

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016
Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32
(all amounts are expressed in lei, where otherwise stated)

REPORT OF ADMINISTRATORS
SC PREBET AIUD SA for the year 2016
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For the financial year: 2016

Report date: 25.04.2017

Name of the trading company : S.C. PREBET AIUD S.A.

Registered office : Aiud , Judetul Alba, str. Arenei , nr. 10

Telephone/fax number : 0258-861661 / 0258-861454

Unique registration number within the Trade Registry Office :

RO1763841

Fiscal code within the Trade Registry Office Alba : J/01/121/1991

Regulated market in which are traded the issued securities : B.V.B. Subscribed and paid capital – 8.199.547,74 lei

Main characteristics of the issued securities : the company issued a number of 45,553.043 registered shares with a nominal value of 0,18 lei each, dematerialised

1. Analysis of the Company's business

a. Description of the core business of the trading company

SC PREBET AIUD SA has as main object of activity : Manufacture of concrete products for construction purposes, NACE code – 2361.

Shareholding structure on 31.12.2016 is the following:

Shareholder	No. shares	%
OTHER SHAREHOLDERS	25.152.936	55.2168
HAGEA LIVIU	14.056.588	30.8576
ASSOCIATION PAS PREBET AIUD	6.343.519	13.9256
TOTAL	45.553.043	100

b. Specifying the date of incorporation of the trading company

The trading company PREBET AIUD S.A. was incorporate in 1991, by the purchase of the entire patrimony of the former Intreprinderi Prefabricate din beton Aiud (IPB) (Precast Concrete Company Aiud), founded in 1966..

The trading company PREBET AIUD S.A. was organized in the actual structure based on Law. No. 15/1990 and by the GD no. 93/04.02.1991, being registered within the Trade Registry under no. J/01/121/1991.

c. Description of each merger or significant reorganization of the trading company, of its subsidiaries or of the controlled companies, during the financial year

In the year of 2016 was not significant modifications/reorganizations, mergers, divisions or dissolutions.

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d. Description of acquisitions and/or alienation of assets

During the year 2016, the company did not perform acquisitions or alienation of assets.

1.1.1. Elements of general assessment

SC PREBET AIUD SA: has prepared the financial statements in accordance with the International Standards of Financial Reporting adopted by the European Union (IFRS), in force at the annual reporting date respectively, 31.12.2016 and with the provisions of OPFM 1286/2012, with subsequent amendments and completions:

a) Gross profit :	3.009.874 lei
Net profit:	2.647.696 lei
b) Turnover:	28.749.077 lei
c) Costs (total expenses):	26.001.960 lei
d) Operating expenses:	25.949.549 lei
e) Financial expenses:	52.411 lei
f) Financial revenues:	27.359 lei
g) Operating expenses:	29.984.475 lei
h) Total revenues:	29.011.834 lei

a) Profit

At the end of the year 2016 the company registered a gross profit of 3.009.874 lei.

b) Turnover

Achieved turnover 28.749.077 lei.

c) Export

The company does not export products.

d) Costs

The total costs related to the manufacture for the total manufactured are in amount of 26.001.960 lei at the revenues of 29.011.834 lei .

e) Market held percentage

Due to the diversity of manufactured products and multitude of producers of precast elements on the domestic market it is difficult to establish a weighting for each element of precast concrete product.

f) Liquidity

At the end of the review period is registered a minus of treasury of 1.428.911 lei

Liquidity:

- Cash and bank account at the beginning of the period: 9.601.239 lei
- Cash and deposits at the end of the period: 8.172.328 lei
- Cash Flow: (1.428.911)
- Current liquidity: 9.86
- Immediate liquidity: 8.64

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1.1.2. Assessment of the technical level of the trading company

Main achieved products are:

- a. Prestressed concrete traverses for railways
- b. Prestressed concrete beams for road and railway bridges
- c. Prefabricated for railways and road culverts
- d. Prefabricated for electrification and signaling of railways
- e. Precast concrete for works of art and tunnels
- f Dales for railway level crossing
- g Prefabricated for channel with pockets for overhaul of locomotives and wagons
- h Reinforced concrete traverses biblock type for underground and tram
- i Various prefabricated for structures

Description of the main products manufactured and/or services provided specifying:

a. Main outlet markets for each product or service and the distribution methods:

Outlet market of the company's products is represented by the domestic market having as distribution modality the direct sale to the contractor or subcontractor who has contracted works to the end beneficiary of the required product.

b. Share of each category of goods or services in revenues and in the total turnover of the trading company for the past three years:

In 2016 the total volume of prefabricated was 20.312 of which bulk concrete 855 m³.

The products manufactured by the company are found in two broad categories of products, plus bulk concrete:

- a) reinforced and prestressed concrete sleepers
- b) other reinforced and prestressed concrete products
- c) bulk concrete

Product name	2014 %	2015 %	2016 %
Concrete sleepers for railways	46.43%	41.97%	35.49%
Diverse concrete products	48.90%	57.43%	60.30%
Bulk concrete	4.67%	0.60%	4.21%

c. New products considered for which it shall be affected a substantial volume of assets in future financial year and also the stage of development of these products

By the specific of the activity SC PREBET AIUD SA always has new products on the production line, depending on market demand structure of prefabricated products, products that run on demand, by adapting or creating new patterns, according to technical projects.

Currently, the company invests in technological line for the production of prestressed beams of great length, which will lead to the uptake of new products and thus increase the range of products manufactured.

1.1.3. Assessment of the technical-material supply

The main objectives of the supply activity were:

- Reducing acquisition costs, thus reducing the production costs
- Identifying new suppliers
- Providing the necessary of raw materials, spare parts, depending on store policy
- Obtaining the best conditions to supply on contracting (quality/price/payment terms)

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Current stock in which is also included the safety stock ensures a good running of the production activity.

- cement
- concrete steel
- SC Holcim S.A. Bucuresti
- D&D Drotaru Ungaria
- Dacotrans Sperieteni
- Maravia Steel

Commercial relationships with main suppliers of raw materials, are based on compliance with the clauses included in Sale – purchase contracts concluded or prolonged after at the beginning of each year. The provider is chose, having as basic principles, the quality-price report, terms of payment and market development of that product.

Material supply sources are both in the domestic market but also imported from the European community depending on the type of the manufactured product.

1.1.4. Assessment of selling activity

a. Description of the evolution of sequential sales on domestic and/or foreign market and the prospects of sales on medium and long term

Sales are made only on the domestic market and somewhat have seasonal character in the winter months their volume is substantially reduced.

Sales prospects depend on the medium and long term government policy regarding the allocation of financial resources for various works which include our products.

Evolution of the turnover for the last 3 years is as follows:

2014	2015	2016
25.439.402 lei	26.552.117 lei	28.749.077 lei

b. Description of the competitive situation in the field of activity of the trading company, the market share of products or services of the trading company and the main competitors

In the year of 2016 the share of sleepers product represented 35.5% of the goods production volume in decreasing toward previous years the difference being represented by the product category other precast concrete elements.

The company capitalized its products only on the domestic market throughout the entire country less in the area of Dobrogea and the South – East part of Romania.

The main competitors of our market are:

- Somaco Grup Prefabricate Bucuresti
- Macon Deva
- ASA Cons Turda
- Lupp Sibiu
- METABET Pitesti
- DUNAPREF Giurgiu
- Other manufacturing concrete companies and that produce concrete elements

c. Description of each significant dependency of the trading company on one single customer or group of customers whose loss would have a negative impact on company's revenues

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Given the diversified customer portfolio, SC PREBET AIUD SA is not significantly depending on a single customer. In terms of risk management concept, and by the fact that the company has customers whose source of contracts and works is represented by the investments undertaken by entities that are directly or indirectly subordinated to the Romanian State (RNCMNR CFR), we can say that there is a company dependences in investment contracts financed by the national or local budget.

1.1.5. Assessment of aspects related with employers/personnel of the trading company

a. indicating the number and training level of the trading company's employees and the degree of unionization of the workforce

On 31.12.2016 the average number of employees is 211, and the effective one is of 212 employees.

In the year of 2015 the average number was 213 and the effective on December 31, 2015, was of 220 employees.

Regarding the recruitment and selection of personnel, this period is characterized by a rather limited offer of qualified personnel, introducing more rigorous selection phases of potential candidates.

The company grants a great importance to organize qualification courses, to streamline the way of working and interdepartmental collaboration.

During 2016 was constantly watched the assessment of staff's performances and fixing individual targets, with their quarterly check.

b. Description of reports between the manager and employees and any conflictual elements that characterize these reports

During 2016 there were no conflicts between company management and employees these benefits according to the Collective Labor Agreement for a prize pool proportional to the profit.

1.1.6. Assessment of aspects related to the impact of the basic activity of the issuer on the environment

We believe that the company shall not have environmental issues because the performed work is not a polluting activity, the evidence also being the existing environmental permit.

S.C. PREBET AIUD S.A. proposes to intensify the concerns to ensure and maintain an environment within a level required by the International and European Standards.

For this were established the following objectives:

1. The implementation and certification of an environmental management system. The company holds the environmental management certificate no.3695M/29.05.2014 in accordance with SR EN ISO 14001: 2005.
2. Identification and control of environmental aspects associated with all activities taking place within the company, to ensure compliance with legal requirements and prevent pollution by:
 - Minimizing the amount of generated waste and their manage in safely conditions when their occurrence can not be avoided;
 - Improving the quality of discharged water from the company;
 - Reducing emissions of pollutants into the atmosphere;
 - Reducing consumption of natural resources
3. Ensuring communication of policy by all internal and external stakeholders of the company.
4. Creating conditions for the implementation, maintenance and continuous improvement of

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environmental management system by providing competent human resources and material resources necessary to maintain the environmental policy and meeting objectives.

In the course of 2016, it was followed legal requirements and compliance with those contained in the regulatory legal acts, finding this and upon inspection by authorized bodies.

1.1.7. Assessment of research and development activity

The company does not have its own research department related to new products this thing is made through our beneficiaries' projects, these projects being prepared by specialized research and design institutions.

The research activity within SC PREBET AIUD SA is conducted by the Technical Manufacture Office and own laboratory as well as collaborations with design institutes, with direct implications in increasing the quality of products and services of our company, by improving the manufacture networks and the improvement schemes in order to growth Labour productivity, namely:

- Modernization of existing production capacities, improving the microclimate of work, extension of outlet market, and the scope of business, automation of technologic processes.
- Performed investments were from own sources.

1.1.8. Assessment of trading company's activity regarding the management of risk

That the company made a profit every year except 2014 when it moved to staff restructuration and were made severance payments, makes us believe that there will not be problems in the future and price risks, of credit, liquidity and cash flow are reduced.

The following risk categories may have influence on company's activity:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Operational Risk

Risk factors

Any economic activity implies risks. Investors should carefully consider the potential impact that it may cause the following categories of risk factors before deciding to invest in the shares of the company. The risks and uncertainties outlined in the following paragraphs may adversely affect, as appropriate, the continuation of the operating activities of the Company, its financial position and performance, prospects, evolution of trading price, including the ability to pay dividends. Additional risk factors and uncertainties that do not exist at this time may have, depending on further evolutions, a negative impact on the aspects described above.

Emerging market risk

Romania is considered an emerging economy. Investors who want to invest in the shares of an issuer listed on emerging market should be aware of the fact that such an economy shows higher risks compared to a developed economy, with an infrastructure policy, legal and financial advanced, able to provide effective levers to counter the systemic imbalances that might arise. Although Romania is a Member State of the European Union, this status ensures the prerequisites for continuing the structural reforms and the improvement of the economic environment, there is the risk that unforeseen events, associated with an emerging market economy, to significantly affect the Company's activity and its financial prospects.

Romania's emerging economy status can cause a slow pace of capital market development,

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expressed through a slow rate of growth in the value of transactions, of capitalization and/or the number of issuers and investors. Other characteristics of an emerging market that can have negative consequences refer to a lower value of liquidity and higher volatility compared to the mature equity markets. Also between evolutions in stock prices listed on a stock emerging market and the evolutions in mature markets there may be a high correlation, which means that economic and financial developments in other countries together with developed economy can influence the evolution of prices and transactions recorded on the market where the company is listed.

All these elements can influence the potential development of the Company. Moreover, the company's activity may be influenced the volatility of the interest rate and the exchange rate, characteristics specific for an emerging economy, although the recent developments suggest some stability of these financial variables.

Risk of politic instability

Political instability may lead to the postponement of implementation of structural reforms designed

to support a sustainable development of the Romanian economy and favor the creation of an economic and financial infrastructure aimed to enhance the economic and financial attractiveness of foreign direct investments and/or the portfolio. A negative perception can influence the volume of the Romanian political class, the character and structure of the Romanian investments, foreign and/or domestic. Instability at the political level can have a significant negative effect on the confidence of resident or non-resident investors, on the degree of liquidity and market capitalization, including upon the evolution of the stock quote.

Risk of modifying the tax legislation

Tax legislation in Romania is subject to extensive and frequent changes which could adversely affect the Company's business and/or the gains made by investors from owning or trading the shares (raising of taxes, introducing new taxes, reduction or suspension of tax breaks, etc.). The is the risk that the Company or the investors in their actions to be exposed in the future to increased taxes or new taxes (additional) that could not be predicted or estimated on the date of preparation of this report.

Financial and economic risk

Business, financial situation and the prospects of the Company depend on the development level of the economy and the capital market in Romania, and consequently the volume and value of transactions in the capital market. The political situation affecting economies and capital markets world could have adverse and difficult effects to assess in the Romanian economy, national currency and markets in which they the Company operates, resulting in decrease in the volume and value of transactions, decrease of the price of the traded financial instruments, etc. The negative effects on the Romanian economy could lead to diminished purchasing power and the financial resources of companies and individuals in Romania, including those of investors who perform market transactions where the Company is listed.

Liquidity and price developments in the regulated markets of capital in Romania are affected directly or indirectly by the evolution of international capital markets risk of regional instability amid armed conflicts can also cause substantial financial losses that are difficult to predict the date of this Report.

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Risk related to competition

The company estimates that, currently, there is a high risk of competition to the outlet markets where operates. However, the risk of market penetration of delivered products and offered services by the Company should be considered by investors when they substantiate the investment in the Company's shares.

Nonpayment risk (credit)

Unfavorable changes occurred in the creditworthiness of the Company's customers, amid amplification of financial difficulties arising from the economic and financial crisis may cause adverse

effects on the ability of the Company to collect cash or cash equivalents resulting from the sale, which could cause uncertainty about business continuity, as well and declines in financial performance indicators by recognizing adjustments for the impairment of these assets.

Risk related to permits and licenses

The Company's business is subject to certain permits and licenses specific for the industry activity. Possible changes in the conditions required to be insured by the Company or in the maintenance requirements of these permits and licenses, including changes in criteria for obtaining or renewing may adversely affect the Company's business or the financial prospects of the Company.

Operational risks

The results of the Company can be influenced by operational risks specific to its activity, related to the operation in parameters or interruption of operation systems, safety data and information stored, dependence on new technologies, loss of key personnel, difficulties in introducing new products, increased competition from third local or foreign competitors, including the risk of error or fraud.

The Board of Directors of the Company has the overall responsibility for the establishment and supervision of risk management in the Company.

The activity is governed by the following principles:

- a) the principle of delegation of competencies;
- b) the principle of decision-making autonomy;
- c) the principle of objectivity;
- d) the principle of investment protection;
- e) the principle to promote the development of the stock market;
- f) the principle of active role.

The Board of Directors is also responsible for examining and approving the plan, operational and financial plan of the Company, and also the corporate structure of the Company. Company's Risk management policies are also defined to ensure the identification and analysis of risks that the Company is facing with, establishing appropriate limits and controls, and risk monitoring and setting the compliance limits. Policies and risk management systems are regularly reviewed to reflect the occurred changes in market conditions and the Company's activities. The Company, through its standards and training and management procedures, aims to develop an orderly and constructive control environment, in which all employees understand their roles and obligations.

Internal audit of the Company's entities oversees how management monitors compliance with policies and procedures for risk management and reviews the adequacy of the risk management framework in relation to the risks faced by entities.

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1.1.9. Perspective elements regarding the activity of the trading company

a. presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the liquidity of the trading company compared to the same period of the last year.

Immediate liquidity of the company is 8.64, and the indicator of current liquidity is 9.86. The acceptable recommended value is around 2, giving this guarantee to cover the current liabilities from the current assets.

b. presentation and analysis of the effects for the capital expenses, actual or anticipated on the financial situation of the trading company with the same period of the last year

In the year of 2016 the volume of investments amounted to 2.324.846 lei in comparison with 215.721 lei made in 2015.

For the year 2017 it is proposed an investment volume of 5.200.000 lei

c. presentation and analysis of events, transactions, economic changes that significantly affect the revenues from the basic activity

In the year of 2016 the company managed to meet its projected indicators in the income and expenditure budget.

Thus the revenues from the basic activity against the planned level increased by 7.39% compared to the operating expenses which increased by only 1,37% which resulted in achieving an operating profit of 3.034.926 lei.

2. Tangible assets of the trading company

2.1. Specifying the location and characteristics of the main production facilities owned by the trading company

All production capacities of the company are located in its premises with the title deed for the land.

The main production facilities are:

- Production hall of concrete sleepers for railways;
- Stand for beam bridges with different sections;
- Polygon of heavy products;
- Station for the production of concrete;
- Ballast sorting station;
- Prefabrication plant of poles for electrification;

2.2. Description and analysis of the degree of wear of the trading company properties

The machines with production capacities have an average degree of wear. Lack of liquidity in the past years for making investment have contributed to these effects.

Between, December 2012 - March 2014 the company purchased 6 fixed assets through a program of European funding aspect that contributed to the replacement of old production capacities and to a high degree of wear and tear.

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In 2016 the volume of investments made contributed to the renewal of equipment and reduce the average degree of wear on society.

2.3. Specifying the potential problems related to ownership of tangible assets of the trading company

The Company owns its assets and there are no disputes about the ownership right.

3. Market securities issued by the trading company

3.1. The securities issued by our company are traded only in Romania on the Bucharest Stock Exchange.

3.2. In the last 5 years the situation of dividends distribution was as follows:

- year 2011 were paid dividends in amount of 227.765 lei
- year 2012 were paid dividends in amount of 455.530 lei
- year 2013 no dividends were paid
- year 2014 no dividends were paid
- year 2015 were paid dividends in amount of 501.083 lei
- year 2016 – the proposal of the BD for granting dividends – 1.275.484 lei

3.3. description of any activities of the trading company to purchase its own shares.
The Company has not taken any decision to repurchase its own shares.

3.4. If the trading company has, branches specify the number and the nominal value of shares issued by the parent company owned by the subsidiary.

Not appropriate

3.5. If the trading company issued debentures and/or other debt as securities presentation of how the trading company pays its obligations to the holders of such securities.

The Company did not issue debentures or other debt securities.

4. Management of the trading company

4.1. Presentation of trading Company's administrators

No.	Surname, Name	Position	Profession
1.	Hagea Liviu	President BD	Economist
2.	Racasan Stefan	Member	Engineer
3.	Demeter Ioan	Member	Economist
4.	Tilincea Radu Marcel	Member	Engineer
5.	Făder Cristian (until the date 07.11.2016)	Member	Economist
6.	Rivis Laurentiu (from date 28.11.2016)	Member	Lawyer

a) CV (surname, name, age, qualification, professional experience, etc.)

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- 1) Surname: Hagea
Name: Liviu
Age: 67 years
Qualification: Economist
Professional experience: 39 years
Seniority in the position: 6 years
Holds the position of chairman of the Board of Directors, he graduated the Faculty of Foreign Trade of the Academy of Economic Studies in Bucharest (year 1973) and holds the position of Administrator in the company since 2008.
The professional training is demonstrated by the capacity of director in a company from the foreign trade of Belgium (between, 1992 - 1997), respectively the capacity of Secretary of State held during 1997 -1998 in the Ministry of Industry and Trade.

- 2) Surname: Racasan
Name: Stefan
Age: 63 years
Qualification:
Engineer
Professional experience: 38 years
Seniority in the position: 29 years
He is executive member of the Board of Directors and CEO; He is a graduated of the Polytechnic Institute in Cluj Napoca - Faculty of Civil Engineering (year 1980) and holds the position of CEO in the company since 2014. Mr. Racasan Ștefan activates in the company since 1980, accumulating a relevant professional experience in coordinating the quality control activities, of extraction and sorting units, of planning and organization of investment projects or supply, transport and delivery.

- 3) Surname:Demeter
Name: Ioan
Age: 51 years
Qualification:Economist
Professional experience: 8 years
Seniority in the position: 8 years
Executive member of the Board of Directors: is graduated from the Faculty of Management in Brasov, specialization in Business Administration (year 2011) and holds the second mandate as administrator for the Issuer since 2014 (the first mandate being in 2009 - 2010). Mr. Ioan Demeter is working within the Issuer since 1983, and is mainly involved in the Office of Shareholders. A relevant period of time (2000 - 2009) and 2013-2014 held the position of Chairman of the trade union organization, in the position of ELECTROMECHANIC respectively REFERENT SHAREHOLDERS OFFICE and HEAD OF SHAREHOLDERS OFFICE, employed within the Issuer.

- 4) Surname: Făder
Name: Cristian
Age: 37 years
Qualification:Economist
Professional experience: 14 years
Seniority in the position: 8 years
Non-executive member of the Board of Directors: is a graduate of Babes Bolyai University in Cluj Napoca, Faculty of European Studies, specialization Management of European Institutions (year 2003). In the year of 2012 has graduated the program "10

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Day MBA" at the Centre for Institutional Analysis and Development Eleutheria (Bucharest), in partnership with the European School of Management in London. In the year of 2016 he graduated and received his Masters in Organic Agriculture organized by the Faculty of Agriculture in Cluj Napoca, University of Agricultural Sciences and Veterinary Medicine in the academic year 2013-2014 benefiting of an international scholarship at Universität für Bodenkunde Vienna, Austria. Mr. Făder Robert Cristian holds a relevant professional experience in banking and investment funds, private-equity type, currently holding the position of Director of the local representation for the investment plans of Palmer Capital (former Middle Europe Investments). Was representative as a member of boards of directors in various companies in the domain of energy (oil services, Rompetrol Well Service, Prospecting), construction and infrastructure (Condmag, Cemacon, Iproeb) and other economic sectors.

- 5) Surname : Tilinca
Name : Radu Marcel
Age : 53 years
Qualification: Engineer
Professional experience: 27 years
Seniority in the position: 4 years
Non-executive member of the Board of Directors: graduated the Military Technical Academy in Bucharest, specializing in aircraft and aircraft engines (year 1990). Mr. Tilinca Marcel Radu has professional experience in military aeronautics and energy (natural gas), develops his activity in the MND - Unit of Campia Turzii (1990-1993) and in Romgaz SA - Tirgu Mures (1993 - 2006). Mr. Marcel Radu Tilinca hold a non-executive mandate under SC VES SA Sighisoara 2005 - 2009. Between 2010 - 2011 he hold the position of non-executive director for the Issuer, mandate that was resumed in the year of 2014 and held up to date.
- 6) Surname: Ravis
Name: Laurentiu
Age: 38 years
Qualification: Lawyer
Professional experience: 15 years
Seniority in the position: 8 years
Non-executive member of the Board of Directors: is a graduate Universitatea de Vest Vasile Goldis Arad, Faculty of Law (year 2002) , Mr. Ravis Laurentiu graduated in alternative investment fund managers' and „ International Financial Reporting Standards - IFRS " and participated in several national and international conferences. Referring to professional experience after graduation worked as a legal adviser in the company Bega Timisoara group, and since 2005 works in the S.I.F. Banat - Crisana Arad, with different functions currently being director.

b. Any agreement, understanding or family connection between that person and another person due to whom that person was appointed administrator.

c. Administrator's participation in the share capital of the trading company.

On 31.12.2016 the administrators held in S.C. PREBET AIUD S.A. a number of shares, as follows:

No.	Surname and name	Number of shares	Percentage
1.	Hagea Liviu	14.056.588	30.8576%

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2.	Racasan Stefan	182.417	0.4004%
3.	Demeter Ioan	275.009	0.6037%
4.	Rivis Laurentiu	-	-
5.	Tilincea Radu Marcel	191.894	0.4212%

d. List of affiliate persons to the trading company.

Not appropriate.

4.2. List of executive members of the trading company:

No.	Surname and name	Position	Profession
1.	Racasan Stefan	General manager	Engineer
2.	Cimpean Ioan	Economic manager	Economist
3.	*Pop Ioan	Production manager	Engineer
4.	**Morar Alin	Development manager	Economist

* Retired starting on 29.07.2016.

** Suspended employment contract dated 12.05.2016

a. The term for which the person is part of the executive management

Not specified.

b. Any agreement, understanding or family connection between that person and another person due to whom that person was appointed administrator.

Not appropriate.

c. Participation of that person in the share capital of the trading company

On 31.12.2016 the members of executive management held in S.C. PREBET AIUD S.A. a number of shares, as follows:

No.	Surname, name	Number of shares	Percent
1.	Racasan Stefan	182.417	0.4004%
2.	Cimpean Ioan	17.673	0.0388%

4.3. For persons mentioned in paragraphs 4.1 and 4.2 indication of any litigation or administrative proceedings in which were involved related to their activity for the issuer.

In the last 5 years the persons described in section 4.1 and 4.2. were not involved in litigation or administrative proceedings.

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5. Economic and financial situation

a. Balance sheet items

Name of indicators	31.12.2014	31.12.2015	31.12.2016
Tangible assets	12.209.644	11.396.217	13.061.174
Intangible assets	-	-	-
TOTAL FIXED ASSETS	12.209.644	11.396.217	13.061.174
Stocks	4.731.637	4.621.462	4.561.611
Receivables and other receivables	11.044.932	8.619.676	11.259.940
Cash and cash equivalent	2.593.047	9.601.239	8.172.328
Other assets (expenses in advance)	-	-	-
TOTAL CURRENT ASSETS	18.369.616	22.842.377	23.993.879
1.TOTAL ASSETS	30.579.260	34.238.594	37.055.053
Subscribed and paid capital	8.199.548	8.199.548	8.199.548
Capital adjustments	57.644.064	57.644.064	57.644.064
Other elements of ownership equity	(647.854)	(647.854)	(647.854)
Capital premium	-	-	-
Reassessment reserves	3.949.255	3.864.466	3.779.677
Reserves	14.620.157	14.524.862	14.858.327
Reported result except that from the first adoption of date of IAS 29	3.088.105	5.145.095	5.280.937
Reported result from the adoption of the premium for IAS 29	(63.521.958)	(63.521.958)	(63.521.958)
Profit at the end of the reporting period	(-327.111)	785.176	2.647.696
Distribution of profit	-	(49.389)	(149.815)
2.TOTAL OWNERSHIP EQUITY	23.004.206	25.944.010	28.090.622
Long term loans	-	-	-
Debt with deferred income tax	631.383	617.817	604.251
TOTAL DEBTS ON LONG TERM	631.383	617.817	604.251
Trade payables and other debts	2.794.283	3.490.644	3.758.047
Short term loans	-	-	-
Current income tax liability	-	-	-
TOTAL DEBTS ON LONG TERM	2.794.283	3.490.644	3.758.047
Subsidies on investments	2.233.175	1.965.240	1.820.652
Provisions	1.916.213	2.220.883	2.781.481
3.TOTAL LIABILITIES	30.579.260	34.238.594	37.055.053

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

*(all amounts are expressed in lei, where otherwise stated)***b. Profit and loss account**

Indicator name	31.12.2014	31.12.2015	31.12.2016
NET TURNOVER	25.439.402	26.552.117	28.749.077
Changes in inventories of finished goods and production in progress	(2.621.204)	(129.761)	(64.388)
Variation in the production of tangible assets	-	149.841	-
Other revenues	193.619	147.230	299.786
OPERATING INCOMES - TOTAL	23.011.817	26.719.427	28.984.475
Raw materials and used consumables	(11.937.411)	(13.040.641)	14.261.659
Other external expenses (with energy and water)	(1.172.892)	(1.065.840)	959.423
Employee's benefits expense	(7.948.830)	(6.764.787)	7.450.970
Expenses with depreciation and amortization	(1.173.870)	(1.029.061)	930.290
Other expenses	(1.079.569)	(3.796.520)	2.347.207
OPERATING EXPENSES - TOTAL	(23.312.572)	(25.696.849)	25.949.549
OPERATING PROFIT OR LOSS	(300.755)	1.022.578	3.034.926
REVENUE DEFERRED TAX	-	-	13.566
FINANCIAL INCOMES	12.992	27.517	27.359
FINANCIAL EXPENSES	(39.348)	(48.746)	52.411
FINANCIAL PROFIT OR LOSS	(26.356)	(21.229)	(25.052)
TOTAL REVENUES	23.024.809	26.746.944	29.025.400
TOTAL EXPENSES	(23.351.920)	(25.745.595)	26.001.960
GROSS PROFIT	(327.111)	1.001.349	3.023.440
CORPORATE TAX	-	(216.173)	375.744
NET PROFIT	-	785.176	2.647.696

c. Cash flow

At the end of the year the company registers available cash 8.172.328 in decreasing with the amount of 1.428.911 lei in comparison with the beginning of the year (9.601.239).

d. Signatures

President of the Board of Directors,

Ec. Hagea Liviu

Economic Manager,

Ec. Cimpean Ioan

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

6. Corporate Governance Statement

The Company PREBET SA Aiud Company complies with the relevant corporate governance principles applicable to issuers on the regulated market, the Standard category, administered by the market operator Bursa de Valori Bucuresti S.A., (Bucharest Stock Exchange), in terms of transparency and communication with investors, the integrity of the financial reporting process and the effectiveness of the internal verifications. For the current year, the issuer aims to continue to formalize internal corporate governance processes, to develop or improve current policies and procedures and to review the general compliance conditions as described in the applicable Corporate Governance Code of Practice applicable to the Issuers on the regulated market, Standard category ".

In 2016, the Board of Directors of Prebet Aiud SA held a number of 13 meetings.

According to the above mentioned CVs, the Board of Directors of SC PREBET AIUD SA has an executive member, four non-executive members and an independent one (Laurentiu Ravis).

Indicative	Provisions of BVB Code	Full compliance	Partial compliance	Non-compliance	Reason for non-compliance
A.1	All companies must have an internal Council regulation that includes the terms of reference/responsibilities of the Council and the key management positions of the company and which apply, inter alia, the General Principles of Section A.	X			
A.2	Provisions for managing conflicts of interest should be included in the Council Regulation.	X			
A.3	The Board of Directors or the Supervisory Board must consist of at least five members	X			
A.4	Most members of the Board of Directors should not have executive position. At least one member of the Board of Directors or the Supervisory Board should be independent for the companies in the Standard Category. For the companies included in the Premium Category, not less than two non-executive members of the Board of Directors or the Supervisory Board must be independent. Each independent member of the Board of Directors or the Supervisory Board, as the case may be, must file a statement at the time of his nomination for election or re-election, and when any change of his status occurs, indicating	X			

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

	the elements on the basis of which he is deemed to be independent in terms of character and judgment.				
A.5	Other relatively permanent commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of certain Companies and Nonprofit Institutions, should be disclosed to shareholders and potential investors prior to nomination and during its commission.	X			
A.6	Any member of the Council must report to the Council information on any report with a shareholder that directly or indirectly owns shares representing more than 5% of all voting rights	X			
A.7	The company must designate a Council Secretary responsible for supporting the work of the Council.	X			
A.8	The Corporate Governance Statement shall inform whether took place an assessment of the Council under the chairmanship of the President or of the Nomination Committee and, if so, shall summarize the key measures and the resulting changes. The company must have a policy/ guidance on the Council's assessment of the scope, criteria and frequency of the assessment process.			X	The BD presents the Annual Activity Report, in the Ordinary General Assemblies on an annual basis, its activity being analyzed by the General Assembly. The Company does not have a policy/guidance on the Council's assessment, including the purpose, criteria and frequency of the assessment process, following to be made steps in this regard.
A.9	The Corporate Governance Statement should contain information on the number of meetings of the Council and committee over the past year, the administrators' participation	X			

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

	(in person and in absentia) and a report of the Council and committees on their activities.				
A.10	The Corporate Governance Statement should include information on the exact number of independent members of the Board of Directors	X			
A.11	The Board of companies from the Premium Category must set up a nomination committee made up of non-executive members, who shall direct the nomination procedure of new members in the Council and make recommendations to the Council. Most members of the nomination committee must be independent.			X	This provision does not apply to the Issuer, considering the trading market segment (Standard).
B.1	The Council should set up an audit committee in which at least one member should be an independent non-executive administrator. Most members, including the Chairman, must have been demonstrated that they have appropriate, relevant qualification for the functions and responsibilities of the Committee. At least one member of the audit committee must have proven appropriate audit or accounting experience.	X			
B.2	The Chairman of the audit committee shall be an independent non-executive member.	X			
B.3	Within its responsibilities, the audit committee must carry out an annual assessment of the internal control system.	X			
B.4	The assessment should take into account the effectiveness and coverage of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Council's audit committee, the promptness and effectiveness with which the executive management settles the deficiencies or weaknesses identified in the internal audit and the submission of relevant reports to the Council.	X			
B.5	The Audit Committee should assess the conflicts of interest in relation to the transactions of the company and its subsidiaries	X			

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

	with affiliated parties.				
B.6	The audit committee must assess the effectiveness of the internal control system and the risk management system.	X			
B.7	The Audit Committee should monitor the application of legal standards and the standards of internal audit that are generally accepted. The Audit Committee must receive and assess the reports of internal audit team.	X			
B.8	Whenever the Code mentions reports or analyzes initiated by the Audit Committee, they should be followed by regular reports (at least annually) or ad hoc reports to be submitted to the Council.	X			
B.9	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the company with shareholders and their affiliates.	X			
B.10	The Council must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships with whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Council following a binding opinion of the Board's Audit Committee and properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to reporting requirements.			X	This recommendation shall be implemented in the Corporate Governance Rules, which shall require the approval of such transactions with affiliated persons by the Board of Directors on the basis of the opinion provided by the Audit Committee.
B.11	Internal audits should be performed by a separate structural division (internal audit department) within the company or by hiring an independent third party	X			
B.12	In order to ensure the main functions of the internal audit department, it must functionally report to the Council via the	X			

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

	audit committee. For administrative purposes and within the management's responsibility to monitor and reduce risks, it must report directly to the Director General				
C.1	The company must publish on its website the remuneration policy and to include in the annual report a statement on the implementation of the remuneration policy in the annual period under review. Any essential change in the remuneration policy must be published in a timely manner on the company's website.			X	Until this date, this obligation has not been applied, following to be taken steps, by the end of the first semester of the current year.
D.1	The company must organize an Investor Relations Service - indicating to the general public the responsible person (s) or the organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:		X		The Company has organized the Shareholders' Service, which manages the relationship with the investors of the company. The Company has on its web page a section dedicated to the investors, Info-Shareholders. For a better company-to-business relationship is working to improve the company's site.
D.1.1	The main corporate regulations: the Articles of Incorporation, the procedures for general shareholders' meetings.	X			
D.1.2	Professional CVs of members of the company's governing bodies, other professional engagements of Council members, including executive and non-executive positions on Board of Directors in companies or non-profit institutions		X		There are the professional CVs of BD members, steps shall be taken to publish other possible professional engagements and executive and non-executive positions in boards of directors in companies or non-profit

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

					institutions.
D.1.3	Current reports and periodic reports (quarterly, semester and annual) - at least those set out in point D.8 - including current reports with detailed information on non-compliance with this Code;	X			
D.1.4	Information on general shareholders' assemblies: agenda and information materials; the procedure for electing the members of the Council; the arguments supporting the candidates' proposals for election to the Council, together with their professional CVs; shareholders' questions about agenda items and company's responses, including taken decisions;	X			
D.1.5	Information on corporate events, such as the payment of dividends and other distributions to shareholders, or other events that lead to the acquisition or limitation of the rights of a shareholder, including the deadlines and the principles applied to such operations. Such information shall be published within a timeframe that shall allow investors to make investment decisions;	X			
D.1.6	The names and contact details of a person who shall be able to provide relevant information upon request;	X			
D.1.7	Company presentations (namely presentations for investors, presentations on quarterly results, etc.), financial statements (quarterly, semester, annual), audit reports and annual reports.		X		The company publishes on its own site and on the BVB website the quarterly, half-yearly and annual reports of the BD, plus audit reports and annual reports. In the future shall be held meetings with the press, and they shall be announced in due time to the BSE.
D.2	The company shall have a policy on the annual distribution of			X	Until this date, it was not

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016

Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32

(all amounts are expressed in lei, where otherwise stated)

	dividends or other benefits to shareholders proposed by the General Manager or the Board and adopted by the Council in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders shall be published on the company's website.				implemented a policy on the annual distribution of dividends or other benefits to shareholders. This policy shall be implemented by the end of the first semester of the current year and shall be published on the company's web site.
D.3	The company shall adopt a policy regarding the forecasts, whether they are made public or not. If published, forecasts can only be included in the annual, half-yearly or quarterly reports. The forecasting policy shall be published on the company's website.			X	Until this date no forecasting policy has been implemented. Now, forecasts are annually provided through the Income and Expense Budget and the Investment Plan. This policy shall be implemented by the end of the first semester of the current year and shall be published on the company's web site.
D.4	The rules of general shareholders' meetings should not limit the participation of shareholders to general meetings and the exercise of their rights. Changes to the rules shall enter into force at the earliest, starting with the next shareholders meeting	X			
D.5	External auditors shall be present at the general shareholders' meeting when their reports are presented at these meetings.	X			
D.6	The Board shall provide to the annual general meeting of shareholders with a brief assessment of the internal control and risk management systems as well as opinions on matters subject to the decision of the general meeting.	X			

REPORT OF ADMINISTRATORS SC PREBET AIUD SA for the year 2016**Annual Report according to the Regulation N.C.T.S. no. 1 / 2006-Annex 32***(all amounts are expressed in lei, where otherwise stated)*

D.7	Any specialist, consultant, expert, or financial analyst may attend the shareholders meeting upon a prior invitation from the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the President of the Council decides otherwise.	X			
D.8	The quarterly and half-yearly financial reports shall include both Romanian and English information on key factors that affect changes in sales, operating profit, net profit and other relevant financial ratios from quarter to quarter and also from one year to another.	X			
D.9	A company shall hold at least two meetings/teleconferences with analysts and investors in each year. The information presented on these occasions shall be published in the Investor Relations section of the company's website at the dates of the meetings/teleconferences.			X	Steps are to be taken in terms of compliance.
D.10	If the company supports different forms of artistic and cultural expression, sporting activities, educational or scientific activities, and considers that their impact on the innovative character and the competitiveness of the company is part of its development mission and strategy, it shall publish the policy on the activity in this domain.		X		The company supports locally cultural-sporting activity through sponsorship in the amount stipulated by the current tax legislation, but the company did not adopt and publish a policy in this regard.

Last review/update: April 24, 2017

Chairman of the Board of Directors
Ec. Liviu Hagea

SC PREBET SA AIUD

INDIVIDUAL ANNUAL FINANCIAL STATEMENTS
for the year ended on

December 31, 2016

PREPARED PURSUANT TO THE INTERNATIONAL
FINANCIAL REPORTED STANDARDS
ADOPTED BY THE EUROPEAN UNION

S.C. PREBET AIUD S.A.

*Individual financial statements prepared in accordance with the International Financial Reported Standards -
for the year ended on 31.12.2016*

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S.C. PREBET AIUD S.A.

Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016

STATEMENT OF FINANCIAL POSITION

On December 2014, 2015 and 2016

(all amounts are expressed in LEI, if is not stated otherwise)

	Grade	31.12.2014	31.12.2015	31.12.2016
Assets				
Fixed assets		12.209.644	11.396.217	13.061.174
Tangible assets	5	12.209.644	11.396.217	13.061.174
CURRENT ASSETS		18.369.616	22.842.377	23.993.879
Stocks	6	4.731.637	4.621.462	4.561.611
Trade receivables and other	7	11.044.932	8.619.676	11.259.940
Cash and cash equivalent	8	2.593.047	9.601.239	8.172.328
<i>Total assets</i>		30.579.260	34.238.594	37.055.053
Debts				
Provisions	14	1.916.213	2.220.883	2.781.481
Current income tax				
Trade debts and others	12	2.794.283	3.490.644	3.758.047
Debts with deferred income tax	13	631.383	617.817	604.251
Investment subsidies		2.233.175	1.965.240	1.820.652
<i>Total debts</i>		7.575.054	8.294.584	8.964.431
Own equity				
Called-up capital	10	8.199.548	8.199.548	8.199.548
Adjustments in share capital		57.644.064	57.644.064	57.644.064
Elements reported to equity		-647.854	-647.854	-647.854
Reported result except that from the first adoption of date of IAS 29	11	3.088.105	5.145.095	5.280.937
Reported result from the adoption of the premium for IAS 29		-63.521.958	-63.521.958	-63.521.958
Reserves from reassessments, net tax		3.949.255	3.864.466	3.779.677
Other reserves		14.620.157	14.524.862	14.858.327
Period result		-327.111	785.176	2.647.696
Allocation of profit			-49.389	-149.815
<i>Total own equity</i>		23.004.206	25.944.010	28.090.622
<i>Total debts and own equity</i>		30.579.260	34.238.594	37.055.053

S.C. PREBET AIUD S.A.

Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016

SITUATION GLOBAL EARNINGS

For the years ended on December 2014, 2015 and 2016

(All amounts are expressed in lei, where otherwise stated)

	Grade	31.12.2014	31.12.2015	31.12.2016
NET TURNOVER	15	25.439.402	26.552.117	28.749.077
Revenue income		25.439.402	26.552.117	28.749.077
Other operating income		193.619	147.230	299.786
Variation in production of tangible assets			149.841	
Variation of fine products stocks and production during execution		-2.621.204	-129.761	-64.388
Total operating incomes		23.011.817	26.719.427	28.984.475
Expenditures	16			
Expenses with raw materials and consumables		11.937.411	13.040.641	14.261.659
Other external expenses (with energy and water)		1.172.892	1.065.840	959.423
Employee's benefits expense		7.948.830	6.764.787	7.450.970
Expenses with depreciation and amortization		1.173.870	1.029.061	930.290
Other operating expenses		1.079.569	3.796.520	2.347.207
Total operating expenses		23.312.572	25.696.849	25.949.549
Operating profit or loss		-300.755	1.022.578	3.034.926
FINANCIAL INCOMES	17	12.992	27.517	27.359
FINANCIAL EXPENDITURES	17	39.348	48.746	52.411
FINANCIAL PROFIT OR LOSS		-26.356	-21.229	-25.052
REVENUES FROM DEFERRED TAX		-	-	13.566
TOTAL REVENUES		23.024.809	26.746.944	29.025.400
TOTAL EXPENDITURES		23.351.920	25.745.595	26.001.960
GROSS PROFIT		-327.111	1.001.349	3.023.440
CORPORATE TAX	18		216.173	375.744
Net profit of financial year		0	785.176	2.647.696

Administrator,

Ec. Hagea Liviu

Economic director,

Ec. Cimpean Ioan

S.C. PREBET AIUD S.A.

Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016

STATEMENT OF TREASURY FLOWS

For the years ended on December 2014, 2015 and 2016

(All amounts are expressed in lei, where otherwise stated)

	2014	2015	2016
Cash flows from operating activities			
Proceeds from customers	29.902.820	35.894.813	30.825.812
Payments in cash to suppliers and employees	-27.928.351	28.655.470	-29.338.335
Paid interests	-8.901	0	0
Paid corporation tax	0	-180.493	-461.313
<i>Net cash from operation</i>	1.965.568	7.058.850	1.026.164
Net cash from investment activities			
Payments for purchase of tangible assets	-1.278.489	-64.328	-1.961.911
Payments for purchase of shares and other financial instruments	0	0	0
Collection from the selling of tangible and intangible assets	0	0	0
Collection from governmental subsidies for investments	0	0	0
Collected interests	0	14437	0
Paid dividends	0	0	0
<i>Net cash from investments</i>	-1.278.489	-49.891	-1.961.911
Cash flow from financing activities	0	0	0
Collections from issuing shares and other elements of capital	0	0	0
Collections from issuing debts instruments	0	0	0
Collection/Payments for long term loans	0	0	0
Payments for repurchase of own shares	0	0	0
Payments related to the financial leasing contracts	0	0	0
Dividends paid to shareholders	-30.093	-767	493.164
<i>Net cash generated from financing</i>	-30.093	-767	493.164
Net increase and decrease of cash and its equivalent in cash	656.986	7.008.192	-1.428.911
Cash and cash equivalents on January 1 st	1.936.061	2.593.047	9.601.239
Cash and cash equivalents on December 31	2.593.047	9.601.239	8.172.328

President of Board of Directors,

Ec. Hagea Liviu

Economic director,

Ec. Cimpean Ioan

S.C. PREBET AIUD S.A.*Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016***STATEMENT OF CHANGES IN EQUITY****For the year ended on December 31, 2016***(All amounts are expressed in lei, where otherwise stated)*

	Grade	Share capital	Share capital adjustments	Capital assimilated elements	Reserves from reassessment	Other reserves	Current and retained earnings	Total
Balance on January 1st 2016		8.199.548	57.644.064	- 647.854	3.864.466	14.524.862	- 57.641.076	25.944.010
<i>Other changes in the global result</i>								0
Current global result							2.363.603	2.363.603
Allocations legal reserve						149.815	(100.426)	49.389
Allocations other reserves						183.650		183.650
Covering loss IFRS								
Reserve increase from assets reassessment					(84.789)			- 84.789
Assessment reserve transfer in the reported year							135.842	135.842
Paid dividends							(501.083)	(501.083)
Total global result for the period		0			(84.789)	333.465	1.897.936	2.146.612
Total transactions with shareholders, direct recognized in own equities								0
Balance on December 31, 2016		8.199.548	57.644.064	-647.854	3.779.677	14.858.327	-55.743.140	28.090.622

Administrator,

Mr. Hagea Liviu

Economic director,

Mr. Cimpean Ioan

S.C. PREBET AIUD S.A.*Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016***STATEMENT OF CHANGES IN EQUITY****For the year ended on December 31, 2016***(All amounts are expressed in lei, where otherwise stated)*

	Grade	Share capital	Share capital adjustments	Capital assimilated elements	Reserves from reassessment	Other reserves	Current and retained earnings	Total
Balance on January 1st 2015		8.199.548	57.644.064	-647.854	3.949.255	14.620.157	-60.760.964	23.004.206
<i>Other changes in the global result</i>								0
Current global result							1.112.287	1.112.287
Allocations legal reserve						49.389	-49.389	0
Allocations other reserves						-144.684		-144.684
Covering loss IFRS								0
Reserve increase from assets reassessment					- 84.789			-84.789
Assessment reserve transfer in the reported year							2.056.990	2.056.990
Total global result for the period		0	0	0	- 847.789	-95.295	3.119.888	2.939.804
Paid dividends								0
Total transactions with shareholders, direct recognized in own equities								0
Balance on December 31, 2015		8.199.548	57.644.064	-647.854	3.864.466	14.524.862	-57.641.076	25.944.010

Administrator,

Mr. Hagea Liviu

Economic director,

Mr. Cimpean Ioan

EXPLANATORY NOTES TO THE FINANCIAL SITUATIONS

For the year concluded on December 31, 2016

1. Reporting entity

S.C. PREBET AIUD S.A. (the Company), is a legal Romanian entity, organized under the legal form of a joint stock company. The company operates according to the Romanian Laws, with the regulations specific to the field of activity, including those that are incident to the capital market and with the provisions of the Articles of Incorporation. The headquarters of the company is in Romania, Aiud, str. Arenei, nr.10, judetul Alba, postal code 515200. The company does not hold auxiliary offices neither participations within other economic entities.

Main object of activity of the Company consists of performing construction works, assembly, and manufacture and trade of products and services in the area of means of communication. The main production activity is "Plant of concrete products for constructions" (NACE Code Rev. 2 – 2361)

Subscribed and paid up share capital on 31.12.2016 is of **8.199.547,74** lei, divided into **45,553.043 shares** at a nominal value of 0.18 lei/share.

During 2016, the share capital of SC PREBET AIUD S.A. did not undergone changes.

The shares of S.C. PREBET AIUD S.A. are traded on the Bucharest Stock Exchange, Standard category starting on 24/09/2015.

The last trading price of the trading Company's shares SC PREBET AIUD SA valid on 14.03.2017 was of 0.4070 lei/share.

The activities specific of independent registry for S.C.PREBET AIUD SA were conducted by the Central Depository.

Shareholding structure on 31.12.2016 was as follows:

Shareholder	No. shares	%
OTHER SHAREHOLDERS	25.152.936	55.2168
HAGEA LIVIU	14.056.588	30.8576
ASOCIATIA PAS PREBET AIUD	6.343.519	13.9256
TOTAL	45.553.043	100

2. Summary of significant accounting policies

2.1. Conformity declaration

The Company's financial statements are prepared in accordance with the International Financial Reporting Standards (, IFRS "), as adopted by the European Union, Order of Ministry of Public Finances no. 2844/2016 for the approval of Accounting Regulations according to the International Financial Reporting Standards, applied to the trading companies whose securities are allowed to be traded on a regulated market, as amended and supplemented, with significant accounting policies and with the assessment basis in force on December 31, 2016. These accounting policies were consistently applied in the presentation of the financial information in the reported period concluded on December 31, 2015, 2014 and 2013 and also for the preparation of IFRS opening balance sheet.

The individual financial statements in accordance with IFRS as adopted by the EU are designed to meet the requirements of Regulation (EC) No. 809/2004 and were prepared by the Company in order that the Company's shares to be admitted to be traded on the BSE regulated market.

The financial information has been restated to reflect the differences between the accountancy performed by RAS and the reporting requirements prescribed by International Financial Reporting Standards ("IFRS"). This restatement was made to meet the requirement in section. 20.1 in Annex 1 of Regulation (EC) no. 809/2004, namely to provide financial information in a form consistent with that which shall be adopted for the next annual financial statements that shall be published by the Company. Consequently, the accounting accounts maintained according RAS were adjusted, if determined to be necessary to harmonize the individual financial statements, in all material respects, with IFRS.

The most significant changes to the financial statements prepared in accordance with RAS in order to align the requirements of IFRS as adopted by the European Union refer to:

- Adjustments in elements of assets, liabilities and equity in accordance with IAS 29 "Financial reporting in hyperinflationary economies " because Romanian economy was a hyperinflationary economy until December 31, 2003;
- Adjustments for recognition of assets and liabilities regarding deferred income tax in accordance with IAS 12 "Income Taxes"; and
- Requirements for recognition, classification, assessment and disclosure in accordance with IFRS.

An overview of the standards, amendments and interpretations to International Financial Reporting Standards ("IFRS") issued and endorsed by the EU but have not entered into force and which have not yet been adopted by the Company is presented in Note 2.3

2.2. Basis of preparation of the individual financial statements

Company's financial statements are prepared in accordance with the principles of recognition and measurement required by International Financial Reporting Standards, as adopted by the European Union ("IFRS") effective on the annual reporting ate of the Company, namely December 31, 2016 and in accordance with the OMPF 2844/2016, as amended and supplemented, being available at the company's headquarters in Aiud, str. Arenei, nr.10.

The financial statements contain the statement of financial position, profit or loss situation and of other elements of global income, statement of changes in equity, cash flow statement and explanatory notes.

Date of transition to IFRS is 24.09.2016 based on the ASF decision no. 2339. The year 2015 is the first year in which the financial statements have been prepared in accordance with IFRS.

According to the provisions of OMFP 881/2012 on the application by the trading companies whose values are admitted to trading on a regulated market of International Financial Reporting Standards and the Order of the Minister of Finance no. 2844/2016 for the approval of the accounting Regulations compliant with the International Standards of Financial Reporting, applicable to companies whose securities are admitted to trading on a regulated market, the trading companies whose securities are admitted to trading on a regulated market are required, since the fiscal year 2012 to apply the International Standards of Financial Reporting (IFRS) in preparing the annual financial statements. Since SC PREBET AIUD adopts IFRS as the new basis of accounting for the year 2015, the company has applied including the provisions of IFRS 1 "Adoption for the first time of the International Financial Reporting Standards". IFRS 1 applies to all cases in which an entity adopts for the first time IFRS, through an explicit and unreserved statement of compliance with IFRS.

SC PREBET AIUD applies all IFRS effective at the reporting date for the financial statements IFRS.

2.3. IFRS that were not adopted

The new IFRS standards, issued amendments and interpretations, but that have not entered into force for the financial year beginning on January 1st, 2016 and which have not yet been adopted, but which are relevant to the individual financial statements of the Company are described below:

IFRS 15 "Profit from contracts with customers" plans to recognize revenues and established principles for reporting useful information to the users of financial statements regarding the type, amount, distribution and uncertainty of revenues and cash flows resulting from the Company's contracts with customers. Revenues are recognized when a customer obtains control of a product or

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service and thus has the ability to direct the use and get the benefits of that product or service. The standard replaces IAS 18 "revenues" and IAS 11 "Agreements for construction" and the interpretations thereof. The standard is effective for annual periods beginning on or after January 1st, 2017 and allows its earlier application. The standard has not been adopted yet by the EU.

Amendments to IAS 1 "Presentation of Financial Statements" (issued in December 2014 and effective for periods beginning with January 2016 or after). The IAS 1 standard was amended to clarify the notion of meaning and explains that an entity must provide specific information required by an IFRS if the financial information resulting from this presentation is not significant, even though IFRS contains a list of specific requirements or describes them as being minimum requirements. The standard also provides new guidelines on subtotals in the financial statements, especially these subtotals: (i) must be composed of elements of line formed by the values recognized and assessed in accordance with IFRS (ii) must be presented and labeled in a manner that makes the items at subtotal line to be clear and easy in meaning; (iii) must be consistent from one period to another; and (iv) should not be displayed with greater importance than subtotals and totals required by IFRS. The standard has not yet been approved by the EU.

Clarification of the acceptable methods of depreciation and amortization - Amendments to IAS 16 (issued on May 12th, 2014 and applicable for periods beginning on or after January 2016). In this amendment, the IASB clarified that used methods based on revenue to calculate the depreciation of an asset is not appropriate for that the revenues generated by an activity that involves the use of an asset generally reflect other factors than the consumption of economic benefits embodied in the asset. The standard has not been approved yet by the EU.

There are no other IFRS or IFRIC interpretations that have not yet entered into force and which could have a significant impact on the individual financial statements of the Company.

2.4. Presentation of individual financial statements

The individual financial statements are presented in accordance with IAS 1 "Presentation of Financial Statements". The Company has adopted a presentation of current assets, intangible assets and current liabilities as separate classifications in the statement of financial position. Income and expenses are presented in the financial statements depending on their nature.

2.5 Reporting on segments

A segment is a component of the Company

a) that engages in business activities from which it can get revenues from which can support

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expenses (including revenues and expenses related to transactions with other components of the same entity)

b) whose results of activity are regularly examined by the main decision operating factor of the entity in order to take decisions about allocating resources and assessing its performance segment, and

c) for which is available discrete financial information.

The Company has one operating segment identified in accordance with the internal reports provided to the main decision maker. The main decision maker, which is responsible for allocating resources and assessing segment performance, has been identified as the Board of Directors that adopts strategic decisions.

The Board of Directors evaluates the performance of the reporting segment based on profit indicators before interest, taxes and amortization (EBITDA) and net sales. Indicators' assessment base excludes the discontinued operations and the effects of non-recurring expenses, such as legal fees or those caused by other non-recurring events. Measurement also excludes the effects of unrealized gains/losses.

Due to the diversity of manufactured products and the diversity of manufacturers of prefabricated elements on the internal market is difficult to determine a weight for each element of precast concrete product.

Description of main achieved products and/or provided services

Main achieved products:

- a. prestressed concrete sleepers for railway
- b. beams for bridges with different lengths and heights
- c. prefabricated railroad and road culverts
- d. Prefabricated electrification and signaling roads
- e. Precast concrete works of art and tunnels
- f. Dale Railway level crossing
- g. prefabricated channel for servicing of locomotives and rail pockets
- h. Sleepers, reinforced type biblock for metro and tram
- i. Various prefabricated structures

a) main markets for each product or service and the distribution methods:

Marketplace of company's products is represented by the internal market with direct sales as a

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means of distribution to the contractor or subcontractor who has contracted works with the end beneficiary of the required product.

b) the share of each category of products or services in revenues in the total of the turnover of the trading company for the last three years:

In 2016 the total of prefabricated was 20.312 mc of which bulk concrete 855 mc.

The products manufactured by the company are found in two broad categories of products, plus the bulk concrete

- a) reinforced and prestressed concrete sleepers
- b) other reinforced and prestressed concrete products
- c) bulk concrete

Product name	2014%	2015%	2016%
Concrete railway sleepers	46.43%	41.97%	35.49%
Various concrete products	48.90%	57.43%	60.30%
Bulk concrete	4.67%	0.60%	4.21%

c) description of sequential sales evolution on domestic and/or foreign market and sales prospects in the medium and long term

Sales are made only on the domestic market and have somewhat seasonal in the winter months when their volume is substantially reduced.

The company does not export products.

Sales prospects depend on medium and long term on government policy in terms of allocation of financial resources for various works which also include our products.

Evolution of turnover in the last three years is as follows:

2014	2015	2016
25.439,402 lei	26.552,117 lei	28.749,077 lei

d) description of the competitive situation in the business of the company, the market share of products or services of the trading company and the main competitors

In the year of 2016 the share of sleepers product representing 35% of the volume of commodity production the difference being represented by the product category other precast concrete elements.

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The company has capitalized only domestic products throughout the entire territory of the country less in Dobrogea and the South – East Romania.

Our main competitors are:

- Somaco group Prefabricate Bucuresti
- Macon
- ASA Cons Turda
- Lupp Sibiu
- METABET Pitesti
- DUNAPREF Giurgiu
- Other manufacturing companies of concrete and concrete elements

e. description of any significant dependence of the trading company to a single client or to a group of clients whose loss would have a negative impact on company earnings

Given the diversified customer portfolio, SC PREBET AIUD does not significantly depend on a single customer. In terms of risk management concept, and by the fact that the company has customers whose source of contracts and works is represented by the investments carried out by entities that are directly or indirectly subordinated to the Romanian State (CNADNR, CFR), we can say that there is a dependency of the company for the investment agreements financed by the national or local budget.

2.6. Currency conversion and the effects of exchange rate

a) Functional and presentation currency

The management of the company considers as functional currency, as defined by the IAS 21 "The effects of changes in the exchange rate" is the Romanian leu. Consequently, the items included in the individual financial statements IFRS are measured in Romanian lei (RON), which is the circulating currency in the main economic environment where the company operates. Also, the Romanian leu is a currency that the Company's management has determined as presentation currency.

b) Transactions and balances

Operations and transactions denominated in foreign currency are transformed into the functional currency using official exchange rates of the transaction date or the valuation date, where monetary

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items are revalued. Monetary assets and liabilities that are registered in estimates at the date when the balance sheet are transformed into the functional currency at the exchange rate of the day. Gains or losses from foreign exchange, resulted after performing these operations and transactions and from the conversion at exchange rates at the end of the reporting period, related to monetary assets and liabilities denominated in foreign currencies, are recognized in profit or loss exercise, namely in the statement of comprehensive income.

Company's operations and transactions denominated in foreign currencies were performed only in euro (EUR). Foreign currency exchange rates in Euro used Company's transactions of the reporting periods ended December 31, 2016 and 2015 were:

Currency	31/12/2015	31/12/2016
EURO (EUR)	4,5245	4,5411
DOLLAR (USD)	4,1477	4,3033

2.7. Tangible Assets

Tangible assets recognized as assets, are initially assessed at cost by the Company. The cost of an item of tangible assets comprises the purchase price, including non-recoverable taxes, after deducting any discounts in price of trade type and any costs directly attributable to bringing the asset to the location and in the necessary condition for it to be used in the purpose intended by the management, such as: initial delivery and handling costs, installation and packaging costs, professional fees. Tangible assets are classified by the Company in these asset classes of the same nature and similar uses:

- Land, land improvements;
- Buildings and constructions;
- Equipment, technical facilities and machinery;
- Means of transport;
- Other tangible assets.

Land and buildings are shown at fair value, based on revaluations regularly performed by independent externally evaluators (accredited ANEVAR), less the subsequent depreciation. Any accumulated depreciation at the revaluation date is eliminated from the gross carrying amount of the asset and the net value is restored to the revalued amount of the asset. All other tangible assets are stated at historical cost less depreciation. Historical cost includes expenditure that is directly

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attributable to the acquisition of assets.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that the Company shall record future economic benefits related with the item and when the cost of that item can be reliably measured. The carrying amount of the replaced parts id derecognised. All other repairs and maintenance costs are recognized in profit or loss for the reporting period in which they were incurred.

Increases in the carrying amount arising on revaluation of lands and buildings are credited to other comprehensive income and are presented as revaluation reserve in equity. Decreases that offset previous increases of the same asset are recorded in other comprehensive income and charged from the revaluation reserves directly in equity. All other decreases are recognized in profit or loss of the reporting period. The amounts recorded in assessments reserves are transferred to retained earnings at the end of its useful life of assets or when assets are sold/ withdrawn.

Depreciation is calculated using the straight-line method over the estimated useful life of the assets. Lands are not depreciated. Depreciation of other fixed assets is calculated using the straight-line method to allocate cost or revalued amounts to their estimated useful life as follows:

Tangible assets	Duration (years)
Buildings	8-60
Technologic equipment	3-24
Systems and equipment for measuring, control and adjustment	4-24
Means of transport	4-18
Furniture, office equip., protection equip. human and material values	3-18

Residual values of assets and periods of use are reviewed and adjusted if necessary at the end of each reporting period. The residual value of an asset is the estimated amount that the Company would be able to find with asset disposal, less the estimated costs of disposal, if the asset were already reached the estimated state at the end of the useful life. The residual value of an asset is nil if the Company estimates that it will use until the end of its useful life. The accountancy value of an asset is immediately decreased to its recoverable amount if the carrying amount of the asset is greater than the estimated recoverable value.

Tangible assets that are retired or disposed/alienated of are eliminated from the statement of

financial position together with the corresponding accumulated depreciation. Gains and losses on alienation/disposals are determined by comparing proceeds with carrying amount and are recognized in profit or loss for the reporting period.

2.8. Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances occur indicating that the carrying value may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less the costs generate by the sell and its value in use. In order to assess the impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.9. Financial assets

The Company classifies financial assets in loans and receivables category. Loans and receivables are non-derivative financial assets that generate fixed or determinable collections that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. The latter are classified as long-term assets. Loans and receivables of the Company are classified as "trade receivables and other receivables" and "cash and cash equivalents".

2.10. Stocks

Stocks are registered at the lower value of cost and to the net realizable value. The production cost of finished goods consist of raw material costs, direct labor, other direct costs and general production expenses allocated in relation to normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less related selling expenses.

2.11. Trade receivables

Trade receivables are amounts due by customers for goods or finished products sold in the ordinary course of business. If it is expected to be collected within one year or less than one year (or normal operating cycle), they are classified as current assets. Otherwise, these assets are presented as fixed assets. Amounts due by customers but not invoiced at the end of the reporting period are presented by advances paid to clients, whether the conditions for compensation of these

amounts are fulfilled. Trade receivables are initially recognized at fair value and subsequently measured at amortized cost, using the effective interest method, less adjustment for impairment.

2.12. Cash and cash equivalents

In the cash flow statement, cash and cash equivalents include cash on hand, bank deposits, time deposits held in banks, other short-term investments with high liquidity and original maturities of three months or less, and overdraft. Overdrafts are presented in borrowings in the current liabilities.

2.13. Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new equity instruments are shown in equity as a deduction of net revenues. If the Company acquires its own equity instruments (treasury shares), the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to equity holders of the Company. If the Company issues shares, any amount received is included in the equity attributable to equity holders of the Company, without directly attributable incremental costs and related income tax effects.

2.14. Trade payables

Trade payables are obligations to pay for goods or services that were purchased in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the Company's normal operating cycle, if longer). Otherwise, payables are presented as current liabilities. The amounts on bills not received from suppliers at the end of the year are recognized at the adjusted advances received from the same supplier, if the conditions of compensation are met. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15. Government grants

Government grants are recognized at fair value where there is reasonable assurance that the grant shall be received and the Company shall comply with all attached conditions. Government grants relating to income are deferred and recognized in profit or loss during the corresponding period for costs to be compensated.

Government grants relating to tangible assets are included in current liabilities as deferred

government grants and are credited to the profit or loss on a straight-line basis over useful lives of the related assets.

2.16. Current and deferred income tax

Income tax expenses for the period comprises current and deferred tax. The tax is recognized in profit or loss account, unless it is recognized in other comprehensive income or directly in equity because it relates to transactions that are, in turn, recognized in the same period or in another period, in other comprehensive income or directly in equity.

Current income tax is the tax that is expected to be paid or received for taxable income or deductible achieved loss in the current year, using tax rates adopted on reporting date and any adjustment of payment obligations on income tax related to previous years. For the reporting period ended in December 31, 2016 income tax rate was 16%.

Deferred tax is determined by the Company using the variable carry method based on balance sheet for those temporary differences arising between the tax bases of calculation of tax on assets and liabilities and their carrying value, used for reporting financial individual statements. Deferred income tax is determined using tax rates set by the regulations in force by the end of the reporting period and to be implemented during the period in which the deferred income tax to be recovered is realized or the deferred income tax liability is paid. Deferred income tax assets are recognized only to the extent that it is probable that in the to be obtained a taxable profit of which to be deducted the temporary differences.

Deferred tax assets and liabilities are offset only if there is a legally enforceable right to offset current tax assets and current tax liabilities and deferred tax assets, receivables and liabilities related to the deferred income taxes are related to corporate tax perceived from the same fiscal authority.

2.17. Employees' benefits

The company makes payments to the Romanian State funds on behalf of employees for pension, health and unemployment. All employees of the Company are members of the public pension plan of the Romanian state. Salaries and contributions to pension funds of the Romanian state and social insurance funds, paid annual leave and sick leave, other extras are employed in the period when related services are rendered by employees of the Company.

2.18. Provisions

Provisions for environmental restoration, restructuring costs and the related legal action are recognized when: (i) the Company has a legal or constructive present obligation as a result of past events; (ii) it is likely to be required an outflow of resources embodying economic benefits to settle the obligation; and may be made (iii) a reliable estimate regarding the liability value. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market estimate of the time value of money and the specific risks of the obligation. Increase in provision due to passage of time is recognized as interest expense.

2.19. Operating income

Revenues comprises the fair value of amounts received or to be received from the sale of goods in the normal course of the operating activity. Revenues are presented net of VAT, returns, rebates and discounts. The Company recognizes revenues when: (i) the amount received or receivable can be correctly estimated; and (ii) it is probable that future economic benefits to be obtained by the Company.

2.20. Accounting for effects of hyperinflation

The Romanian economy has experienced before 2003 relatively high levels of inflation and was considered a hyperinflationary economy in accordance with IAS 29 "Financial Reporting in hyperinflations economies. According to IAS 29, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy must be presented in the current unit at the time of the balance-sheet (non-cash items are restated using a general price index at time of purchase or contribution).

The provisions of IAS 29 "Financial reporting in hyperinflationary economies" were applied in accounting the hyperinflation effect until December 31, 2003, date on which it is considered that Romanian economy has ceased to meet the conditions of a hyperinflationary economy (hyperinflation cessation date). The Company assessed the requirements of IAS 29 on January 1st, 2012. In order to draw up individual financial statements, the Company adjusts the following non-cash items to be expressed in the current measuring unit on reporting date: permanent equity (share

capital and reserves) and tangible assets . The impact of applying IAS 29 is reflected in the individual financial statements as an update of these non-cash items.

2.21. Dividends to be distributed

Dividends are treated as a distribution of equity to shareholders from the date of registration, in the period when they were declared and approved by the General Meeting of Shareholders. Distribution of dividends to Company shareholders is recognized as a liability in the period in which the dividends are approved by shareholders. The profit available for distribution is the net profit of the reporting period.

3. Significant Risk Management

3.1. Risk Categories

Operational activities exposed by the Company to a variety of financial risks or non-financial, relevant are: market risk (including currency risk), credit risk, liquidity risk, risk related to tax, risk related to economic environment and operational risk. General program of the company on risk management focuses on the unpredictability of markets and seeks to minimize the potential adverse effects on the financial performance of the Company. The Company does not use derivative financial instruments to hedge certain risk exposures.

a) **Market risk** is the risk of a loss or not getting the expected profit as a result of fluctuations in prices and exchange rates of currencies. In this category of risk, relevant for the company is currency risk.

The currency risk is due to the risk of loss or failure to achieve registration of the estimated profit as a result of unfavorable exchange of the rate fluctuations. Most financial assets and liabilities held by the company are expressed in national currency and therefore the exchange rate fluctuations do not significantly affect the Company's activity. The result of currency conversion does not have a significant impact on the overall result for the period.

Although the company operates in Romania, it is exposed to currency risk arising from exposure to Euro currency rate fluctuations, where are denominated purchases from or deliveries to foreign partners.

The Company is not protected against currency risk related to the euro rate fluctuations by forward contracts or other financial derivatives. However, the Company's management regularly reviews

the outlook for the exchange rate RON/EUR and enter the information thus obtained, in substantiation of the strategy of price development.

b) Credit risk is determined by cash and cash equivalents, deposits with credit institutions and other financial institutions as well as credit exposures related to products sold to customers, including outstanding claims. If credit institutions and other financial institutions are allowed only entities with good reputation and financial soundness in the financial market in Romania. For customers, if is not available an independent rating, the management assesses the creditworthiness of the customer, based on its financial position, past experience and other factors. Individual risk limits are set based on internal ratings within the limits established by the Board of Directors. The use of limits (ceilings) credit is regularly monitored.

c) Liquidity risk is the risk of loss or estimated profits, resulting from failure to meet at any time the payment obligations in the short term, without this entailing excessive costs or losses that may be incurred by the Company . The Company's management monitors the forecasts of liquidity needs to ensure that there is sufficient cash to meet the operational requirements. These forecasts take into account the financing plans, of compliance with contractual agreements, and compliance with internal objectives on indicators of economic and financial management.

d) Tax risk

The tax system in Romania is subject to various interpretations and permanent changes, which can sometimes be retroactive. The tax authorities may take a different position from the position of the Company regarding certain transactions, operations and events and as such can calculate certain additional obligations, interest and tax penalties. The Company's management believes that has recorded fair values in the accounts of duties, taxes and other debts to the state. However, there is a risk that the tax authorities have a different position in comparison with that of the Company.

e) The risk of economic environment

Romanian economy shows the specific characteristics of emerging economies and there is a significant degree of uncertainty regarding the development of the political, economical and social future. The management can not predict all the effects of the crisis that will have an impact on the financial sector in Romania nor their potential impact of these on the current financial statements.

f) The risk of dependence on a few customers

The company recorded a significant exposure to a total of four clients (Tirrena Scavi Condotti, FCC Cons SA Barcelona, Strabag SRL and Aktor SA Greece STA) which account for approx. 51% in the volume of business generated in 2016.

g) Operational risk is the risk of incurring losses or estimated profits due to internal factors such as inappropriate conduct of certain internal activities, existence of personnel or inappropriate systems or due to external factors such as economic conditions, changes in the capital market, technological progress. Defined policies for the management of the operational risk have considered each type of events that can generate significant risks and the ways of manifestation specific to it, in order to eliminate or minimize financial losses.

3.2. Capital risk management

Management policy regarding capital risk management focuses on maintaining a sound capital base in order to support the ongoing development of the Company and the investment objectives.

The capital management objectives are designed to protect the company's ability to continue its activity in the future, so that to generate profit to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Company may adjust the amount of dividends proposed for distribution to shareholders, may refund the capital to shareholders, may issue new instruments for equity or may sell assets in order to reduce the debt.

The Company monitors the capital base on the indicator of the indebtedness degree, calculated as ratio between net debt and total equity. Net debt is calculated by subtracting the total debt less cash and cash equivalents. Total capital is calculated by adding net debt to equity

	December 31, 2014	December 31, 2015	December 31, 2016
Total debts	2.823,451	3.490,644	3.758,047
Cash and cash equivalents			
	2.593,047	9.601,239	8.172,328
Net debt	230,404	-6,110.595	-4,414.280
Total equity			
	23,004.206	25,944.010	28,090.622
Total capital	23,234.610	19.833,415	23,676.341
Indebtedness level	0,99%	-30,81%	-18,64%

4. Significant estimates and judgments

The Company prepares estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, rarely identical with the corresponding actual results. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations regarding future events that are believed to be reasonable under the circumstances. The estimates and assumptions for which there is a considerable risk to determine the significant adjustments to the carrying amounts of assets and liabilities related to future reporting periods, mainly relates to the following areas (with no particular hierarchy)

- (i) estimating the degree of obsolescence, the recoverable amount and useful life of assets;
- (ii) estimating the financial claims in the litigation where the Company has the status of defendant;
- (iii) estimating the value of the real estate market;
- (iv) estimating funds collected corrections in projects with European financing;
- (v) estimating trends in sales, the recoverable amount of receivables associated with sales and net realizable value related to stocks;
- (vi) estimating deferred income tax.

5. Tangible assets

In order to assess the fair value of land and buildings on December 31, 2016, the Company has conducted a market analysis and a test of return. According to performed analyzes were not identified impairment factors or change in fair value, so no corrections were made in the values of land and buildings recorded at December 31, 2016.

In order to assess the land and buildings on December 31, 2014, they were divided by an independent assessor in two categories: land and buildings, according to the valuation method used in order to get their fair value as follows:

- (i) assets valued at market value using information collected on the market;
- (ii) assets valued at depreciated replacement cost, using information collected on the market caused by obsolescence and physical, functional and economical depreciation;
- (iii) assets valued using the income capitalization using information collected on the market.

There were recorded differences in reassessment for each reassessed item of property.

Lands have been assessed based on market comparisons and the company's buildings were valued using the income capitalization method. Equipment were revalued at the reporting date December 31, 2014. The evaluation was conducted in accordance with International Valuation Standards (IVS) and

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the relevant provisions of International Accounting Standard 16 “Tangible Assets”. The Company did not have commitments to acquire tangible fixed assets or other intangible assets at the end of each reporting period.

The company had not applied the provisions of the standard IAS 23 "Borrowing Costs" in terms of capitalization of borrowing costs because the reporting periods ended on December 31, 2015, 2014 and 2013 and the company did not own qualifying assets that require a substantial period of time to be ready for intended use or sale.

2015

	Lands	Buildings	Technical facilities and machinery	Other facilities, equipment and furniture	TOTAL
<i>Net asset value on January 01, 2015</i>					
Cost and assessment	192.476	4.954.433	13.510.124	59.086	18.716.119
Cumulated depreciation	0	0	-7.953.962	-45.037	-7.998.999
Net asset value	192.476	4.954.433	5.556.162	14.049	10.717.120
<i>Year ended on December 31, 2015</i>					
Open net asset value	192.476	4.954.433	5.556.162	14.049	10.717.120
Revaluation effect increases in equity	1.492.524		0		1.492.524
Revaluation effect decreases in equity					0
Decreases revaluation effect in the income statement (Note 25)					0
Incomings			212.871	2.903	215.774
Transfers					0
Outgoings			-66.974		-66.974
Depreciation expense(Note 25)		-579.158	-380.527	-2.542	-962.227
End net asset value on December, 2015	1.685.000	4.375.275	5.321.532	14.410	11.396.217
Cost and assessment	1.685.000	4.954.433	13.510.124	61.989	20.357.443
Cumulated depreciation	0	-578.158	-8.334.489	-47.579	-8.961.226
Net asset value	1.685.000	4.375.275	5.321.532	14.410	11.396.217

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2014

	Lands	Buildings	Technical facilities and machinery	Other facilities, equipment and furniture	TOTAL
<i>Net asset value on January 01, 2014</i>					
Cost and assessment	192.476	4.749.233	12.478.575	59.086	17.479.370
Cumulated depreciation	0		-7.011.940	-40.015	-7.051.955
Net asset value	192.476	4.749.233	5.466.635	19.071	10.427.415
<i>Year ended on December 31, 2014</i>					
Open net asset value	192.476	4.749.233	5.466.635	19.071	10.427.415
Revaluation effect increases in equity		205.200	0		205.200
Revaluation effect decreases in equity					0
Decreases revaluation effect in the income statement (Note 25)					0
Incomings			1.031.549		1.031.549
Transfers					0
Outgoings			-66.974		0
Depreciation expense(Note 25)		-579.158	-380.527	-2.542	-947.044
End net asset value on December, 2014	192.476	4.954.433	5.556.162	14.049	10.717.120
Cost and assessment	192.476	4.954.433	13.510.124	59.086	18.716.119
Cumulated depreciation	0		-7.953.962	-45.037	-7.998.999
Net asset value	192.476		5.556.162	14.049	10.717.120

2016

	Lands	Buildings	Technical facilities and machinery	Other facilities, equipment and furniture	TOTAL
<i>Net asset value on January 01, 2016</i>					
Cost and assessment	1.685.000	4.954.433	13.656.021	61.989	20.357.443
Cumulated depreciation		-579.158	-8.334.489	-47.579	-8.961.226
Net asset value	1.685.000	4.375.275	5.321.532	14.410	11.396.217
<i>Year ended on December 31, 2016</i>					
Open net asset value	1.685.000	4.375.275	5.321.532	14.410	11.396.217
Revaluation effect increases in equity					0
Revaluation effect decreases in equity					0
Decreases revaluation effect in the income statement (Note 25)					0
Incomings			2.316.555	8.291	2.324.846
Transfers					

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Outgoings					
Depreciation expense (Note 25)		-259.911	-667.326	-3.054	-930.291
End net asset value on December, 2016	1.685.000	4.115.364	6.970.761	19.647	12.790.772
Cost and assessment	1.685.000	4.375.275	7.638.087	22.701	13.721.063
Cumulated depreciation	0	-259.911	-667.326	-3.054	-930.291
Net asset value	1.685.000	4.115.364	6.970.761	19.647	12.790.772

In 2016 we made investments totaling 2,324,846 lei. The main investment was the acquisition of a hydraulic press for beam bridges with lengths up to 40 m.

In 2016 there was not rescission of assets.

To ensure warranty to the Loan Agreement signed with the bank BRD GROUPE SOCIETE GENERALE, the company mortgaged for the bank, the parcel within the built-up area (company's headquarters), category yards and building in surface of 150.863 m² located in Aiud municipality, 10 Arena street, Alba County together with all the constructions (sleepers prefabricated hall, administrative building, sorting station, etc.)

Net book value for the assets pledged for the loans of the Company is as follows:

	2015	2016
Accounting value	4.625.900	4.625.900

6. Stocks

December 31, 2016	Cost	Adjustments	Net value
1. Raw materials and supplies	1.045.315	-	1.054.315
2. Finished products and goods	3.647.070	168.215	3.505.855
Total	4.728.385	168.215	4.560.170
December 31, 2015	Cost	Adjustments	Net value
1. Raw materials and supplies	1.049.925	-	1.049.925
2. Finished goods	3.738.457	166.920	3.571.537
Total	4.788.382	166.920	4.621.462

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The main stock categories are raw materials, consumables and products.

The cost of inventories includes all costs of purchase and other costs incurred in bringing the inventories to form and place in which they are now.

The cost of finished goods includes direct costs related to production, namely: direct materials, energy consumption for technological purposes, direct labor and other direct production costs and indirect production expenses rationally allotted as related to their manufacture.

At inventory outflow stocks are assessed using price management established commercial contracts signed with suppliers namely beneficiaries.

On December 31, 2016 the company recorded adjustments for impairment of stocks of finished goods amounting to 168.215 lei.

The Company does not have pledged inventories for company's loans.

7. Trade and other receivables

Receivables are recorded at nominal value and are recognized in the accounting on each natural or legal person

	Receivables	Balance on December 31, 2015	Balance on December 31, 2016
1	Trade receivables – third parties	10.489.203	12.989.991
2	Adjustments for the impairment of trade receivables	(2.381.336)	(2.264.336)
3	Trade receivables, net	8.107.867	10.725.655

At the end of 2016 the total debt was 11.259,94 lei of which trade receivables 10,725,655 lei and receivable grants 491.835 lei, other receivables 42.450 lei.

The main customers were Tirrena Scavi Stream Condote, Strabag SRL, Aktor STA SA Grecia, Pizzarotti Lugano.i new company

From the value of receivables 11.259,94 lei the amount of 2,584,609 lei is the amount of performance guarantee given to beneficiaries and that was provisioned.

Doubtful or litigation customers had on 13/12/2016 a gross value of 2,264,336 lei slightly down from the beginning of the year.

b) Adjustments for impairment for trade receivables and other receivables

The evolution of adjustments of impairment is as follows:

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	December 31, 2015	December 31, 2016
At the beginning of the year	2.127.660	2.381.336
Increases/ (resumption)	311.851	-
Decreases	59.175	117.000
At the end of the year	2.381.336	2.264.336

Changes in adjustments for impaired receivables were included in "other gains/losses" in the statement of comprehensive income. Amounts recorded in the adjustment account for impairment are generally recorded as expenses it is not expect the recovery of additional cash. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. There are not pledged trade receivables for borrowings from credit institutions.

8. Cash and cash equivalents

On December 31, 2016 cash and cash equivalents are worth 8,172,328 lei, decreasing in comparison with values registered on December 31, 2015 namely 9,601,239 lei.

	Balance on December 31, 2015	Balance on December 31, 2016
Cash on hand 506		1.358
Deposits and effective in bank	9.600.733	8.170.970
TOTAL	9.601.239	8.172.328

On 31.12.2016 the company recorded short-term deposits opened at BRD amounting to 4,000,000 lei. The value of the performance bond given to beneficiaries and the guarantee return late advance wand the advance payment guarantee at the end of the year, was 766,515.90 lei.

9. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to company's equity holders at the average number of ordinary shares issued during the reporting period.

	2014	2015	2016
Profit from continuous activities attributable to shareholders	-327.111	785.176	2.647.696
Average number of ordinary issued shares	45.553.043	45.553.043	45.553.043
Basic/Diluted earnings per share	-0,007	0,0172	0,0581

10. Share capital

The total number of authorized ordinary shares issued on December 31, 2016, December 31, 2015 and

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December 31, 2014 is 45,553,043, shares with a nominal value of 0.18 LEI per share. All issued shares are fully paid. The Company has not conducted operations for repurchase own equity instruments in the form of acquisition of treasury shares in 2014 - 2016.

	No. of shares	Ownership percentage %
December 31, 2014		
Other shareholders	24.188,422	53,10%
HAGEA LIVIU	14.056,588	30,86%
ASOCIATIA PAS PREBET	7.308,033	16,04%
	Total 45.553,043	100%

	No. of shares	Ownership percentage %
December 31, 2015		
Other shareholders	24.629,088	54,07%
HAGEA LIVIU	14.056,588	30,86%
ASOCIATIA PAS PREBET	6.867,367	15,07%
	Total 45.553,043	100%

	No. of shares	Ownership percentage %
December 31, 2016		
Other shareholders	25.152,936	55,22%
HAGEA LIVIU	14.056,588	30,86%
ASOCIATIA PAS PREBET	6.343,519	13,92%
	Total 45.553,043	100%

The shares are registered shares, issued in dematerialized form, each having a nominal value of 0.18 lei/share during the year. During 2016, the nominal value of a share was not changed. We mention that the shares S.C. Prebet Aiud are traded on the Bucharest Stock Exchange, the first tier, since 24/09/2015. Company stock prices had an fluctuating trend, also manifested in terms of number of traded shares, trend mainly due to the lack of liquidity and general reductions of transactions on BSE. Last trading price of the shares for SC PREBET AIUD SA, valid on 14.03.2017 was 0.4070 lei/share. Specific activities of independent register for S.C.PREBET AIUD SA were conducted by the Central Depository.

11. Reported result

On December 31, 2014 the Company included in retained earnings the amount of 2,312,666 LEI representing legal reserves that are not distributable to shareholders (December 31, 2013: 2,312,666 lei; December 31, 2012: 2,292,359 lei, January 1, 2012: 2.217,154 LEI).

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Retained earnings include the following components:

	Balance on December 31, 2015	Balance on December 31, 2016
Retained earnings, except retained earnings from the adoption of IAS 29 for the first time (117 ct)	5.145.095	5.280.937
Retained earnings due to the adoption of IAS 29 for the first time (118 ct)	(63.521.958)	(63.521.958)
Total	(58.376.863)	(58.241.021)

12. Trade payables and other payables

Liabilities are recorded at nominal value and are highlighted in the accounting for each natural or legal person. Currency debts were evaluated based on the exchange rate in force at year-end, and exchange differences were recognized as income or expense in the year.

Debt situation is as follows:

	December 31, 2014	December 31, 2015	December 31, 2016
Amounts owed to credit institutions			
Trade payables	1.543.851	1.416.813	2.592.667
Amounts due to related parties			
Payables to employees	264.613	228.996	129.783
Social security and other taxes	354.868	664.956	634.992
Advance payments for orders	630.812	1.179.740	390.583
Other payables	139	139	10.022
Trade payables and other payables	2.794.283	3.490.644	3.758.047

13. Deferred income tax

Analysis of deferred tax assets and liabilities is as follows:

	2014	2015	2016
<i>Deferred tax assets</i>			
Deferred tax assets to be recovered after more than 12 months	0	0	0
Deferred tax assets to be recovered in 12 months	0	0	0
<i>Deferred income tax liabilities</i>	631.383	617.817	604.251
Deferred tax liabilities to be recovered after more than 12 months	631.383	617.817	604.251
Deferred tax liabilities to be recovered in 12 months	0	0	0
Net deferred tax	-631.383	-617.817	-604.251
Net deferred tax assets	-631.383	-617.817	-604.251

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Gross change in deferred income tax account is as follows:

	2014	2015	2016
<i>On January 1st</i>	0	0	0
Profit/Loss account (credit/debit) Note 22	0	0	0
Tax credit/debit in connection with the elements of the comprehensive income	0	0	0
On December 31	0	0	0
<i>Deferred income tax liabilities</i>	631.383	617.817	604.251
Deferred tax liabilities to be recovered after more than 12 months	631.383	617.817	604.251
Deferred tax liabilities to be recovered in 12 months	0	0	0
Net deferred tax	-631.383	-617.817	-604.251
Net deferred tax assets	-631.383	-617.817	-604.251

14. Provisions

SC PREBET AIUD SA, at the end of 2016 has constituted the following categories of provisions:

14. 1 Provisions for wage litigation

	Provisions for litigations	Total
On January 1 st , 2014	0	0
On December 31 st , 2014	75.081	75.081
On January 1 st , 2015	75.081	75.081
On December 31 st , 2015	75.081	75.081
On January 1 st , 2016	75.081	75.081
On December 31 st , 2016	0	0

At the end of 2016 the company does not record wage litigations and therefore has not established provision for this.

Provisions for employees' benefits relate to amounts relating lieu staff by the end of the reporting period, including related tax contributions. The Company's management believes that these amounts represent the best estimates at the reporting date, the payment obligations in connection with disputes in which the Company is defendant.

14.2 Provisions for good performance

Provision for guarantees to customers are calculated and incorporated under the negotiated trade terms with customers.

	Provisions for guarantees granted to customers	Total
On January 1 st , 2014	0	0
On December 31 st , 2014	1.601.753	1.601.753
On January 1 st , 2015	1.601.753	1.601.753
On December 31 st , 2015	1.913.574	1.913.574

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On January 1 st , 2016	1.913.574	1.913.574
On December 31 st , 2016	2.584.609	2.584.609

14.3 Other provisions

Other provisions relate to the amounts for untaken leave

	Provisions for guarantees granted to customers	Total
On January 1 st , 2014	0	0
On December 31 st , 2014	239.379	239.379
On January 1 st , 2015	239.379	239.379
On December 31 st , 2015	232.228	232.228
On January 1 st , 2016	232.228	232.228
On December 31 st , 2016	196.872	196.872

Total provisions for risks and charges at the beginning of 2016 were 2,220,883 lei and at the end of the year at 2,781,481 lei.

15. Distribution of profit

On 31.12.2014, SC Prebet Aiud S.A. recorded a loss of 327.111 lei which is covered in gross earnings in 2013 amounted 282.260 lei and the difference of 44.851 lei from the account other reserves.

On 31.12.2015, SC Prebet Aiud S.A., has recorded a net profit of 785.176 lei which was assigned in the table below.

Net profit allocation is proposed below (in comparison are shown the distributions in the previous year).

Profit distribution	End of financial year concluded on December 31, 2015	End of financial year concluded on December 31, 2016
Net profit to be distributed	785.176	2.647.696
Legal reserve	49.389	149.815
Covering loss from changes in the accountancy policy	51.053	-
Dividends	501.083	1.275.484
Other reserves	183.651	1.222.396

16. Investment subsidies

The company has earned an amount of 491,835.54 lei from the Ministry of EU Funds for a project carried out during 2012 - 2014 through the Increase of Economic Competitiveness.

This amount is subject to litigation before the courts.

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17. Operating Income

	2014	2015	2016
Finished sold goods	25.445.162	26.601.732	28.800.359
Trade discounts	-5.760	-49.615	-51.282
Stock variation	-2.621.204	-129.761	-64.388
Revenues from the production of assets and investments	0	149.841	0
Other revenues	193.619	147.230	299.786
Total	23.011.817	26.719.427	28.984.475

18. Operating expenses

Expenses	December 31, 2014	December 31, 2015	December 31, 2016
Expenses with raw materials and materials	11.753.987	12.683.848	13.982.407
Expenses with energy and water	1.172.892	1.065.840	959.423
Other production expenses	55.126	86.118	137.484
Total cost materials	12.982.005	13.835.806	15.079.314
Wages and compensation	6.246.764	5.538.746	6.007.440
Expenses with insurances and social protection	1.702.066	1.226.041	1.443.530
Total staff expenses	7.948.830	6.764.787	7.450.970
Amortization	1.173.870	1.029.061	930.290
Adjustments for depreciation	0	2.796.688	971.035
Adjustments for depreciation of finite products	-23.879	-223.734	-433.835
Total amortization and depreciation	1.149.991	3.602.015	1.467.490
Expenditure on external supply	1.016.193	1.285.674	1.718.325
Expenses with other taxes, duties and similar expenses	125.036	149.430	152.272
Other expenses	90.517	59.137	81.178
Total other operating expenses	1.231.746	1.494.241	1.951.775
Total	23.312.572	25.696.849	25.949.549

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Prices of raw material supply and material were generally consistent with the downward trend in the second half of the year.

In general the sources of supply are safe, aiming to maintain a minimum of two suppliers/assortment.

19. Financial revenues and expenses

	2014	2015	2016
Interest expenses			
Bank loans			
Debt with financial leasing			
Other expenses	8901		
Expenses for exchange rate differences from financing activities	30,447	48,746	52,411
Financial expenses	39,348	48,746	52,411
Financial revenues			
Interest income from short-term deposits	7,186	14,437	9,866
Income from exchange rate differences from financing activities	5,806	12,223	17,386
Other incomes		857	107
Financial income	12,992	27,517	27,359
Net financial expenses	26,356	21,229	25,052

Financial revenues were lower than the previous year, especially lower revenues from interests.

Financial expenses increased from the previous year due to exchange rate differences.

As shown the interest bank expense bank was 0, the company did not need to use the credit line.

20. Tax corporate

	Amounts 31.12.2014	Amounts 31.12.2015	Amounts 31.12.2016
Indicators			
Operating revenues	23.011.817	26.719.427	28.984.475
Operating expenses	23.312.572	25.926.588	26.325.293
Operating result	(300.755)	(792.839)	2.659.182
Financial revenues	12.992	27.517	27.359
Financial expenses	39.348	48.746	52.411
Financial result	(26.356)	(21.229)	(25.052)
Gross result	(327.111)	771.610	2.634.130
Total deductions	1.173.870	1.078.450	1.080.105
Other non – taxable incomes	-	109.185	541.411
Corporate tax expenses	-	229.739	375.744

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Fines, nondeductible penalties	39.934	828	2,045
Nondeductible protocol expenses	10.095	14.791	32.338
Expenses for sponsorship	45.569	49.992	74.500
Expenses with accounting depreciation	1.173.870	1.029.061	930.290
Other nondeductible expenses	33.211	184.326	84.789
Expense with provisions and reserves that exceed the limit provided by the law	-	655.604	301.703
Total nondeductible expense	1.302.679	2.164.341	1.801.409
Total taxable profit	(198.302)	1.748.316	2.814.023
Total corporate tax	-	279.731	450.244
			74.500
Amounts representing sponsorship in the limits provided by the law		49.992	
Corporate tax, of which		229.739	375.744
- current corporate tax		229.739	375.744
- tax restatements		(13.566)	(13.566)
Net profit	(327.111)	771.610	47.696

21. Dividends per share

In the years 2013 and 2014 were not distributed dividends.

For the year 2015 was awarded a gross dividend per share of 0.011 lei.

For the year 2016 the Board of Directors proposal is to grant a gross dividend per share of 0.028 lei.

Until these financial statements, there was no dividend distributed in 2017 from the profit of previous years.

The Company has not issued preferred shares.

22. Commitments and contingents**a) Litigation**

There is not any litigation in courts except that with the Managing Authority in the process of European funds trialed at the High Court of Justice and Cassation.

b) Taxation

The taxation system in Romania has undergone many changes in recent years and is in a phase of

S.C. PREBET AIUD S.A.

Individual financial statements prepared in accordance with the International Financial Reported Standards - for the year ended on 31.12.2016

adaptation to the jurisprudence of the European Union. As a result, there are still different interpretations of tax legislation. In some cases, the tax authorities may have different approaches to certain issues, the calculation of additional taxes and interest and penalties for late payments (currently determined by the length delay of penalties, interest plus 0.05% per day of delay). In Romania, the fiscal year remain opened for tax verification during seven years. The Company's management believes that the tax liabilities included in these financial statements are appropriate.

c) Guarantees

On December 31, 2016, the company has established performance guarantees pursuant to the contractual provisions.

23. Transactions with affiliates:

The company is not affiliated to any group.

Transition Background to International Standards of Financial Reporting

These individual financial statements have been prepared in accordance with International Financial Reporting Standards, as mentioned in Note 2. For preparation of financial statements on January 1, 2014, December 31, 2014 and December 31, 2013 were applied the accounting policies described in Note 2.

To determine the initial balances according to International Financial Reporting Standards, the Company adjusted the reported balances in the financial statements in accordance with the RAS applicable to the Company (Order 3055/2009 on approving accounting regulations compliant with the 4th Directive of the European Community).

Explain the impact of IFRS transition has had on the financial position, financial performance and cash flows of the Company is presented below.

- In accordance with IAS 12 "Income tax" the Company recorded deferred income taxes for temporary differences between the accounting basis and the tax basis of assets and liabilities. The effect of these differences is presented in Note 20..

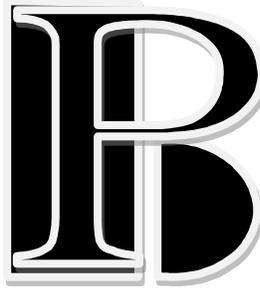
- In accordance with IAS 29 "Financial reporting in hyperinflationary economies" until December 31, 2003, the Company corrected with the inflation effect the historical cost of capital by reducing retained earnings by the recorded difference.

Administrator,

Ec. Hagea Liviu

Economic director,

Ec. Cimpean Ioan



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Sr. Fin. în 9001 : 2008
Certificat seria SMC Nr.046



Statement of S.C. PREBET AIUD S.A. Board of Administration

S.C. PREBET AIUD S.A. Board of Administration states hereby that it is liable for the financial statements issued on December 31 , 2016.

Subject to the financial statements issued on December 31 , 2016, S.C. PREBET AIUD S.A. Board of Administration confirms the followings :

- a) The financial statements at December 31 , 2016. are issued according to the International Financial Reporting Standards as they were adopted for European Union.
- b) The accounting policies used to issuing the financial statement at December 31 , 2016 according to the applicable accounting regulations.
- c) The financial statement issued on December 31 , 2016 offer an accurate image about financial position , financial performance and other information subject to the activity performed.
- d) The compant perform it's activity under continuity conditions.
- e) We mention that the Financial Statements as at 31 December 2016 were audited by SC EXPERT LEX SRL, Targu Mures - independent auditor

This statement is in accordance with the provisions of the Order of the Minister of Public Finance no. 2844/2016.

Administrator,

Name and surname : RACASAN STEFAN

Position : General Manager

Signature

Company stamp

Prepared by,

Name and surname : CIMPEAN IOAN

Position : Economic Manager

Signature



FINANCIAL AUDITOR SC EXPERT LEX SRL

Targu Mures, Romania, str. Garii, nr. 2A, J26-25/2001, RO 13650625, Tel. 0722858142 member of the Chamber of Financial Auditors in Romania, Authorization no. 206/2002

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **S.C. PREBET AIUD S.A.**

Report on the Audit of Financial Statements

Opinion

1. We have audited the comparative financial statements of PREBET AIUD SA ("Company") which comprise the statement of financial position on December 31, 2016, income statement, statement of changes in equity, cash flow statement for the financial year ended and a summary of significant accounting policies and other explanatory notes. The financial statements refer to:

■ Equity:	28,090,622 Lei
■ Total assets:	37,055,053 Lei
■ Total revenues:	29,011,834 Lei
■ Result for the year:	2,647,696 Lei profit

2. In our opinion, the financial statements fairly presents, in all material respects the financial position of PREBET AIUD SA on December 31, 2016, its financial performance, its cash flows and changes in equity for the year ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, and policies described in the notes to the financial statements.

Opinion grounds

3. We conducted our audit in accordance with International Standards on Auditing adopted by the Chamber of Financial Auditors of Romania ("ISA"). According to these standards, our responsibility is further described in the section Auditor's Responsibility Audit of Financial Statements of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (the "Code IESBA") issued by the Board of Ethic Standards for Accountants together with ethical requirements relevant to the audit of financial statements in Romania, and we fulfilled other



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responsibilities in the ethics in accordance with these requirements and IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Key audit issues

4. The key audit issues are those issues that, based on our professional judgment, had the great importance for the audit of financial statements of the current period. These issues were addressed in the context of the overall financial statement audit and in forming our opinion on them and do not provide a separate opinion on these issues. These key issues related to:

- Assessment of inventories and adjustments for their related depreciation;
- Assessment of receivables from customer transactions and related adjustments for their related depreciation;
- Recognition, setting and assessment of provisions;
- Recognition and accounting of operating income;

Following the performed audit procedures, we have obtained sufficient appropriate audit evidence on key issues and we concluded that the procedures of the Company relating to the assessment of stocks and receivables and those of recognition and assessment of provisions and income are appropriate.

Other issues

5. This report is made solely to the shareholders as a whole. Our audit work has been undertaken to be able to report to the Company's shareholders those matters we are required to report in the auditor's report and for no other purpose. To the extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the shareholders as a whole, for our audit work, for this report or for the formed opinion.

6. The accompanying financial statements are not intended to present the financial position and the results of operations in accordance with accounting regulations and accounting principles generally accepted in countries and jurisdictions other than Romania. Therefore, the accompanying financial statements are not designed for those who do not know the legal and accounting regulations in



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Romania, including the Order of Minister of Public Finance no. 2844/2016, as amended and supplemented, for the implementation of International Financial Reporting Standards.

Management's Responsibility for Financial Statements

7. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016, as amended and supplemented, and internal control that it considers necessary to permit the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing financial statements, management is responsible for assessing the Company's ability to continue working, giving, where appropriate, matters relating to business continuity and using the accounts on a going concern basis unless management either intends to liquidate company or to close down operations or it has no realistic alternative beyond.

9. Those charged with governance are responsible for overseeing the financial reporting process of the Company.

Auditor's responsibility

10. Our goal is to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, as well as issuing an auditor's report which includes our opinion, under International standards on Auditing as promulgated by the International Federation of Accountants and adopted by the Chamber of Financial Auditors of Romania. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with ISAs shall always detect a material misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can be expected, reasonably, that they, individually or in cumulated, shall influence the economic decisions of users, taken on the basis of these financial statements.



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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess risks of material misstatement of the financial statements, due either by fraud or error, and we execute and design audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. Undetection risk that of a material misstatement due to fraud is higher than the risk arising from the failure to detect a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control;
- Understand internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company;
- Assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related presentations made by the management;
- Draw a conclusion on the appropriateness of the use by management of accounts on a going concern basis and determine, based on obtained audit evidence, whether a material uncertainty exists regarding events or conditions that may cast significant doubt on the ability of the company to continue operations. If we conclude that there is significant uncertainty, we must note the auditor's report on presentations related to financial statement or, if these disclosures are inadequate to change our opinion. Our conclusions are based on the audit evidence obtained until the auditor's report. However, future events or conditions may cause the Company may not carry in compliance with principle of business continuity.
- Communicate those responsible for governance, among other things, the planned scope and timing of the audit and the main audit findings, including any internal control weaknesses that we identified during the audit.

Report on conformity of the management report with the financial statements

11. The Administrator is responsible for the preparation and submission of the administrator's report in accordance with the requirements of Order No. 2844/2016, Chapter III, section 15, para. 1) which do not contain material misstatements and for such internal control that the management considers it to be



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necessary to enable the preparation of administrator's report that is free from material misstatement, whether due to fraud or error. Administrator's report is presented separately and not part of the financial statements. Our opinion on the financial statements do not cover individual administrator's report.

12. In connection with our audit of the financial statements, we have read the Administrator's report attached to the individual situations and we report that:

- a) in the administrator's report we did not identify information that is not consistent, in all material respects, with disclosure of information in the attached individual financial statements;
- b) administrator's report identified above includes, in all material respects, the information required by the Order of the Minister of Public Finance no. 2844/2016, Chapter III, section 15, para. 1);
- c) based on our knowledge and understanding acquired during the audit of individual financial statements for the year ended on December 31, 2016 on the company and its environment, we did not identify information included in administrator's report that to be significantly erroneous.

FINANCIAL AUDITOR

Mr. Udrescu Iulian,

Corunca, nr.424, Jud. Mures

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On account and behalf of

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Illegible signature and stamp

AIUD

24.03.2017