

Financial report

Report of the directorate for the 1st quarter of 2017

According to annex 30 to Regulation no. 1/2006 and Regulation no. 31/2006, issued by NSC

Date of the report: 5/15/2017

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

Registered Office: B-dul Basarabia no. 256, district 3, Bucharest

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

Trade Register Registration Number: J40/161/1991

Tax identification number: 108

Subscribed and paid-in share capital RON 17,072,385

Regulated market on which the issued shares are issued:

Bucharst Stock Exchange, standard category, PPL symbol

This report on the statement of the financial positional, statement of the financial result and explicative notes for the 1st quarter of 2017 was drafted by the Board of Directors of S.C. Prodplast SA.

I. Financial statements at 3 months 2017

1. The main indicators achieved on 31.03.2017 compared to 31.03.2016

| Indicator, RON thousand | Wednesday, May 31, 2017 | Tuesday, May 31, 2016 | Increase / Decrease (%) |
|-------------------------|-------------------------|-----------------------|-------------------------|
| Turnover | 10,601 | 14,910 | -28% |
| EBITDA operational | 368 | 1,846 | -80% |

In the first quarter of 2017, the activity of the company was affected by the unfavorable market context. Entering into insolvency of certain important clients lead to a visible imbalance in the evolution of the first quarter of 2017 as well. Furthermore, the unfavorable weather conditions from the beginning of this year determined delays in the revitalization of the market. Thus, the turnover has reached a value with 28% smaller than the similar period of last year. At the same time, EBITDA was significantly reduced by 80%.

Even though the conditions of the beginning of the year were difficult, the company managed to register operating profit.

2. Statement of the financial position on May 31, 2017.

| Indicator (RON thousand) | Quarter ended on 31.03.2017 (not audited) | Quarter ended on 31.03.2016 (not audited) | Increase / Decrease (%) |
|--|---|---|-------------------------|
| Assets | | | |
| Fixed assets | | | |
| Tangible assets | 18,287 | 9,433 | 94% |
| Intangible assets | 26 | 26 | -2% |
| Financial assets available for sale | 891 | 935 | -5% |
| Fixed receivables | 80 | 80 | 0% |
| Fixed assets - total | 19,284 | 10,475 | 84% |
| | | | |
| Current assets | | | |
| Stocks | 4,429 | 5,007 | -12% |
| Commercial receivables and paid advances | 14,225 | 17,553 | -19% |
| Other receivables | 643 | 386 | 67% |
| Current financial assets | 25,919 | 11,067 | 134% |
| Cash and accounts at banks | 7,966 | 11,875 | -33% |
| Expenses in advance | 249 | 184 | 36% |
| Current assets - total | 53,430 | 46,072 | 16% |
| | | | |
| TOTAL ASSETS | 72,714 | 56,546 | 29% |
| | | | |
| OWN EQUITY AND DEBTS | | | |
| Equity and reserves | | | |
| Share capital | 17,072 | 17,072 | 0% |
| Other elements of own equity | (487) | (443) | 10% |
| Reserves from reassessment | - | - | |
| Reserves | 43,561 | 37,695 | 16% |
| Reported result | 1,565 | 5,774 | -73% |
| Result of the period | (904) | (11,962) | -92% |
| Profit distribution | - | - | |
| Own equities - total | 60,807 | 48,137 | 26% |
| | | | |
| Long-term debts | | | |
| Long-term bank loan | 6,898 | - | |

| | | | |
|---|---------------|---------------|-------------|
| Short-term debts | | | |
| Short-term bank loan | - | - | |
| Commercial debts and collected advances | 4,101 | 7,118 | -42% |
| Other current debts | 907 | 1,291 | -30% |
| Short-term debts - total | 5,008 | 8,409 | -40% |
| TOTAL OWN EQUITY AND DEBTS | 72,714 | 56,546 | 29% |

In the first 3 months of 2017, the main objective was the achievement of a positive result in the conditions of a difficult market, affected by the insolvencies of various big players. The insolvency of Romcab has destabilized the market of cable manufacturers and distributors, being major financing problems at each of the ones activating on this market. This situation has caused a significantly reduced request compared to the level of the previous years as well. The adaptability of the activity to the conditions of the market has determined a decrease of receivables with 19% compared to the similar period of last year and the readjustment of the stocks at the necessary levels (-12%). The financing of the working capital was ensured both through own sources (EBITDA) and from sources attracted on short-term (credit suppliers), so the cash flow of the market to not be negatively affected.

The second important direction on which the company has focused are the drafting of projects and documentation with the purpose of obtaining all the agreements and authorizations necessary for the relocation of the activity in the space purchased in 2016, in Buftea.

3. Revenues, expenses and results reflected in the profit and loss account for 3 months 2017, compared to 7 months 2016

| Indicator, RON thousand | Wednesday, May 31, 2017 | Tuesday, May 31, 2016 | Increase / Decrease (%) |
|---|----------------------------|--------------------------|----------------------------|
| Turnover | 10,601 | 14,910 | -29% |
| Revenues from the stored production | (433) | 521 | -183% |
| Other operating revenues | 7 | 25 | -73% |
| Expenses with raw materials, materials, energy and goods | (7,031) | (10,880) | -35% |
| Expenses with benefits of the employees | (933) | (892) | 5% |
| Value adjustments | (302) | (254) | 19% |
| Other operating expenses | (1,613) | (1,523) | 6% |
| Financial result | (923) | (13,554) | -93% |
| Gross profit | (857) | (11,962) | -93% |
| Net profit | (904) | (11,962) | -92% |
| EBITDA (operational) | 368 | 1,846 | -80% |

In the first 3 months of 2017, the company has fought to maintain its quota on the market considering an important contraction of it. In the same time, a main focus of the management was maintaining under control the production costs.

The evolution of the turnover in the first 3 months (-29%) was determined by an unfavorable evolution of the market, the market of cable manufacturers registering a significant decrease in the first 3 months of the year.

The company has tried that in every decision of financing of the market to be covered by insurance instruments and payment guarantees.

Even though the net profit was negative, due to the negative financial result of this period, generated by the quarterly reassessment of the financial instruments held on short-term, the operating profit was positive.

EBITDA at operational level decreased by 80% compared to the similar period of 2016, mainly because of the decrease of sales, as well as due to the costs generated by the maintenance of the space purchased in Buftea, in which we will move during this year (mainly taxes and fees).

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

1. During the first 3 months of 2017 no uncertainty tendencies, events or factors were found that could significantly affect the liquidity of S.C. Prodplast, compared to the same period of 2016. We mention, however, that Prodplast purchases petrochemicals raw materials with extremely volatile prices (LDPE, PVC), that depend on the price of the oil and on the positioning of the big facilities in this field
2. In the analyzed period (1st quarter of 2017), no significant investments were registered. Operations of preparations of the space in Buftea are under development, that were not yet finalized (are in the project and authorizations phase).
3. Changes that are affecting the equity and the management of the company

3.1. S.C. Prodplast was not in the inability to comply with its financial liabilities in the reporting period. We mention that, within S.C. Prodplast, it was aimed to ensure the liquidities in order to perform payments to suppliers depending on the due dates, avoiding the payment of penalties from delays. Moreover, the company honored in due time its obligations to employees, as well as its debts to the state budget.

3.2. In the first 3 months of 2017, no operations took place that could affect the rights of the holders of securities issued by S.C. Prodplast or by the management of the company.

4. Significant transactions

4.1. No major transactions took place between S.C. Prodplast and persons that are part of the executive management, Directorate or Supervisory Board.

Management structures of Prodplast

1. Supervisory Board

Prodplast SA is managed in two-tier system by a Supervisory Board elected by the General Meeting of Shareholders, through secret vote. Its component is the following:

Matei Dimitriu – President

Florin Tonescu – Member

Daniela Dumitrescu – Member

Silviu Chirita – Member

Camelia Puscu – Member

2. Executive management

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

Tudor Alexandru Georgescu – General Director

Gheorghe Luca – Financial Director

Mihail Dragne – Investment Director

Statement of the management

According to the best information available, we confirm that the financial statements, for the first three months of 2017, drafted according to the International Financial Reporting Standards, offer a correct and accurate image of assets, liabilities, financial position and profit and loss account of Prodplast, as provided by the applicable accounting standards. We confirm, as well, that the statement of the operational performance and the information provided in this report offer a correct and accurate image of the main events that took place during the first three months of 2017 and their impact upon the financial statements.

Moreover, we mention that the Statements at 3 months of 2017 are not audited.

General Director and President of the Directorate,

Tudor Alexandru Georgescu