareholders = 0,01%

The financial statements of SC Romtatay SA are prepared according to Accounting Law no. 82/1991, republished and completed and of MPF no. 1802/2014, shall be drafted in the national currency (RON) and shall be submitted to the Romanian authorities.

The main activity of SC Romtatay SA is “Manufacture of other plastic products”, NACE code 2229. The headquarters is located in Bucharest, district 2, 81 Nicolae Pascu Street.

According to the Articles of Incorporation art. 24 paragraph 14 letter f), the Supervisory Board is liable for appointing the representatives of SC Prodplast SA as well as for establishing their mandate in AGA and CA of Romtatay SA.

The results obtained by SC Romtatay SA are:

	2014	2015	2016
Turnover	8.742.000	9.105.000	11.701.000
Gross profit	819.000	442.000	(894,133)
Net profit	683.000	371.000	-

On the basis of decisions of AGA Romtatay SA and taking into consideration the participation quota (45,54%), SC Prodplast SA has taken over dividends as follows:

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(All amounts are expressed in RON)

	2000	2001	2002	2003	2008	2009	2011	2014	2015	2016	Total
Gros dividend	227.700	155.400	559.400	540.300	834.400	1.336.600	547.500	242.500	-	-	4.443.800
Net dividend	204.900	139.900	503.400	486.300	834.400	1.336.600	547.500	203.700	-	-	4.256.700

4. Fixed assets (cont.)

SC Prodplast SA does not draft consolidated financial statements with SC Romtatay SA, as the requirements provided in IAS 24 are not met, i.e.:

- entity which directly or indirectly,
 - controls or is controlled (or is under joint control) by another entity;
 - has significant influence and has joint control;
- entities which are branches of the reporting entity from IAS 27;
- entities which are branches of the reporting entity from IAS 28;
- entities which are joint ventures of the reporting entity from IAS 31;
- relationships between the key managerial personnel (including the managers and heads of the reporting entity and any other close members belonging to the family of these managers and heads) liable for planning, managing and controlling the activities of the reporting activities;
- entities in which persons (key management personnel or close members belonging to their family), including branches, associated companies or joint ventures have a substantial interest in voting capacity, both directly as well as indirectly;
- post-employment benefits plan for the employees of the reporting entity or for an entity which is an affiliated part of the reporting entity.

There are not met neither the requirements for preparing the consolidated financial statement provided in IAS 27, as SC Prodplast does not hold control (more than 50% from the voting power in CA and AGA Romtatay SA).

Control represents the authority of running the financial and operational policies of an entity for the purpose of obtaining benefits from its activity. The control is generally highlighted by one of the following elements:

- **Property.** The mother-company (directly or indirectly or by means of branches) holds more than 50% from the voting power of another entity. In such circumstances, it is assumed the existence of the control if the contrary cannot be proven.
- **Voting rights.** The parent entity holds more than 50% from the voting votes, by virtue of an agreement with the other investors.
- **Policies.** The parent entity has the authority to run the financial and operational policies of the entity, by statute or contract.

4. Fixed assets (cont.)

- **Board of Directors.** The parent entity has the authority to appoint or replace the majority of the members of Board of Directors.
- **Voting rights of the managing directors.** The parent entity has the authority to transmit the majority of the votes within the meetings of the Board of Directors.

IFRS 10 “Consolidated Financial Statements” provides as requirement for preparing the consolidated financial statements the existing of the control of the mother company over another entity (branch).

The financial assets available for sale for which there isn’t an active market and for which the establishing of a fair value, in a credible way, is not possible, are assessed according to their cost and are periodically tested for depreciation. On December 31, 2016, the company’s management did not identify factors leading to entering some depreciations of participation in the equity of SC Romtatay.

The information regarding the hierarchy of the fair value on December 31, 2016 and December 31, 2015 of the financial assets is presented as follows:

	Level 1	Level 2	Level 3	Fair value on December 31, 2016
Unlisted shares held	-	-	492.750	492.750
Listed shares on a capital market	-	398.250	-	398.250

	Level 1	Level 2	Level 3	Fair value on December 31, 2015
Unquoted shares held	-	-	492.750	492.750
Quoted shares on a capital market	-	442.500	-	442.500

5. STOCKS

The main categories of stocks are raw materials and consumable materials, finished products and goods. Upon inventory outflow, the stocks are assessed based on weighted average cost.

The stocks at the end of 2016 register an increase of RON 1.493.164 (31%) compared to those existent on 31.12.2015 due to the increase of the volume of the sales and of the entire level of the production activity in general. The following tables indicate the stocks according to their purchasing values and

their corresponding adjustments.

5. STOCKS (cont.)

Stock category (purchase value)	31-dec.-2016	31-dec.-2015
Raw materials and consumables	3.389.883	3.275.916
Finished products	2.110.039	1.122.708
Goods	752.922	448.212
Stock category (adjustments)		
Raw materials and consumables	-	(87.156)
Finished products	-	-
Goods	(16.917)	(16.917)
TOTAL	6.235.927	4.742.763

On the date of the financial statements, stocks are asses at the smallest value between cost and net value. For certain stocks of goods, adjustments for depreciation were constituted based on the operating expenses regarding adjustments of the current assets.

6. RECEIVABLES

1. COMMERCIAL RECEIVABLES

1.1. Commercial receivables and advances to suppliers

The receivables are registered at the nominal value and are highlighted in the analytic accounting for each legal or natural person.

The assessment of the receivables in foreign currency was made using the exchange rate communicated by National Bank of Romania for ending the financial year 2016. The favorable or not favorable differences between the exchange rate used for entering the receivables in foreign currency and the exchange rate on December 31, 2016 are entered in the corresponding accounts as revenues or expenses related to differences of exchange rate, as the case may be.

Commercial receivables depending on due date is presented as such:

	31-dec.-2016	31-dec.-2015
Receivables which did not exceed the due date	9.540.212	12.726.665
Receivables exceeding the due date - not adjusted	2.969.308	1.796.818

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Receivables exceeding the due date - adjusted	1.813.476	290.584
Adjustments for depreciation of receivables - customers	(1.540.094)	(271.027)
Commercial receivables - total	12.782.902	14.543.040

6. RECEIVABLES (cont.)

1. COMMERCIAL RECEIVABLES (cont.)

1.1. Commercial receivables and advances to suppliers (cont.)

Doubtful customers balance at 31.12.2016 amounting to RON 1.813.476.

Even though at the end of 2016 there was no sure risk of non-collection, in the first months of 2017, there were some cash flow problems from a few of the customers of the company. Moreover, in February 2017, two of the customers of the company have submitted requests of entering into insolvency (Romcab SA and Proenerg SRL), and a third one presents a high risk of non-payment and has proposed rescheduling of the payments. The three customers are insured against the risk of non-payment at the insurance company CESCE (one of the biggest insurance company in the entire world). Taking these into consideration, the management of the company has considered that it is necessary to register adjustments for depreciation of these customers and to transfer in the doubtful customers the value of RON 1.063.748 (the insurance companies compensate in a sub unitary proportion). If the companies go into bankruptcy or reduce the value of the receivables through the reorganization plan, the associated VAT shall be recovered from the due VAT to the State budget.

For covering the risk of non-recovering the amounts representing doubtful receivables, the company entered adjustments for depreciations. The company's accounting policy imposes the constituting of adjustments for depreciations for receivables exceeding 360 days.

1.2. OTHER RECEIVABLES

Other receivables mainly represent amounts to collect for medical leaves (RON 25.161), VAT under settlement (RON 68.517 – in 2015, the amount was of RON 56.667), VAT to be recovered (RON 290.376), sundry debtors (RON 445.527 – in 2014, the amount was of RON 334.008) and RON 317.693 tax on deferred profit.

There are constituted adjustments for depreciations – sundry debtors for the amount of 311.883 lei representing the payment made on 17th of December 2012 to Open Mind Design SRL for acquisition of polyethylene (base on Contract of Sale no. 8/14th of December 2012). The supplier neither made the delivery nor reimbursed the paid amount (the promissory note left as guarantee by the seller was not executed because of insufficient available money in the bank account).

7. CURRENT FINANCIAL ASSETS

The current financial assets represent trading assets (shares) bought on the capital market. They are classified by the company as «financial assets assessed at the fair value by means of profit and loss» (according to IAS 39).

The shareholders of SC PRODPLAST SA decided the investing of a part of the liquidity surplus in form of short-term investments on the capital market for the purpose of their efficient valuation depending on the opportunities existing on the capital market (in 2007 => 2 mil euro, in 2009 => 3 mil euro, 2012 => 7,5 mil euro).

7. CURRENT FINANCIAL ASSETS (cont.)

During 2016, shares in the amount of RON 4.080.539 were bought and no shares were sold. The actions held are assessed at a quotation value (fair value – level 1) from the last day of trading of the reporting period, and the value differences are registered at financial incomes or expenses, as appropriate.

The decisions on purchase were taken by the Supervisory Board based on the proxy received from the shareholders.

8. CASH AND ACCOUNTS AT BANKS

S.C. Prodplast S.A. has current accounts in lei and foreign currency (EURO, USD) opened with BCR, BRD, ING, Raiffeisen, Unicredit and Treasury totally amounting to RON 6.275.876 (December 31, 2015: RON 10.598.659) and cash and other values in the amount of RON 77.553 (December 31, 2015: RON 86.663).

The available amounts in foreign currency and the receivables in foreign currency in balance at 31.12.2016 have been assessed at the exchange rate of NBR for the last bank day of 2016, and the currency differences were included in the Statement of the global result at incomes, respectively, financial expenses.

9. EXPENSES IN ADVANCE

The expenses in advance existing on 31.12.2016, in the amount of RON 200.508 (December 31, 2015: RON 137.450), refer to the subscription for publications, road taxes, vehicle insurances, insurances for stocks and equipment, liability insurances, professional liability insurances for Directorate and Supervisory Board, commissions for maintaining at BVB quota, rents registered in advance etc. They shall be borne by installment, according to expenses accounts in the financial year 2017.

10. OWN CAPITAL

1. The current equity of S.C. Prodplast S.A. amounting to RON 17.072.385 is the result of the detachment operation approved by Extraordinary General Meeting of Shareholders dated 19th of August 2008, by whose means the company SC Prodplast Imobiliare SA was established.

The equity is totally subscribed and consists in 17.072.385 dematerialized nominative shares. The nominal value of a share is RON 1.

During 2016, the company did not issue preferential shares or shares with right to vote and without right to dividends. The company also did not redeem any shares and did not issue any bonds.

10. OWN CAPITAL (cont.)

The shares of SC Prodplast SA are listed from 1997 on the Bucharest Stock Exchange market, at the standard category, PPL symbol. .

During 2016, a number of 50.222 shares were traded, in 194 transactions, with a total value of RON 125.081,79, and the weighted average prices of the shares of RON 2,4906/shares. The last price of the PPL shares on the main market was of RON 2,65, registered on 30.12.2016.

The structure of shareholders on 31.12.2016 was the following:

NAME	No. of shares 31.12.2016	Weight
S.C. NORD S.A	5.631.522	32,99%
S.I.F. OLTENIA	4.702.595	27,55%
FLOREASCA DEVELOPEMENT SA	2.003.188	11,73%
Other legal person shareholders	3.575.143	20,94%
Other natural person shareholders	1.159.937	6,79%
TOTAL	17.072.385	100%

	31-dec.-2016	31-dec.-2015
Legal reserves	3.125.261	3.033.371
Statutory reserves	20.757.029	20.757.029
Other reserves	19.678.570	13.904.491
Reserves - total	43.560.860	37.694.891

- The legal reserves on 31.12.2015 in the amount of RON3.033.371 represent drawings from the gross profit achieved during 1993-2013. During 2015, a legal reserve amounting to RON 446.034 was registered

In 2016, a legal reserve in the amount of RON 91.890 was registered.

The legal reserve registered until today represents 18,20% from the equity and falls under the provisions of art. 183 of Law no.31/1990 regarding companies, as further amended and supplemented.

10. OWN CAPITALS (cont.)

3. The statutory reserves on December 31, 2016 indicated in Financial Position Statement consists in net profit obtained during 1998 – 2009. In 2005, a part of the statutory reserves was included in the equity (5.828.178 lei) by means of using shares granted free of charge to the shareholders existing on the registration date according to the decision of the shareholders. The statutory reserves constitute the main available funds for the future equity increases or for covering the losses.
4. Other reserves amounting to RON 19.678.570 were constituted during 1993 – 2016, mainly from the following sources:
 - profit of S.C. Prodplast S.A. and reinvested by S.C. Romtatay during the period of time 1992 – 1994;
 - increase of the value of participation titles in S.C. Romtatay S.A. resulted from the equity increase for S.C. Romtatay S.A. (December 1997);
 - differences between taxable revenues (favorable differences of exchange rate) and non-deductible expenses (non-favorable differences of exchange rate) resulted from the assessment of liquid foreign currency existing on December 31, 2001;
 - 50% reduction of the profit tax corresponding to the fixed assets received in 2002;
 - distribution from the net profit to own financing sources.

11. DEBTS

1. SHORT TERM BANK CREDIT

In August 2016, SC Prodplast concluded a contract with ING Bank SA for an overdraft facility amounting to RON 5.000.000 and has increased the amount that it may access to RON 9.000.000, for a period of one year.

On December 31, 2016, the balance of the bank loan account is 0 lei.

In October 2016, Prodplast has accessed a credit in the amount of RON 6.898.158, from ING, with the purpose of purchasing a real estate consisting in land and building in Buftea. The short-term part (due in the following 12 months) associated to this loan is of RON 431.135.

11. Debts (cont.)

2. COMMERCIAL DEBTS AND RECEIVED ADVANCE PAYMENTS

The debts are registered using the nominal value and highlighted in the analytical accounting for each physical or judicial person. On December 31, 2016, the company does not have any outstanding for which it should pay interests or penalties for delay. The debts in foreign currency have been assessed based on the valid exchange rate at the end of the year and the exchange rate differences have been acknowledged as revenues or expenses.

The commercial debts existing on December 31, 2016 register a value close to the one at the beginning of the year.

3. OTHER CURRENT DEBTS

The debts towards personnel and corresponding contributions represent debts corresponding to December 2016 and paid in January 2017.

Other debts include profit tax (RON 498.815) and sundry debtors (RON 316.421) representing distributed dividends from the net profit during 1996-2006 and not paid.

4. LONG TERM DEBTS

In October 2016, Prodplast has accessed a credit amounting to RON 6.898.158, from ING, with the purpose of purchasing a real estate consisting in land and building in Buftea. The conclusion of the credit contract and the procurement of the real estate were approved within the Extraordinary General Meeting of the Shareholders from 14.09.2016. The credit is for a period of 5 years. The long-term part associated to the loan is of RON 6,467,023.

Adjustment of assets, debts and own capitals according to IAS 29 and IAS 36

In the financial statements drafted on December 31, 2016, the following adjustments were made:

1. The land from Belciugatele existing in the company's patrimony was reassessed at the market value on December 31, 2015 by a specialized company registered in CNVM and ANEVAR.
2. There have been made adjustments amounting to RON 24.000 for tangible assets in a Relocation Solutions Study presented in Note no. 3.

3. Other adjustments refer to:

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- depreciation of goods	= 16.917 lei
- depreciation of receivables - customers	= 1.813.476 lei
- depreciation of receivables – sundry debtors	= 311.883 lei

11. Debts (cont.)

Adjustment of assets, debts and own capitals according to IAS 29 and IAS 36

4. The current financial assets are adjusted at the value from the last trading day at BVB (held shares) or depending on the exchange rate of National Bank of Romania in the last baking day (bank deposits in foreign currency) and the favorable or non-favorable differences are entered in the Global Result Statement.

5. The debts are recent and do not require adjustments.

6. The company did not adjust the non-monetary elements according to IAS 29, as they were periodically assessed and the values were included in the equity on the respective dates.

The company reassessed the fixed assets in the previous periods of time, depending on inflation indexes, as a result of the requirements imposed by normative acts (HG 26 / 1992, HG 500 / 1994, HG 983 / 1998 – the differences from reassessment increased the equity), HG 1553 / 2003.

12. OPERATING INCOMES

In 2016, the operating incomes increased with 17% compared to the previous period, mainly, due on sales.

1. Sale incomes

The income from sales obtained in 2016 increased with RON 7.765.682 (16 %) compared to those in 2015.

Geographic analysis of sales

	Year ended on 31.12.2016	Year ended on 31.12.2015
Sales on internal market	47.912.382	44.589.275
Sales on external market	9.758.004	5.315.429
Sale incomes –total	57.670.386	49.904.704

2. Other operating incomes

The sales of raw materials and materials, waste materials, equipment are higher in 2016, compared to 2015 with RON 1.135.347.

13. OPERATING EXPENSES

Operating expenses in the amount of RON 56.875.705 registered in 2015, represent a weight of 77,25 % of the total of expenses, being directly connected with the object of activity of the company (production). On elements of expenses, the changes were different.

1. Expenses for raw materials and consumable materials

The expenses for raw materials and consumable materials increased by 9 % in 2016, compared to 2015 from RON 36.292.892 to RON 39.472.966. These represent a weight of 69 % from the total of operating expenses.

2. Expenses with the personnel

In 2015, the expenses with the personnel were in the amount of RON 4.190.164 were higher with 22 % compared to those registered in the previous year, due to the increase of the physical volume of the production and the profitability of the company. The expenses with personnel hold a weight of 7% from the total of the operating expenses.

3. Expenses for adjustments for depreciation and amortization

Expenses with adjustments for depreciation and amortization highlighted in 2016 have increased with 49% compared to 2015 (RON 2.162.550 in 2016 compared to RON 1.449.200 in 2015), mainly because of the registration of adjustments for depreciation of receivables.

4. External services expenses

The expenses for other services provided by third parties in 2016 increased with 43 % compared to the previous year. Within the external services expenses, the most important ones are the transport expenses associated to sales (41%) RON 1.045.753, followed by the lease expenses (34%) RON 859.021 and expenses with insurance premiums (7%) RON 165.466.

In 2016, the operating incomes have exceeded the operating expenses with the amount of RON 3.836.295 (operating profit). In 2015, the operating result was of RON 1.533.063.

14. FINANCIAL INCOMES AND EXPENSES

1. Earnings/losses from current financial assets

Earnings from current financial assets	Year ended on 31.12.2016	Year ended on 31.12.2015
Earnings/losses achieved from traded financial assets	-	173.168
Incomes not achieved from the assessment of financial assets held for trading at market value	14.065.039	7.445.348
Expenses not achieved from the assessment of financial assets held for trading at market value	(16.319.486)	(1.099.603)
Earnings/losses from current financial assets -total	(2.254.447)	6.518.913

2. Other financial incomes

Other financial incomes	Year ended on 31.12.2016	Year ended on 31.12.2015
Incomes from exchange rate differences	284.810	232.520
Incomes from dividends	374.917	1.023.102
Incomes from interests	12.685	31.448
Incomes from obtained discounts	12.152	1.510
Other financial incomes - total	684.564	1.288.580

3. Other financial expenses

Other financial expenses	Year ended on 31.12.2016	Year ended on 31.12.2015
Expenses from exchange rate differences	(332.668)	(319.147)
Expenses with interests	(2.763)	(42.894)
Expenses with bank commissions	(73.790)	(63.996)
Expenses from discounts granted	(19.396)	13.390
Other financial expenses - total	(428.617)	(412.647)

14. FINANCIAL INCOMES AND EXPENSES (cont.)

In 2016, the financial incomes were smaller than the financial expenses, resulting in a financial loss of RON 1.998.500 (December 31, 2015: financial profit of RON 7.394.847).

The registered incomes from dividends in 2016 refer to the dividends collected by SIF Oltenia.

The fluctuation of the exchange rate during 2016 has generated favorable exchange rate differences amounting to RON 284.810 and unfavorable exchange rate differences amounting to RON 332.668, the influence in the financial result being negative (RON -47.858).

15. PROFIT TAX

The profit tax for the years 2016 and 2015 is as follows:

	Year ended on 31.12.2016	Year ended on 31.12.2015
Expense with current profit tax	498.815	1.132.284
Net income from the deferred profit tax	317.693	-
	816.508	1.132.284

The tax profit was calculated according to legal provisions by applying 16% for the difference between the company's revenues and expenses plus non-deductible expenses and minus non-taxable revenues and calculated legal reserve. As regards the expenses for limited deductibility (social expenses, entertainment expenses and sponsoring expenses) for neither category the admissible legal limit was not exceeded.

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15. PROFIT TAX (cont.)

No	Description	Year ended on 31.12.2016	Year ended on 31.12.2015
1	Total income of the year	75.651.322	84.698.505
2	Total expenses of the year	73.813.527	75.770.595
3	Gross result of the year (1-2)	1.837.795	8.927.910
4	Constituted legal reserves (3 x 5%)	91.890	446.034
5	Total non-taxable revenues	189.720	726.108
6	Total non-deductible expenses	1.561.408	615.180
7	Taxable profit / fiscal loss (3 - 4 - 5 + 6)	3.117.594	8.370.949
8	Fiscal loss to recover from previous years	-	(2.013.058)
9	Total taxable profit / fiscal loss (7 + 8)	3.117.594	6.357.891
10	Calculated profit tax (9 x 16%)	498.815	1.017.263

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15. PROFIT TAX (cont.)

The table regarding debts with deferred taxes in 2016 and 2015 is as follows:

Elements	Balance at January 1, 2015	Recognized in profit and loss	Recognized directly in AERG	Balance at December 31, 2015	Recognized in profit and loss	Recognized directly in AERG	Balance at December 31, 2016
Provisions and value adjustments	-	-	-	-	(317.693)	-	(317.693)
Tax (active)/debt	-	-	-	-	(317.693)	-	(317.693)

The deferred tax consists in:

	Active		Debt		Net	
	31-dec-16	31-dec-15	31-dec-16	31-dec-15	31-dec-16	31-dec-15
Provisions and value adjustments	(317.693)	-	-	-	(317.693)	-
Net tax (active)/debt	(317.693)	-	-	-	(317.693)	-

16. RESULT PER SHARE

The result per share is a primary variable used for assessing the performance of an entity. It allows the investors to make exact comparisons of the results of entities carrying out their activity in various sectors and industries.

IAS 33 applies to entities whose shares are rated on the capital market.

The result per share represents the participation of each ordinary share of an entity in the profit or loss of the company during the reporting period of time.

The result per share in 2016 is of RON 0,0784/share.

The diluted result per share represents the profit or loss assignable to each ordinary share and potential ordinary share in circulation on the reporting date.

The diluted result per share in 2016 equals the basis earning per share as the number of shares in circulations is not affected by additional rights / obligations.

During 2007 – 2016 there have not been distributed any dividends, as the net profit was distributed to own sources required for financing the investments.

17. PROFIT DISTRIBUTION

The activity of year 2016, ended with a total gross profit of RON 1.837.795, out of which:

- Profit from operational activity = RON 3.836.295 lei
- Profit from financial activity = RON 1.998.500 lei

We propose the General Meeting of Shareholders the use of the profit of 2016 to be distributed to reserves (own financing sources).

18. INFORMATION ON EMPLOYEES, ADMINISTRATORS AND DIRECTORS

1. SC Prodplast SA does not have any kind of obligations regarding the payment of pensions to former directors and/or managing directors, members of Directorate and Supervisory Board, did not grant any advance payments or credits to directors and/or managing directors and did not issue any guarantees on their behalf. In 2016, the salaries paid to employees with management powers for the provided services amount to RON 683.307, and in 2015 to RON 370.651.

18. INFORMATION ON EMPLOYEES, ADMINISTRATORS AND DIRECTORS

2. The status of employees with an employment contract in 2016, compared to the last three years, is the following:

	2013	2014	2015	2016
- annual average number of employees	67	73	65	69
- number of employees at the beginning of the year	23	74	65	67
- number of employees at the beginning of the year	74	65	67	71
consisting in:				
- qualified workers	35	30	32	34
- personnel – university studies	17	14	14	16
- foremen and technicians	6	13	13	13
- personnel – high-school studies and other classification	16	8	8	8

During 2016, 10 employees left the company (1 person as a result of retiring, 1 person as a result of death, 2 persons as a result of contract expiry and 5 persons from resignation) and 14 persons were hired.

During 2016, meal tickets were granted for all the employees with employment contract, at the maximum level permitted by law.

19. AFFILIATED PARTIES

On December 31, 2016 and December 31, 2015, the Company does not present balances and transactions with the affiliated parties (Nord SA, Prodplast Imobiliare SA, Floreasca Development SA, Romtatay SA).

The company holds shares within Romtatay company totally amounting to RON 492.750, representing a participation of 45,54% from the total share capital of this company.

20. MEASURES REGARDING THE RISK MANAGEMENT (IFRS 7)

The main financial debts of the company include bank credit, commercial debts and other debts. The main purpose of these financial debts consists in financing the company's operations and providing guarantees for carrying out its activities.

The main financial assets of the company are commercial receivables, cash and cash equivalent and financial assets held for transactions.

20. MEASURES REGARDING THE RISK MANAGEMENT (IFRS 7) (cont.)

On December 31, 2016, it is estimated that the book value is approximately equal to fair value for all assets and financial debts of the company, because of the short due dates as well as because of the fact that the shares held in the listed company have been adjusted to the market value on the reporting date.

Credit risk – refers to the risk that a third party infringes upon its contractual duties and therefore causing financial losses for the company. It mainly results from receivables to customers, cash and cash equivalent.

The balance of receivables is monitored at the end of each month and every major delivery to a customer is analyzed. The depreciation indexes are permanently analyzed, based on intervals of payment delays and other specific information about the company's customers.

There was instituted a system for assessing the (existing and new) customers by means of checking certain data bases of the Ministry of Public Finances, analysis if the financial statements, reliability reports prepared by specialty companies, request of guarantees (promissory note, bank guarantee letters etc.). The large number of customers and the diversity of their activity fields imposed the above-mentioned measures.

The company concluded with the insurance company CESCE a commercial risk insurance for important customers.

At the end of the reporting period of time, the maximum value of exposure to credit risk was:

	Year ended on 31.12.2016	Year ended on 31.12.2015
Customers and other receivables	13.166.343	14.543.040
Cash and cash equivalents	6.353.429	10.698.779
Total	19.519.772	25.241.819

Liquidity risk – is the risk that the company encounters difficulties in fulfillment the duties related to financial debts which are settled in cash.

The company's approach regarding the liquidity risk consists in ensuring as much as possible that it has anytime sufficient liquidities for paying the debts on their due date. For counterbalancing this risk factor, the management applied restrictive policies for delivering the products to doubtful customers, requested in certain case the payment in advance of the delivered products and made a careful selection of the new customers depending on reliability and financial discipline. In case of

delivery contracts, there have been requested guarantees and the company tried to reduce the number of days established by contract for paying the receivables by the company's customers.

20. MEASURES REGARDING THE RISK MANAGEMENT (IFRS 7) (cont.)

On 31.12.2016, the financial debts of the company had the following maturities:

	Value	Maturity < 1 year	Maturity > 1 year
Long term loan	6.898.158	431.135	6.467.023
Suppliers and other debts	4.949.835	4.949.835	-
Total	11.847.993	5.380.970	6.467.023

Fair value of financial instruments

The fair value is the value of the financial instrument which may be used for exchanging it within ordinary transactions performed under objective conditions between the interested parties, other as the ones caused by winding up or forced sale. The fair values are obtained from the listed market prices or cash flow models, as the case may be. On December 31, 2016 and December 31, 2015, the management considers that the fair values of cash and cash equivalents, commercial receivables and other receivables, commercial debts, loans as well as of other short-term debts approximately amount to their book value. The book value of loans is the depreciated cost.

Financial assets on 31.12.2016	Book value	Fair value	Level
Commercial receivables	13.166.343	13.166.343	Level 1
Other net receivables	882.436	882.436	Level 1
Cash and cash equivalents	6.353.429	6.353.429	Level 1
TOTAL	20.402.208	20.402.208	

Short term financial debts 31.12.2016	Book value	Fair value	Level
Suppliers, including suppliers of assets	3.652.915	3.652.915	Level 1
Loans	431.135	431.135	Level 1
Amounts owed to employees and other debts	865.786	865.786	Level 1
TOTAL	4.949.836	4.949.836	

Financial assets on 31.12.2015	Book value	Fair value	Level
Commercial receivables	14.543.040	14.543.040	Level 1
Other net receivables	129.544	129.544	Level 1
Cash and cash equivalents	10.698.779	10.698.779	Level 1
TOTAL	25.371.363	25.371.363	

20. MEASURES REGARDING RISK MANAGEMENT (IFRS 7) (cont.)

Shor term financial debts on 31.12.2015	Book value	Fair value	Level
Suppliers, including suppliers of assets	3.370.301	3.370.301	Level 1
Amounts owed to employees and other debts	2.121.250	2.121.250	Level 1
TOTAL	5.491.551	5.491.551	

Foreign currency risk – is the risk of entering some losses or not achievement of the assessed profit as a result of unfavorable fluctuations of the exchange rate. The foreign currency risk corresponds to receivables, debts, cash and cash equivalent in foreign currency.

The company is exposed to foreign currency risk especially related to Euro and American Dollar, because of the fact that the raw materials are mainly imported.

The following table presents in detail the company's sensitivity in case of a 5% increase or decrease of EUR and USD exchange rate. The sensitivity analysis contains only the monetary balance sheet elements expressed in foreign currency, outstanding on the reporting date and adjusts their translation at the end of the period of time in case of a 5% change of the exchange rates.

31.12.2016	RON	EURO	USD
Customers and other receivables	13.562.822	167.399	-
Cash, cash equivalents	5.747.908	112.365	2.693
Total financial assets (A)	19.310.730	279.764	2.693
Bank loan	431.105	-	-
Suppliers and other debts	2.070.371	250.761	-
Total financial debts (B)	2.501.506	250.761	-
Net position, in original currency (A-B)	16.809.224	29.003	2.693
Exchange rate	1	29.003	2.693
Net position, in functional currency	16.809.224	29.003	2.693
Reasonable variation of exchange rate (+/-) 5%	-	1.450	135
Effect in Global Result Statement	-	(-/+) 1.450	(-/+) 135

Market risk - SC Prodplast SA is exposed to market risk regarding the evolution of the prices of shares on the capital market, for the shares held on December 31, 2016, evolution of exchange rate variations for the bank deposits in foreign currencies as well as regarding the supply and sales operations in foreign currencies settled before or after delivery.

For limiting the effects of the market risks, the company's management makes analyses based on prognosis regarding the stock exchange and exchange rates evolutions.

21. INFORMATION ON THE CAPITAL MANAGEMENT

1. SC Prodplast SA is not the object of any external provisions regarding the capital administration. The company's objectives regarding the capital administration refer to maintaining the company's capacity to continue its activity for the purpose of providing the shareholders with indemnification and the other interested parties with benefits and for maintaining an optimal structure of the capital for reducing the capital costs.

The company monitors the capital based on indebtedness, calculated as net debt divided to total capital.

Net debt = total loans (current loans and long-term loans) minus cash and cash equivalent

Total capital = own capital plus net debt

		UM	Year ended on 31.12.2016	Year ended on 31.12.2015
1	Total loans	RON	6.898.158	-
2	Cash and cash equivalent	RON	6.353.429	10.698.779
3	Net debt (1 - 2)	RON	544.729	(10.698.779)
4	Total own capitals	RON	61.711.278	60.098.855
5	Total capital (3 +4)	RON	62.256.007	49.400.076
6	Indebtedness (3 / 5*100)	%	0,87%	x

2. The company has as objective the building of the legal reserves within the limits and under the conditions provided by art. 183 of Law no. 31/1990 regarding the companies, as subsequently changed and completed. This objective was reached in the financial years in which profit was obtained.

22. TAX LEGAL FRAMEWORK

The Romanian tax legal framework and its implementation changes frequently and is subject of some different interpretations of control authorities. The profit tax statements are subject to revision and corrections made by tax authorities, in general for a period of time of five years following the date of their filling in. The management considers that the tax duties are adequately entered in the financial statements; nevertheless, there is still the risk that the tax authorities adopt different positions regarding the interpretation of these aspects. Their impact could not be established on this date.

23. COMMITMENTS AND CONTINGENTS

1. Guarantees for contractual obligations

The overdraft and the investment credit contracted from ING Bank are guaranteed by means of mortgage agreements for the company's assets, namely: raw material stocks, materials, goods, finished products, bank accounts opened by the company with ING Bank, accounts receivables resulted from the contracts concluded by the company with its customers etc.

2. Insurances

In 2016, the company concluded the following insurances:

- third party liability insurance,
- commercial risk insurance,
- professionals risk insurance for the members of Directorate and Supervisory Board valid for the mandate's duration
- insurances for all assets pledged in bank's favor for the contracted credit,
- insurances for the cars belonging to the fleet vehicles of the company
- insurances for the outlet store from Matca Commune, Galati County

3. Disputes

The management periodically analyzes the situation of disputes in progress and after consulting its legal representatives, it decides the necessity of creating some provisions for the involved amounts or their presentation within the financial statements.

SC Prodplast SA is involved in 19 files, as follows:

- 17 commercial files with regard to receivables to receive in the normal course of carrying out the activity.
- A file by whose means a shareholder (SIF5 Oltenia) asks the Court the cancellation of a transaction made by the Company in 2015 resulting in buying a package of PPLI shares by the Company. The litigation is on the merits. On the date of the financial statements, the Company's Management cannot credibly estimate the result of this litigation.
- A penal file by whose means Prodplast filed to the DIICOT Public Prosecutor's Office attached to the High Court of Cassation and Justice a complaint against SIF5 Oltenia and Tudor Ciurezu for committing market abuse in form of manipulating the capital market.

23. COMMITMENTS AND CONTINGENTS

3. Disputes (cont.)

- A file by which a shareholder (SIF5 Oltenia) requests the Court the annulment of certain items of the AGEAPPL Decision from April 28, 2016, regarding the ratification of certain transactions performed by the company on the capital market and entrustment of the management bodies of the company to perform new transactions on the capital market. On February 21, 2017, the court rejected the request for being ungrounded. SIF5 Oltenia may appeal against in 30 days from the communication of the Decision. We don't yet hold information if this appeal will be made.

24. OTHER INFORMATION

1. The financial statements are audited by Deloitte Audit SRL, on the basis of the Financial Audit Agreement no. 17605/17.10.2016.

The contractual costs for the services provided by the statutory audit company for the year ended on December 31, 2016 are in accordance with the contract concluded between the two parties, in the amount of EUR 13.000.

2. The organization of the internal audit took place according to Services Agreements no. 210/2012 concluded with the financial auditor SC CDV CONTSERV SRL, registered within Register of Romanian Chamber of Financial Auditors under no. 751.

3. The yearly inventorying of the patrimony took place according to Norms regarding the organization and inventorying of the assets, debts and own capitals approved by Order of Ministry of Public Finances no. 2861/09.10.2009 and Decision of the General Manager of SC Prodplast SA.

4. The individual financial statements for the year ended on 31.12.2015 have been approved by the Directorate and authorized for being issued on March 23, 2017.

5. There are no events subsequent to the balance sheet date.

These individual financial statements have been approved by the Directorate and authorized for being issued on March 23, 2017.

President of the Directorate,
Tudor Georgescu

Financial Director,
Gheorghe Luca

S.C. PRODPLAST S.A.

ANNUAL REPORT OF THE DIRECTORATE FOR 2016

1. ANALYSIS OF THE ACTIVITY OF THE COMPANY

Description of the main activity of the company

a) General aspects

According to the Articles of Incorporation, the company has as specific area the manufacture of plastic products, NACE code 222. The main activity is the “Manufacture of other plastic products”, CAEN code 2229.

SC Prodplast is adequately organized for the performance of the activities specific for the main area, has modern facilities and human potential with experience in order to address the requirements of the customers and the exigencies of the competition in the area of plastic products.

In more than 60 years of activity, S.C. Prodplast S.A. has diversified continuously its fabrication, such as, in the present, its products address to a wide range of users, both industrial and domestic being appreciated both on the Romanian market and in other countries. It is known as a leader in Romania by the performance of its products and quality-price report.

b) Establishment of the company – brief history

Established in 1957 under the name of Fabrica de Mase Plastice Bucuresti. From 1990, it functions as joint stock company under the name of "PRODPLAST" S.A., based on the GO no. 1200/12.11.1900, according to the provisions of Law no.31/1990 on commercial companies, republished as further amended and supplemented.

The company is managed in a two-tier system (Supervisory Board and Directorate), following the AGEA decision/28.04.2017.

The actual equity (RON 17.072.385) has resulted following the registration of detachment operation approved by AGEA/19.08.2008, by which SC Prodplast Imobiliare S.A. was established. The company has a private capital 100%.

Until December 2012, the headquarter was located in 23 Ziduri Mosi Str, district 2 Bucharest. The headquarters relocation was made on the basis of the Directorate’s Decision no. 92 / 01.11.2012, empowered by means of AGAE Decision / 27.04.2012.

The resumption of the activity in the location based in Bd. Basarabia n. 256, district 2, Bucharest was approved in the AGEA meeting from 17.11.2012.

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On 19.02.2016, the recertification of the quality management system was obtained, according to the conditions from the ISO standard 9001, valid until 19.02.2018, issued by SRAC and THE INTERNATIONAL CERTIFICATION NETWORK.

Starting with July 2015, the company has opened a retail store in Tecuci city, Galati county, in which it is selling a diversified range of greenhouse and solarium films.

2. IMPORTANT EVENTS DEVELOPED IN 2016 IN THE ACTIVITY OF S.C. PRODPLAST S.A.

- a) The shareholders of Prodplast, gathered in the Ordinary General Meeting on 22.02.2016, have decided the termination of the quality of Statutory Auditor of Mrs. Marta Popa PFA and have approved the Deloitte Audit S.R.L. Statutory Auditor.
- b) The shareholders of Prodplast, gathered in the Ordinary General Meeting on 29.04.2016, have decided, mainly, on:
 - The approval of the Financial Statements of the Company, drafted according to IFRS, for the financial year 2015, together with the report of the Directorate, of the Supervisory Board, of the Financial Auditor and the Distribution of the net profit;
 - The approval of the Report of the Directorate, drafted according to the Law no. 297/2004 and the NSC regulation no. 1/2006;
 - The approval of the discharge of implementation of the members of the Directorate and Supervisory Board for the financial year 2015;
 - The approval of the Production and Investment Program and of the Income and Expense budget for 2016;
 - The approval (through a secret vote) of the revocation from the position of member of the Supervisor Board of Mrs. Calitoiu Elena, Romanian citizenship, born on 30.03.1963 in Sinaia, Prahova county, domicile in Mun. Craiova, Str. Pictor Ion Negulici nr.9, Jud. Dolj, holder of ID Series DX, No. 899754, issued by SPCLEP Craiova on 08.01.2013, CNP 2630330163219
 - The approval of mandating the Supervisory Board for the analysis, approval and entrustment of the Directorate on the activities/legal and administrative documents/investments/procurement of goods and services/expenses and necessary measures for the execution of the Income and Expense Budget for 2016;
 - The approval of the remuneration of the members of the Supervisory Board for the financial year in course (April 2016 – April 2017), respectively the remuneration of the Supervisory Board to be the RON equivalent of EUR 300 net/month, and the remuneration of the president of the Supervisory Board to be the RON equivalent of EUR 600 net/month.
 - The approval (through a secret vote) of the member of the Supervisory Board, following the vacancy of the member position, after its resignation, for a valid mandate until the expiry of the mandates of the other four members, respectively 01.07.2017, in: - Dumitrescu Daniela, Romanian citizen, domiciled in Craiova, Dolj

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- county, Str.1 Decembrie 1918, nr.45, bl.T1, sc.1, ap.11, born on 10.03.1972, in Craiova, Dolj county, identified with ID series DZ no. 137636, issued by SPCEP Craiova, on 17.02.2016, CNP 2720310163224;
- The approval (through secret vote) of the financial auditor Deloitte Audit S.R.L. and the establishment of the duration of the Financial Audit Contract for one year.
- c) The shareholders of Prodplast, gathered in the Extraordinary General Meeting of Shareholders dated 29.04.2016, have decided:
- The approval of the amendment of letter p, para. 20 of art. 23 of the Articles of Incorporation of the Company, that shall have the following content: „Approval, with the consent of the Supervisory Board, of the sponsorship contracts for values provided in the limits and conditions established by the normative sponsorship document or the sponsorship request.”;
 - The approval of the dissolution of the place of business – Store no. 2 with headquarters in Matca Commune, Str. Principala, Galati county, that had as activity retail operations of other new goods, in specialized stores, NACE code 4778;
 - The ratification and confirmation of all the documents concluded and facts made by the Supervisory Board in order to fulfill the mandate granted by the Extraordinary General Meeting of Shareholder by decisions no. 1 from December 7, 2007, no. 1 from April 28, 2011, no. 1 from April 27 and no. 2 from December 17, 2012.
 - The ratification and confirmation of the Decision of the Supervisory Board no. 15 from August 26, 2015, by which it was decided the purchase on the capital market of a package of 1.618.997 shares issued by Prodplast Imobiliare S.A. („PPLI” market symbol), at a maximum price of RON 6,09 per share, as well as the ratification and confirmation of the operations for performing this decision made by the Directorate;
 - Approval of the entrustment of the Supervisory Board to decide the performance of placement on the capital market in order to efficiently enforce the cash liquidities of Prodplast and to approve the conclusion by the Directorate of the associated legal documents, consisting in the subscription of shares in IPO type operations and in increases of equity of the companies listed on the regulated markets/alternative trading systems, investment of securities and participation at the capitalization of certain private equity investment funds, regardless of the fixed or circulating character of the assets this way acquired or alienated. The balance of these placements at any time (representing the difference between acquisitions and alienations in EUR, for each case, performed based on this mandate) will not exceed EUR 7.5 million. The mandate thus granted to the Supervisory Board will have a duration of one year since the date of approval by the extraordinary general meeting of the shareholders.

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d) The shareholders of Prodplast, gathered in the Extraordinary General Meeting of Shareholders from 14.09.2016, have decided:

- The approval of the procurement by the Company of the following lands (hereinafter referred to collectively as “**Lands**”))

- Land in the surface of 31.085 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 50303, registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office
- Land in the surface of 472 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 800/2, registered in the Land Registry Book no. 56052 (old land registry book no. 9134) of the Ilfov Land Registry Office
- Land in the surface of 1.135 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 798/2, registered in the Land Registry Book no. 56051 (old land registry book no. 9131) of Ilfov the Land Registry Office
- Land in the surface of 380 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 801, registered in the Land Registry Book no. 53519 (old land registry book no. 750) of the Ilfov Land Registry Office
- Land in the surface of 956 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 799, registered in the Land Registry Book no. 53518 (old land registry book no. 749) of the Ilfov Land Registry Office and
- Land in the surface of 965 sqm, situated in Buftea, Ilfov county, Romania, land registry no. 5939, registered in the Land Registry Book no. 56378 (old land registry book no.8940) of the Ilfov Land Registry Office.

- The approval of the purchase by the company of certain buildings (hereinafter referred to collectively as “**Buildings**”)

- Production hall and office building, S+P+1E, in total surface of 2.415 sqm., situated on the land indicated at item 1 (i) above registered under land registry no, 50303-C1registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office;
- Production hall and office building, P+1E, in total surface of 2.510 sqm., situated on the land indicated at item 1 (i) above registered under land registry no, 50303-C2registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office;
- Production hall and office building, P, in total surface of 1.282 sqm., situated on the land indicated at item 1 (i) above registered under land registry no, 50303-C3registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office;
- Production hall, P, in surface of de 2.489 sqm., situated on the land indicated at item 1 above, registered under land registry number 50303-C4, registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office;

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- Storehouse, in surface of 27 sqm., situated on the land indicated at item 1 above, registered under land registry number 50303-C5, registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office; and
- Water reservoir, in surface of sqm., situated on the land indicated at item 1 above, registered under land registry number 50303-C6, registered in the Land Registry Book no. 50303 of the Ilfov Land Registry Office;
 - Approval of the amount RON 9.000.000, to which VAT is added at the applicable quota according to the legal provisions of the applicable laws, as a maximum ceiling for the procurement of Lands and Buildings;
 - Approval of the contracting by the Company, as borrower, for the purpose of purchasing and arrangement of the Lands and Buildings, of credits/loans in the maximum value of RON 11.250.000, from credit institutions from Romania and/or abroad, as appropriate;
 - Approval of mandating the Supervisory Board for the analysis, approval and entrustment of the Directorate with the right to negotiate, approve and sign, in the form provided by law, all the elements, details and document necessary, useful or recommendable;
- In order to apply the decisions mentioned at items 1 and 2 above, while respecting the maximum ceiling for the procurement of Lands and Buildings, approved at item 3 above;
- In order to contact the specialized services necessary for the analysis of legal and economic status of the Lands and Buildings, including, without limitation to the legal consultancy services or technical and economic expertize services, as well as
- In order to sign and/or submit all the documents resulting from or in relation with the procurement of Lands and Buildings, as well as any other document that are auxiliary, necessary, adequate, desirable, requested, useful or recommendable in relation with exercising by the company of all rights and fulfilling all the obligations that arise from or are in relation with the procurement of Lands and Buildings;
 - Approval of mandating the Supervisory Board for the analysis, approval and entrustment of the Directorate with the right to negotiate, approve and sign, in the form provided by law, all the elements, details and document necessary by which it will be put into application the decision mentioned at item 4 above including, without limitation to, lending credit institutions, borrowed amount, maximum annual interest, maximum duration of the credit contract(s), reimbursement graphics and associated interests, as these will result following negotiations with lending credit institutions, as well as the right to negotiate, agree and sign any and all the document to guarantee the loan(s), including, but without limitation, the conclusion of certain mortgage contracts for the Lands and Buildings, as these will be agreed following negotiation with lending

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credit institutions, as well as to sign and/or submit all the documents resulting from or in relation with this financing operation, as well as any other document that are auxiliary, necessary, adequate, desirable, requested, useful or recommendable in relation with exercising by the company of all rights and all the obligations that arise from or are in relation with this financing operation.

- Approval of the establishment of the place of business Store no. 1, headquartered in Matca commune, Str. Principala, Galati County, having as object of activity: retail sale of new goods in specialized stores, NACE code 4778.

3. ECONOMIC-FINANCIAL STATUS

3.1. BALANCE SHEET ELEMENTS

- Fixed assets in value of RON 19.469.554, representing 26.6% of the total assets, and within these, the tangible assets occupy the biggest weight, with RON 18.170.157.

Compared to last year, the tangible assets increased with RON 8.783.087 (90,7 %), due to the procurement in October 2016 of a real estate composed of land in surface of 34.993 sm., within built-up areas, industry, in the amount of RON 2.254.300, on which 4 halls are built with use in the production activity and offices in value of RON 5.460.320. The procurement was approved by the shareholders of the company in the Extraordinary General Meeting of Shareholders from 14.09.2016.

- The circulating assets represent 73.4% from the total assets and have a value of RON 53.658.583, with the following components: stocks = RON 6.253.377 (11,7 %), receivables = RON 13.166.343 (24,5 %), cash liquidities = RON 6.353.429 (11,8%), short term financial investments = 26.802.489 (50,0%), other receivables= 882.436 (1,6%) and expenses in advance = RON 200.508 (0,4%).

The receivables register a decrease compared to last year, of RON 14.672.584 in 2015 to RON 13.166.343 in 2016, determined by the collection that was faster than last year. The increased volume of the production has determined the need to increase stocks with RON 1.510.613 compared to 2015, from RON 4.742.764 to RON 6.253.377.

- The own capitals (RON 61.711.728) represent 80.45% of the total income, of RON 75.461.602. The net turnover (RON 57.670.386) represents 76,42 % of the total income, achieved from: sale of production 89,89 % (RON 51.840.454) and from sale of goods 10,11 % (RON 5.829.932).

3.2. OPERATING ACTIVITY

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Operating incomes, of RON 60.711.999, represent 80,45 % of the total incomes, of RON 75.461.602. The net turnover (RON 57.670.386) represents 76,42 % of the total income, achieved from: sale of production 89,89 % (RON 51.840.454) and from sale of goods 10,11 % (RON 5.829.932).

Compared to 2015, the operating incomes increased with RON 10.861.022 (21,78 %), from RON 49.850.977 to 60.711.999, and the operating expenses increased with RON 8.557.791 (17,71 %), from RON 48.317.914 to RON 56.875.705.

On expense elements, the increase was: expenses with raw materials and materials increased with 8,76 % (RON 3.180.074), expenses with the personnel with 71% (RON 747.336), expenses with adjustments for depreciation and amortization increased with 49,22 %, respectively with RON 713.350, and the services performed by third parties increased with 42,67 % (RON 1.018.477).

Even though at the end of 2016 there was no sure risk of non-collection, in the first months of 2017, there were some cash flow problems from a few of the customers of the company. Moreover, in February 2017, two of the customers of the company have submitted requests of entering into insolvency (Romcab SA and Proenerg SRL), and a third one presents a high risk of non-payment and has proposed rescheduling of the payments. The three customers are insured against the risk of non-payment at the insurance company CESCE (one of the biggest insurance companies in the entire world). Taking these into consideration, the management of the company has considered that it is necessary to register adjustments for depreciation of these customers and to transfer in the doubtful customers the value of RON 1.063.748 (the insurance companies compensate in a sub unitary proportion). If the companies go into bankruptcy or reduce the value of the receivables through the reorganization plan, the associated VAT shall be recovered from the due VAT to the State budget.

In 2016, the operating incomes have exceeded the operating expenses with the amount of RON 3.836.295 (operating profit).

3.3. FINANCIAL ACTIVITY

In 2016, the financial income was of RON 14.749.603 and has exceeded the financial expenses of RON 16.748.102, which determined a financial loss of RON 1.998.499. The income from the dividends registered in 2016 refer to the dividends collected from SIF Oltenia, in value of RON 374.917.

The influence of the exchange rate fluctuation in the financial result is negative (RON -47.858).

3.4 PROFIT DISTRIBUTION

Indicators	2016
B-dul. Basarabia, Nr. 256, Sect. 3, Bucharest, Postal code 030352 Phone: +4 021 252 35 78; Fax: +4 021 252 36 17	CUI: 108 Trade Registry number: J40/161/1991 Subscribed and paid-in share capital: RON 17.072.385

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Profit from operational activity	3.836.295
Profit from financial activity	(1.998.500)
Total gross profit	1.837.795
Profit tax	498.815
Earnings associated to the deferred profit tax	317.693
Distributed net profit	1.656.673

We propose the General Meeting of Shareholders that the net profit in value of RON 1.656.673 to be distributed to reserves (own financing sources).

4. MAIN ECONOMIC-FINANCIAL INDICATORS

NO.	Indicators	2011	2012	2013	2014	2015	2016	Optimal values
1	Current liquidity = current assets/current debts	14,70	39,95	6,30	6,10	11,94	10,84	good > 1 weak < 1
2	Patrimonial solvency = Own capital/ Total liabilities x 100	95,0%	100,0%	87,2%	86,9%	91,6%	84,4%	good > 50% average 30-50% weak < 30%
3	Profit rate = Gross Profit/Turnover x 100	6,3%	x	40,17%	x	17,89%	3,03%	
4	Indebtedness = Borrowed Capital / Own capital x 100	-	-	-	-	-	11,1%	good < 100% weak > 100%

The liquidity rate is improper, which proves that, on short term, the company has the capacity to pay its contingent debts, based on the circulating assets transformed in liquidities.

The patrimonial solvency is favorable, the result indicating a significant proportion of the own capital in the total liabilities.

From the analysis of the liquidity and solvency rates, it results that S.C. Prodplast S.A. has a good financial status regarding the payments capacity.

5. PERSPECTIVE ELEMENTS REGARDING THE CONTINUATION OF THE ACTIVITY OF THE COMPANY IN THE FOLLOWING PERIOD

Taking into consideration the positive evolution registered at the main activity indicators, there exist the necessary elements for the continuation of the economic activity of S.C. Prodplast S.A. in efficient conditions and financial stability. Having in view the information received at the beginning of 2017, respectively the entering into insolvency of the biggest client in 2016 (Romcab), the management of the company proposes a budget and a production program for 2017 at a moderate level, both regarding the physical production and the income and expenses.

6. MEASURES OF RISK MANAGEMENT

The management of the company has the general responsibility for the establishment and supervision of the risk management framework at company level. Moreover, it is responsible with the examination and approval of the strategic, operational and financial plan of the company, as well as with the corporate structure of the company.

The policies of risk management are defined in such way to ensure the identification and analysis of the risks that the company may confront, establishment of limits and adequate control, as well as the monitoring of risks and compliance with the established limits. The risk management policies and systems are reviewed regularly in order to reflect the amendments arised in the market conditions and activities of the company.

The company, through its standards and procedures of training and management, is aiming to develop and ordered and constructive environment, within which all employees understand their role and obligations.

The management of the company considers that it takes all the necessary measures to support the growth of the activity in the current market conditions through:

- The preparation of certain liquidity crisis management strategies and establishment of certain measures to encounter eventual liquidity crises;
- The preview of the current liquidity;
- The daily monitoring of the treasury flows.

The risk management policies used by the company for risk management are the following:

Market price risk – is the risk that the price of the purchase goods is fluctuating in an unfavorable way, as a result of the market price change. The covering of the market risk to which the company is subject to, is managed by the conclusion of certain fixed contracts with business partners, both with raw material and material suppliers and with clients.

Credit risk – refers to the risk that a third party infringes upon its contractual duties and therefore causing financial losses for the company.

The management of the company applies specific policies in order to ensure that the sale of the products with payment on due date is made to credible partners, in such way that the inputs of cash in commercial receivables are not affected. An assessment system of clients was made (existent and new), by the verification in certain data bases, analysis of financial statements, good standing reports from specialized firms, payment guarantee requests (CEC, order ticket, letter of bank guarantee etc.)

The firm has concluded contracts of insuring the risk of non-payment for main clients.

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The exposure of the company to clients, as well as the assessment of the clients by the methods given above, are permanently followed by the responsible employees from the sales and financial department.

Liquidity risk – is when the debts in maturity cannot be paid because of the lack of availabilities generated by the non-collection of maturity receivables.

The policy of the company regarding the liquidity risk is to ensure, to the extent possible, that it hold whenever sufficient liquidities to pay its debts, when these reach maturity.

In order to counter this risk factor, the company has applied restrictive policies when delivering products to doubtful customers, has requested in certain cases the payment in advance of the delivered products and made a careful selection of the new clients depending on good standing and financial discipline.

By the credit for financing the current activity, the company may compensate the lack of cash that may exist at a certain moment.

Exchange rate risk – is the risk that the national currency depreciates in report to the main currencies. The company is exposed to the exchange rate risk because of, mainly, EUR and American USD, due to the fact that the supply with raw materials is made, mostly, from import, as well as due to sales in export. The exchange rate risk is associated to receivables, debts, cash and cash equivalents in foreign currency,

The management of the company permanently monitors the fluctuations of the exchange rate of foreign currencies in which receivables, debts, contracts are expressed, intervening, to the extent possible, with procedures for covering these risks.

Interest rate risk – is the risk that the value of the interest fluctuates due to changes on the inter-banking market. The cash flows of the company may be affected by the fluctuation of the interest rate on the market, because the company has a short-term loan, bearer of interests.

The management of the company permanently monitors the fluctuations of the interest rate and evaluates the effects upon the financial result.

Operational risk – is the risk of certain direct or indirect losses, arising from a wide range of causes associated to lawsuit, personnel, technology and infrastructure of the company, as well as external factors, other than the credit, market and liquidity risks, such as those arising from legal and regulatory requirements. The company is exposed to disaster risk as well. In these conditions, the company has acted by concluding an insurance policy against hazards that can protect the assets of the company.

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The operational risks arise from the operations of the company. The main responsibility of the development and implementation of controls associated to operation risk is of the management of the company. This shall ensure measures for the management of the operational risk, such as: aligning to the legal and regulatory requirements, division of responsibilities, documentation of controls and procedures, reporting of operational losses and establishment of remedial measures of the causes that generated these, professional development and training etc.

7. INTERNAL CONTROL SYSTEM

The internal control system has a permanent character and has in view all the activities, procedures and the entire patrimony of the company.

SC Prodplast has implemented an internal control system that included prevention and detection activities of unwanted event and risks.

The internal control established by the management of the company aims the conformity with the legislation in force, compliance with the internal working norms, application of the decisions of the management and supervisory bodies, insurance of a good functioning of the internal activity, efficient use of resources, prevention and control of the potential risks.

In the area of the quality management, there are internal audit procedures, that verify the compliance at the level of the entire company with the reference standard requirements, of the way in which these are implemented and maintained efficiently.

The patrimonial control is made annually by assessing the assets, debts and own capitals.

The internal audit is an independent and objective activity, that gives the company an insurance with regards to the control degree upon its activity.

The internal activity is developed based on the Annual Activity Plan. The result of the internal audit mission is concretized in audit reports, that contain appreciations of the auditor upon the activity of the company and recommendations for their improvement.

8. INFORMATION ON THE PROTECTION OF THE ENVIRONMENT

The management of SC Prodplast has established an environment management system, integrated with the quality management system and with the occupational health and safety management system.

The general objectives regarding environment problems are the following:

- Efficient use of raw materials, materials and utilities in order to save natural resources;

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- Reduction of the quantities of produced waste, selective storage and efficient exploitation of the recyclable waste;
- Development of activities and use of equipment and machineries in such way that these protect the environment, health and safety of employees, as well as the prevention of occurrence of emergency situations.
- Prevention of soil pollution and atmospheric pollution by promotion of technical solutions and clean technologies;
- Promotion of environment conscience at all levels, by training actions and awareness raising of the entire personnel in environment issues;

According to the environment aspects identified, a continuous monitoring of the processes shall be made, from the supply with raw materials and materials until the disposal of the finished products, taking into account the waste management, emissions in air and soil, energy and natural resource consumption, according to the legislation in force.

SC Prodplast did not have any disputes on breach of legislation associated to environment protection.

9. CORPORATE GOVERNANCE

The Bucharest Stock Exchange has issued and adopted in 2009 the Code of Corporate Governance, to be implemented by the companies whose financial instruments are traded on the market regulated by the Bucharest Stock Exchange. Starting with September 2015, a new Code of Corporate Governance was launched, which is to be assimilated by the companies traded at BSE from January 2016.

The Code of Corporate Governance is with voluntary compliance and application (voluntary), so it is not compulsory and contains 19 principles and 41 recommendations, which in part transpose supplementary norms (non-compulsory) of Law no. 31/1990 on companies, republished, as further amended and supplemented, Accounting Law no. 82/1991, as further amended and supplemented, Law no. 297/2004 on capital market, as further amended and supplemented, norms from the NSC Regulation no. 1/2006 as further amended, Regulation NSC no. 6/2009, as further amended, and Order of Measures no. 26/20.12.2012 issued by NSC.

The full application of the principles and recommendation of the Code of Corporate Governance presumes the drafting and application of rules, procedures, statute/regulation, publishing on own website, creation of Nomination Committees, Remuneration, Audit, as well as of Specialized Commissions and Committees, which means an additional number of personnel, creation of a specialized department, new circuits of documents, bigger spaces on the website, translations etc., measures that determine the important additional costs.

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The structures of the Corporate Governance from S.C. Prodplast S.A. are: the General Meeting of Shareholders, Supervisory Board, Directorate, Executive Management, financial audit and internal audit.

The General Meeting of Shareholders is the management body of the company, that decides upon the activity of the company. The general meetings are ordinary and extraordinary and have attributions established in the Articles of Incorporation according to the provisions of Law no. 31/1990. During 2016, the General Meeting of Shareholder has gathered in three meetings: 22.02.2016, 28.04.2016 and 14.09.2019.

The Supervisory Board consists of 5 members, chosen by the method of cumulative vote by the General Meeting of Shareholders for a 2-year mandate. The members of the Supervisory Board choose a President, being non-executive members. The attributions of the Directorate are those provided in Law no. 31/1990 and completed with those of the Articles of Incorporation.

The Directorate has drafted the Internal Rules of the Directorate that establish the functioning of it and the representation of the company, including by delegation. Moreover, the company has organized an internal audit according to the legal provisions.

The activity of the Supervisory Board and of the Directorate are developed in meetings, happening whenever is needed and in which are analyzed, debated and decisions are taken with regards to all the problems regarding the management and control of the company, with the exception of those reserved by Law and Articles of Incorporation, General Meeting of Shareholders.

Depending on the specific or importance of the decisions of the Directorate, some of these are subject to the approval of the Supervisory Board that exercises in this way as well its attribution of control of the management activity of the company by the Directorate. Are subject to approval of the Supervisory Board those decisions/measures/actions for which the Supervisory Board was especially mandated/empowered by the General Meeting of Shareholders.

During 2016, there were 12 meetings of the Directorate, followed by decisions taken with regards the management of the Company. The Supervisory Board gathered in 4 meetings.

Relevant events during 2016, associated to Corporate Governance, were among others: Decision of the Ordinary General Meeting of Shareholders from 22.02.2016, the Decision of the Ordinary General Meeting of Shareholders from 28.04.2016, the Decision of the Extraordinary General Meeting of Shareholders from 28.04.2016, the Decision of the Extraordinary General Meeting of Shareholders from 14.09.2016, Decisions of the Directorate and, respectively, those of the Supervisory Board of approval of the financial results of the company (trimester/quarter) in order to publish them according to the law; decision of the Directorate and of the Supervisory Council of approval of the gathering of the Ordinary General Meeting of the Shareholders and the presented materials.

**President of the Directorate,
Tudor-Alexandru Georgescu**

**Financial Director,
Gheorghe Luca**

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REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of PRODPLAST S.A. Company

Opinion

1. We have audited the financial statements of the PRODPLAST S.A. company (the "Company"), that consist of the statement of the financial position on December 31, 2016 and the statement of the global results, statement of the amendments of own capitals and the statement of treasury flows associated to the financial year concluded on the respective date, and notes to financial statements, including a summary of the significant accounting policies.
2. In our opinion, the annexed financial statements present the true, under all significant aspects, financial position of the Company on December 31, 2016 and its financial performance and its treasury flows associated to the financial year ended on the respective date, according to the International Financial Reporting Standards (IFRS) adopted by the European Union.

Basis for the Opinion

3. We have developed our audit according to the Audit Standards adopted by the Chamber of Financial Auditors of Romania, which are the International Audit Standards (ISAs). Our responsibilities, based on these standards, are described in detail in the section "Responsibilities of the auditor in an audit of financial statements" of our report. We are independent from the Company, according to the Ethics Standards for Accountants (IESBA Code) issued by the Council for International Ethics Standards Board for Accountants and have fulfilled all of the other ethical responsibilities, according to the IESBA Code. We believe that the audit evidences that we have obtained are sufficient and adequate in order to supply a basis for our opinion.

Key audit aspects

4. The key audit aspects are those aspects that, based on our professional reasoning, had the higher importance for the audit of the financial statements from the current period. These aspects were approached in the context of the audit of financial statements and in the formation of our opinion upon these and we do not offer separate opinion with regards to these aspects.
We have determined that there are no key aspects to be communicated in our report.

Report upon the report of administrators

5. The administrators are responsible for the drafting and presentation of the report of the administrators according to the requirements of the Order of the Ministry for Public Finances no. 2844/2016 for the approval of the accounting Regulations according to the International Financial Reporting Standards adopted by the

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European Union as further amended, article no. 20, that does not contain significant denaturation and for the internal control that the management considers necessary in order to allow the drafting of the report of the administrators that does not contain significant denaturation, due to frauds and errors.

The report of the administrators is not part of the individual financial statements.

Our opinion upon the individual financial statements does not cover the report of the administrators.

With regards to our audit on individual financial statements, we have read the report of the administrators annexed to the individual financial statements and we report that:

- a) In the report of the administrators, we did not identify information that are not consequent, in all significant aspects, with the information presented in the annexed financial statements;
- b) the below identified report of the administrators includes, in all significant aspects, the information requested by the Order of the Ministry of Public Finances
- c) based on our knowledge and understating, achieved during the audit of the individual financial statements for the financial year ended on December 31, 2016, regarding the Company and its environment, we did not identify significantly erroneous information included in the report of the administrators.

Responsibilities of the management and of persons responsible with the governance for financial statements

6. The management is responsible with the drafting and fair presentation of the financial statements according to the International Financial Reporting Standards adopted by the European Union and for that internal control that the management considers to be necessary in order to allow the drafting of the financial statements that are lacking significant distortions, caused either by fraud or error.
7. In drafting the financial statements, the management is responsible for the appreciation of the capacity of the Company to continue its activity, presenting, if the case, the aspects regarding the continuity of the business and using accounting based on the continuity of the business, excepting the case in which the management either intends to liquidate the company or to stop the operations, either it has no other realistic alternative besides these.
8. The persons responsible with the governance are responsible for the supervision of the financial reporting process of the company.

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The responsibilities of the auditor in a financial statement audit

9. Our objectives consisted in obtaining the reasonable assurances regarding the measure in which the financial statements, as a whole, are lacking significant distortions, caused either by fraud or error, as well as the issuance of a report of the auditor, that shall include our opinion. The reasonable assurance represents a high level of assurance, but it is not a guarantee of the fact that an audit developed according to the International Financial Reporting Standards will always detect a significant distortion, if this exists. Distortions may be caused by fraud or error and are considered significant if it can be forecasted, reasonably, that these, individually or cumulated, will influence the economic decisions of the users, taken based on these financial statements.

10. As part of an audit according to the International Audits Standards, we exercise the professional reasoning and maintain professional skepticism during the audit. As well:
 - We identify and assess the significant distortion risks of the financial statements, either caused by fraud or by error, we project and execute audit procedures as a response to those risks and we obtain sufficient and adequate audit evidences in order to supply a basis for our opinion. The risk of non-detecting a significant distortion caused by fraud is higher than that of non-detecting a significant distortion caused by error, because fraud may imply secret understandings, false, intended omissions, false declarations and avoidance of the internal control.

 - We understand that the internal control relevant for the audit, in order to project audit procedures adequate for the circumstances, but without the purpose of expressing an opinion about the efficiency of the internal control of the Company.

 - We assess the appropriateness of the used accounting policies and the reasonable character of the accounting estimations and presentations associated to the information achieved by the management.

 - We formulate a conclusion regarding the appropriateness of the use of the company of the accounting based on the continuity of the business and we determine, based on the obtained audit evidences, if there is any significant uncertainty with regards to events and conditions that may generate significant doubts on the capacity of the Company to continue its activity. If we conclude that there is a significant uncertainty, we must draw the attention in the auditor's report upon the presentations associated to the financial statements and, if these presentations are inadequate, to modify our opinion. Our conclusions are based on the audit evidences obtained until the date of the auditor's report. However, future events and conditions may determine the Company not to develop its activity based on the principle of business continuity.

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- We assess the presentation, the structure and content of the financial statements, including the presentation of the information and the extent in which the financial statements represent transactions and events in a manner that achieved the true presentation.
11. We communicate to the persons responsible with the governance, among other aspects, the planned area and scheduling of the audit, as well as the main findings of the audit, including any significant deficiencies of the internal control, which we identify during the audit.
 12. In the same time, we supply the persons responsible with the governance a statement that we have complied with the relevant ethical requirements regarding the independence and that we have communicated all the relationships and other aspects, about which one could presume, reasonably, that it affects our independence and, where the case may be, the associated protection measures.
 13. From the aspects communicated to the persons responsible with the governance, we establish which are the most important aspects for the audit of the financial statements from the current period and that represent, consequently, the key audit aspects. We detail these aspects in the auditor's report, with the exception of the case in which laws or regulations forbid the public presentation of the aspect or the case in which, in extremely rare circumstances, we determine that an aspect shall not be communicated in our report, because it is expected reasonably that the benefits of the public interest to be exceeded by the negative consequences of this communication.

The mission partner of the audit for which this independent auditor's report was drafted is Alina Mirea.

Alina Mirea, Audit Partner

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Registered in the Chamber of Financial Auditors of Romania with certificate no. 1504/01.04.2013

*On behalf of: **DELOITTE AUDIT S.R.L.***

Registered in the Chamber of Financial Auditors of Romania with certificate no. 25/25.06.2001

Bucharest, Romania

March 24, 2017