PREFAB SA DIRECTORS REPORT
for the year 2016
Annual Report pursuant to OMFP 2844/2016 and A.S.F./C.N.V.M. Regulation no. 1/2006 - Appendix 32

For the financial year: 2016
Date of report: 19.04.2016
Name of the company - Prefab S.A
Registered Office - Bucuresti, Dr. Iacob Felix, nr. 17-19, et.2, sector 1
Premises: Calarasi, str. Bucuresti, nr. 396.
Phone no./fax - 021-3315116/ 021-3305980
Tax Identification Number at Trade Registry Office - RO 1916198
Trade Register Registration Number - J40/9212/2003
Regulated market where the issued securities are traded - Bucharest Stock Exchange, Standard Category
Subscribed and paid in share capital - 24.266.709,5 lei
The main characteristics of the securities issued - the company has issued a number of 48.533.419 registered shares each with a nominal value of 0,5 lei, dematerialized
Accounting standard applied: International Financial Reporting Standards
Auditing: The financial statements are audited.

1. Analysis of the company's business

a. Description of the company's core business

PREFAB SA has as main activity: Manufacture of concrete products for construction - NACE Code 2361.

The ownership structure on 31.12.2016 was as follows:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDER - LEGAL PERSONS	422.298	0.8701
OTHER SHAREHOLDER - NATURAL PERSONS	1.536.617	3.1661
TOTAL	**48.533.419**	**100**

b. Specification of the company foundation date

The company PREFAB S.A. was founded in the year 1990 by taking full heritage of ex « Intreprinderea de Materiale de Constructii Calarasi » which was founded in the year 1967.

The company PREFAB S.A. was organized in the current structure under Law no. 15/1990 and under Government Decision no. 1200/12.11.1990, being registered with the Trade Register under the no. J40/9212/2003.

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

In 2016 there was no change/ significant reorganization, merger, division or dissolution.

On 31.12.2016 the company has the following premises:

1. Premises in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi
2. Premises in Statiunea Jupiter, sat vacanta Zodiac, lot nr.3, Mangalia, jud. Constanta

d. Description of acquisitions and/or alienation of assets

Changing of the balance sheet fixed assets during the year 2016: there is an increase of 0.06% due to investments in the parent company for the subsidiaries of AAC, Tubes and Cogeneration, continuing the process of modernization of the technological processes.

Sources of funding for this investment were our own sources

In 2016, the company alienated these ancillary assets:

- Apartment no. 25 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti
- Apartment no. 31 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti

There were not alienated assets that influence the execution of the object of activity of the company or that may affect the achievement of expected economic benefits.
There were scrapped fixed assets worth 508.434 lei, consisting in means of conveyance and equipment fully depreciated, which could not be used in the company's activities.

1.1.1. Elements of general evaluation

PREFAB SA has prepared the financial statements in accordance with the provisions of **OMFP 2844/2016** that are in accordance with International Financial Reporting Standards adopted by European Union (IFRS), in force on the annual reporting date of the company, namely on 31.12.2016, obtaining the next general assessment *indicators*:

Gross profit	1.416.448	lei
Net profit	1.174.965	lei
Turnover	67.977.103	lei
Export including intra community supplies:	496.376	lei
Costs (total expenses)	78.047.867	lei
Operating expenses	76.358.422	lei
Financial expenses	1.689.445	lei
Financial income	234.580	lei
Operating income	79.229.735	lei
Total revenues:	79.464.315	lei

Activity: The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. with the largest share in the Company's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity was carried out for over 10 months, starting on February 2016.

In 2016, Prefab SA sold approximately 428.000 m³ of AAC, maintaining its position taken in the previous years on this market for this product.

Regarding the market of precast and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes, there were no significant changes, it being in the same setback due primarily to financial bottlenecks in the investments area.

In 2016, the total volume of precasts produced and marketed was 4.463,10 m³ plus concrete goods 77.90 m³, a very small volume for the existing production capacity.

Regarding the sewage pipes PREMO-SENTAB, the volume was 2.167,65 m³. Regarding the work of the cogeneration plant, the amount of electricity produced in 2016 was: 27.407,90 MWh of which was delivered in SEN the cantity of 21.741,935MWh, the cantity of 5.665,965 MWh being used for domestic consumption. For the cantity of electricity delivered in SEN, the company is qualified to obtain the bonus of cogeneration in the aid scheme to promote high-efficiency cogeneration. In 2016 this was in the amount of 211,36 lei/ MWh delivered in SEN.

The amount of heat produced in 2016 was 48.274,47 MWh, being fully used for domestic consumption.

Liquidity:

- cash and accounts at banks at the beginning of the period: 365.202 lei
- cash and accounts at banks at the end of period: 588.058 lei
- cash flow: 222.856
- current liquidity: 1,006
- immediate liquidity: 0,833

1.1.2. Evaluation of the technical level of the company

PREFAB SA is the main manufacturer in Romania of:

a. AAC (autoclaved aerated concrete) with a capacity of 500.000 m³ per year
b. Typified Precast with a capacity of 20.000 m³ per year
c. Concrete pipes for water and sewage networks (Premo and Sentab technology)
d. Untypified Precast

And one of the important suppliers of the local market for:

e. Aggregates
f. Concrete Goods
g. PVC Joinery
h. Electrical power (since April 2013)

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

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

The main sale markets for PREFAB SA are: Romania, Bulgaria and Republic of Moldova

In *Romania* the sales market structure is:

a. for AAC: Muntenia, Transilvania, Moldova
b. for Precast: over Romania

c. for Aggregates, Concrete Goods, PVC Joinery: local market

It works as a policy of selling differentiated depending on the specificity of each product.

a. AAC is sold through the own sales department (Do It Yourself) and through distributors agreed.

b. Precast are sold by auction method, negotiation on project or by own sales department.

Sales by geographic areas:

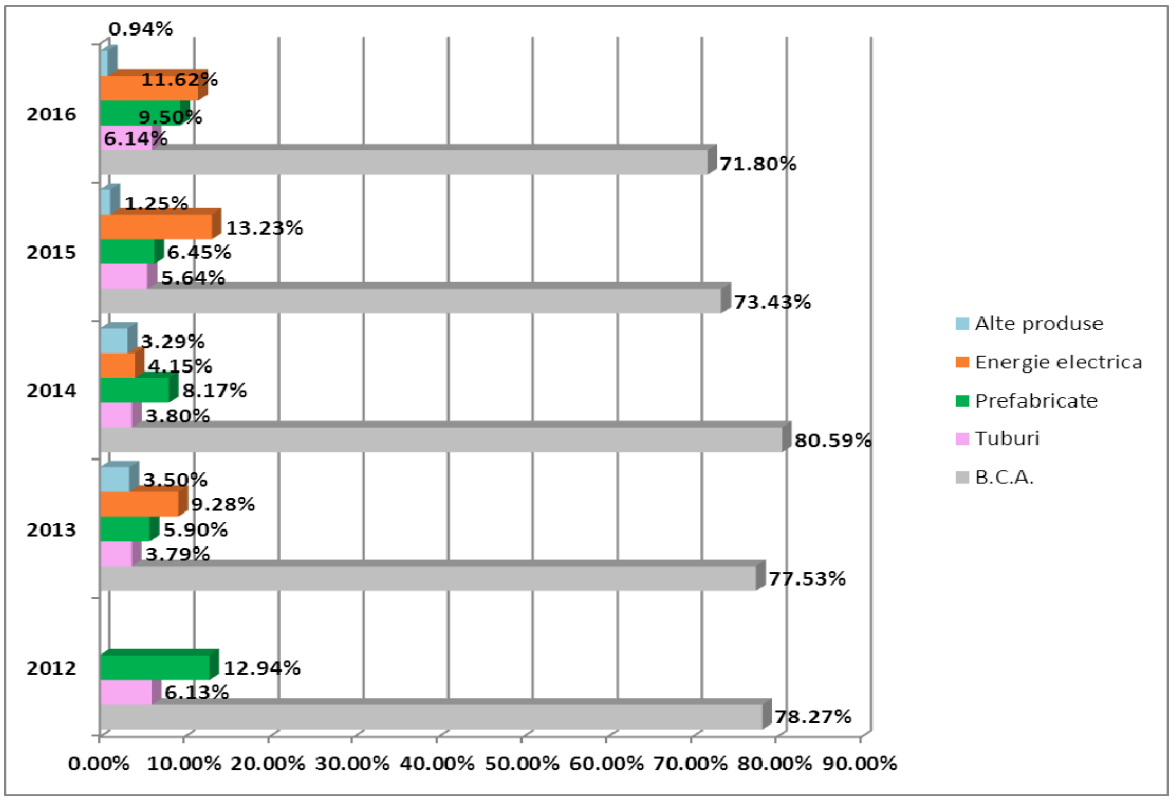
Geographic area	Sales in 2016	Sales in 2015	Sales in 2014
1. Muntenia	81.03%	87.52%	92.26%
2. Transilvania	0.27%	0.22%	0.12%
3. Moldova	17.97%	10.97%	6.91%
4. Bulgaria	0.18%	0.35%	0.54%
5. Moldova (country)	0.55%	0.94%	0.17%

Because of the increase of transportation costs it is observed a contraction of sales activity in the geographic area where the company is located.

b. the weight of each category of goods or services in the income and the total turnover of the company for the last three years:

PREFAB SA continuously watched over the years the differentiation from the national competitors, giving special importance to refurbishment and modernization of production process, to increasing product quality and customer service, in terms of declining of purchasing power on market.

Description of products	2012	2013	2014	2015	2016
A.A.C.	78.27%	77.53%	80.59%	73.43%	71.80%
Tubes	6.13%	3.79%	3.80%	5.64%	6.14%
Precast	12.94%	5.90%	8.17%	6.45%	9.5%
Electric power	0	9.28%	4.15%	13.23%	11.62%
Other products	2.66%	3.50%	3.29%	1.25%	0.94%



c. the new products contemplated for which will be affected a substantial volume of assets in the future financial year and the stage of development of these products

Through the specifics of activity, Prefab SA always has new products on the production line, depending on market demand structure of precast products, products that run on demand by adapting or creating new patterns, according to technical projects.

For the product AAC, the Hebel type manufacturing technology is strict and does not allow modifying products that are produced according to international product Standards, but in the branch of AAC, permanently take place improvements on technological lines of production, upgrades of IT systems for control of processes, periodic revisions and updates of technological equipment (mobile cranes, automatic cutting machine, autoclaving control etc.)

In the branch of Precasts, there are performed and sold two types of typified and un typified products.

The typified precast are standardized for different types of works. For example, the centrifuged poles of concrete for the overhead lines are standardized products with special conditions.

On the other hand, the commercial and industrial projects (industrial or commercial halls of Hypermarkets type) suppose to follow the dimensions of project precast, which basically means to enter into production almost every month new products, new patterns etc., to execute monthly new products, without substantial volume of new assets.

Since 2013 the new products obtained are electricity and heat, produced in high efficiency cogeneration to cover domestic consumption in the production process but also to deliver energy in SEN.

1.1.3. Evaluation of the technical-material supply activity

The main objectives of supply activity were:
- reducing acquisition costs, thus reducing production costs
- identifying new suppliers
- providing the necessary raw materials, spare parts, depending on stocks policy
- getting the best supply conditions in contracting (quality/ price/ payment terms)

The current stock in which is included the safety stock too, ensures the smooth running of the production activity.

The main suppliers of raw materials:

- cement	- CRH Ciment Romania SA.
	- Holcim Romania SA
- lime	- Celco SA
- aluminum paste	- Grimm Metallpulver Germany
- balls mill grinding	- Wirenet Services Corp Panama
- steel	- Arabesque Bucharest
	- Mairon Bucharest
	- D&D Drotaru Ungaria
- marsh gas	- Engie Romania SA

Commercial relationships with main suppliers of raw materials, are based on compliance with the clauses included in contracts of sale concluded or where appropriate, extended at the beginning of each year. The choice of supplier is made having as basic principles the quality-price ratio, the payment conditions and the market development of that product.

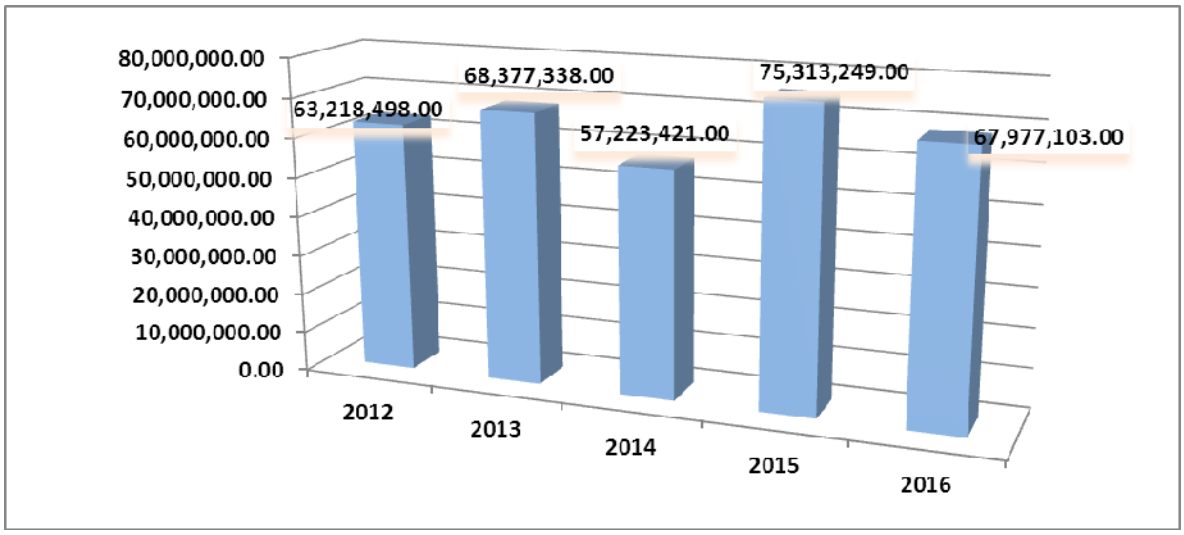
1.1.4. Evaluation of the sale

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

Sequential sales activity for the period 2012 - 2016 is presented in the table 1.1.2, point a.)

Evolution of the turnover of the group in the last 5 years is as follows:

2012	2013	2014	2015	2016
63,218,498.00	68,377,338.00	57,223,421.00	75,313,249.00	67,977,103.00



Prospects for medium and long-term sales are reported at the factory's existing capabilities, namely the expansion of production capacity.

It is thus expected for the period 2017 - 2019:

Domestic market:

- Maintaining sales volumes in traditional markets for AAC and increase margins.
- Gaining new markets for Typified Precast in Banat, Oltenia, Ardeal.
- Gaining new markets for Tubes in Banat, Oltenia, Ardeal, Moldova
- Increasing of sales volumes of Precast and Tubes in traditional markets from Muntenia, Dobrogea, Moldova.
- In long term, to own a market share of 12% from the market of untypified precast and infrastructure projects.

External market:

- Development of distribution networks in Bulgaria and Republic of Moldova, similar to that of Romania for AAC.

b. Description of the competitive situation in the objects to the business of the company, the market share of company products or services and the main competitors

In 2016, Prefab SA sold around 428.000 m³ of AAC.
Traditional competitors on AAC market:

- Celco Constanta
- Prefabricate Vest Bucuresti
- Elpreco Craiova
- Somaco SA
- Soceram

The market of precast products of reinforced and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes

was in decline due primarily to economic conjuncture and financial bottlenecks in the investment field. PREFAB S.A. Bucuresti tried to maintain its market position, obtained in previous years.

In 2016 the total volume of precast producted was 4.463,10 m³ plus concrete goods 77.9 m³, an unsatisfactory volume for the existing production capacity.

Traditional competitors in the market for precast and tubes:

- Asa Cons Consolis Turda
- Bauelemente Ploiesti
- Ergon Ploiesti
- Somaco Grup Prefabricate
- Lupp Sibiu
- Tiviere Construzioni
- Precon Bucuresti
- Dunapref Giurgiu

c. Description of any significant dependence of the company compared to one customer or compared to a group of customers whose loss would have a negative impact on company revenue

As the client list - supply chain, as well as balanced territorial dispersion, Prefab SA does not significantly depend on a single customer, as a result, the loss of a client can not have negative impact on company.

1.1.5. Assessment of aspects related to company's employees/staff

a. specifying both the number and the training level of the company's employees and the degree of unionization of the employment

On 31.12.2015 the average number of employees is 331 and the effective one is 329 employees.

In 2016 the average number of employees was 380 and the effective one on December 31, 2016 was 338 employees.

In winter there is a decrease in the number of staff due to the seasonal nature of the construction activity.

In relation to Employers, the employees are represented by Prefab Free Union. The unionisation in 2016 is for 99%.

Regarding the *personnel recruitment and selection*, this period is characterized by a rather limited supply of qualified staff, introducing more rigorous selection phase of potential candidates.

The company attaches great importance to the organization of *training courses*, to the efficient work style and to the interdepartmental collaboration.

During 2016 it was constantly watched the *evaluation of staff performance* and the setting of individual targets by checking their quarterly.

b. description of the relationship between manager and employees as well as any conflicting elements that characterize these reports

During 2016 there were no conflicts between the company management and employees.

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

PREFAB S.A. proposes to intensify the concerns about ensuring and maintaining an environment on the level required by International and European Standards.

For that were established the following objectives:

1. Implementation and certification of an environmental management system. The company has environmental management certificate no. 08/27.06.2014 according to SR EN ISO 14001: 2005;
2. Identification and control of environmental aspects associated with all activities taking place in the company, to ensure compliance with legal requirements and prevention of pollution by:

- minimizing the amount of waste generated and managing them safely when their occurrence can not be avoided;
- improving the quality of water discharged from the company;
- reducing NOx emissions into the atmosphere;
- reducing the consumption of natural resources.

3. Insurance of policy communication to the all internal and external stakeholders;
4. Creating conditions for implementation, maintenance and continuous improvement of environmental management system by providing competent human resources and material resources necessary to maintain the environmental policy and to meet the goals.

During 2016 it was followed observing the legal requirements and those contained in regulatory legal acts, this being acknowledged too upon inspection by authorized bodies.

1.1.7. Evaluation of research and development activity

The activity of research within the company PREFAB SA runs through Technical service and their laboratories and through collaborations with design institutes with direct implications in increasing the quality of products and services of our company, by improving the fabrication recipes and improvement schemes to increase the work productivity, namely:

- modernization of existing production capacities, improvement of work microclimate, extend the sales markets and the object of activity, automation of technological processes.
- the investments made were from own and borrowed sources.

1.1.8. The evaluation of the company's risk management

The company is exposed to the following risks:

• Credit risk
• Liquidity risk
• Market risk
• Currency risk
• Operational risk
• Risk related to balancing cost
• Tax risk

This note presents information about the Company's exposure towards each risk mentioned above, the Company targets, the policies and the processes for measuring and managing the risk and the procedures for managing the capital.

Background about risk management

The company Boards of Directors have overall responsibility for the establishment and oversight of the risk management framework in the company.

The activity is governed by the following principles:

a) principle of delegation;
b) principle of decisional autonomy;

c) principle of objectivity;
d) principle of investor protection;
e) principle of stock market development promotion;
f) principle of active role.
The Board of Directors is also responsible to examine and approve the strategic, operational and financial plan of entities and of corporate structure of the Company.
Company risk management policies are defined to ensure the identification and analysis of risks faced by the company, to establish appropriate limits and controls and to monitorize the risk and to comply the limits set. Policies and risk management systems are reviewed regularly to reflect the changes occurred in the market conditions and in the company's activities. The company, through its standards and its procedures of training and management aims to develop an orderly and constructive control environment during which all employees understand their roles and obligations.

Credit risk

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

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country in which it operates. Most clients of Company operates in Romania.

The ***main financial instruments*** used by the Company of which arise risks relating to financial instruments, are:

- Trade receivables and other receivables
- Cash and cash equivalents
- Investments in unlisted affiliated entities, classified according IAS 39 in "financial assets available for sale"
- Trade liabilities and other liabilities

Below is provided a summary of financial instruments obtained by category:

ASSETS	December 31, 2016	December 31, 2015
Trade receivables and similar	34.712.970	36.895.681
Cash and cash equivalents	588.058	365.202
Total	**35.301.028**	**37.260.883**

ASSETS	December 31, 2016	December 31, 2015
Shares in subsidiaries	9.439.669	9.439.669
Other long term investments	200	0
Total	**9.439.869**	**9.439.669**

LIABILITIES	December 31, 2016	December 31, 2015
Trade liabilities and assimilated	12.941.114	16.123.428
Current income tax liabilities	87.501	178.509
Total	**13.058.615**	**16.245.732**

The Company monitors the credit risk exposure by analyzing the seniority of receivables that it records and works permanently for the recovery of that past due date or outdated.

Liquidity risk

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

Market risk

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

Exposure to interest rate risk
The Company's exposure to the risk of interest rate changes refers mainly to variable interest bearing loans that the Company has for long-term.

Interest rate risk management
In order to manage the interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.
The sensitivity analysis below was determined based on the exposure to interest rates on the date of financial statements. For the liabilities with variable rates, the analysis is prepared assuming the amount outstanding on the date of the financial statements was outstanding throughout the year. An increase or

decrease of 1% is the management's assessment related to a possible reasonable changes of interest rates (the other variables remaining constant).

Analysis for change in interest rate risk:

Variable rate loans	**Effect of 1% change in interest rate**			
	2016	**2015**	**2016**	**2015**
Short term loans	29.299.869	32.339.387	292.998,69	323.393,87
Long term loans	18.824.053	16.636.184	188.240,53	166.361,84

Currency risk

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

The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.
Exchange rate risk was generally prevented through a proper management, especially by converting foreign currency loans in national currency.
Foreign currency sensitivity analysis**.**
Since the Company has operations in various currencies, are analyzed the industry specific activities and the corresponding exchange risks. The Company is mainly exposed to the exchange rate of the euro and US dollar against the Romanian leu. Other currencies have only a limited effect on cash flow and profit before interest and tax.

Foreign currency sensitivity analysis
The carrying amounts of the Company's assets and liabilities denominated in foreign currencies at the reporting date are as follows:

	Assets		**Liabilities**	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
EUR	10.108	38.811	868.988	2.296.621
USD	1.637	1.727	0	0

The following table details the company's sensitivity to a 10% increase or decrease in the exchange rate of EUR and USD. The sensitivity analysis includes only monetary items denominated in foreign currencies outstanding at the reporting date and adjusts their translation at the end of period for a 10% change in foreign exchange rates. A positive amount in the table below shows an increase in profit generated by a variation in exchange rates of 10% and a negative number indicates a decrease in profit by the same amount.

+10% increase in the exchange rate of foreign currencies

	Impact of EUR (i)	**Impact of USD (ii)**

	2016	2015	2016	2015
Profit /loss	(85.886)	(225.756)	164	173

+10% decrease in the exchange rate of foreign currencies

	Impact of EUR (i)		Impact of USD (ii)	
	2016	2015	2016	2015
Profit /loss	85.886	225.756	(164)	(173)

(i) This impact is mainly attributable to the exposure to the EURO of the money available in bank, of the letters of credit, receivables, payables and bank loans, outstanding at the end of year.
(ii) This impact is mainly attributable to the exposure to the USD of the money available in bank, outstanding at the end of year.

The sensitivity analysis of currency risk inherent presented above shows the translation risk exposure at the end of year; nevertheless, the exposure during the year is permanently monitored and managed by the Company.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Company and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The Company is exposed to the risk of disasters too. In these conditions, the Company acted towards concluding insurance policies to protect against disasters the company assets.
The operational risks come from all the Company's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Company's development of general standards of operational risk management in the following areas:
• Requirements sof separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures
• Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them
• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate

Risk related to balancing cost

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

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Company had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation.
The Company has implemented these changes, but the way of their implementation remains open to tax audit for 5 years or even 7 years, starting with the financial year 2009.
The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk that in some cases, the tax authorities could take a different position from that of the Company.
It is possible that the Company continue to be subject to tax audits in so far as new tax rules are issued.

1.1.9. Elements of perspective regarding the company's activity

a. presenting and analyzing the trends, elements, events or factors of uncertainty which affect or may affect the liquidity of the company compared to the same period of the last year.

The immediate liquidity for the parent company decreased from 0.77 in 2015 to 0.833 in 2016. The recommended acceptable value is around 2, this giving the guarantee to cover the current liabilities from the current assets.

b. presenting and analyzing the effects of capital expenditures, current or anticipated on the financial statement of the company compared to the same period of the last year.

Changing of the balance sheet fixed assets during 2016: there is an increase of 0.06%, an increase being due to the investment realized within the company for the branches AAC, Tubes and Cogeneration Plant, continuing the process of modernization of the production activity. The sources of funding for this investment were own sources.

The investment program proposed for 2017 stands at a value of 3.010.649 lei. Among the major investments planned to be built, we include:

- osmosis enlarge capacity by purchasing a complete kit for converting the existing demineralisation plant RO 01-15 IN installation type ro 03-18.
- introduction of branch Ballast in the energy circuit of the cogeneration plant.
- purchase of a drum with motor for the mobile mixer and a braid anchor
- replace the computers from dosing station and control room autoclaving, by changing the PLC and PC communication system.
- repair works on own to the concrete station PREMO and SENTAB.
- production of metal molds for projects to be carried out in the ward.
- purchase a used bulldozer for ballast maneuvers to shore.
- purchase of two trucks with crane and trailer, purchase of two forklifts to handle the AAC
- replacement of 6 KV cable for supply AAC - Compressors and Precasts.

- upgrading the facilities and equipment from Branches AAC, Tubes and Precast etc.

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

The basic activity is still affected by the low levels of construction materials market for civil and industrial construction and by the lack of investment in national infrastructure.

2. Tangible assets of the company

2.1. Specification of the location and characteristics of the main production capacities owned by the company

The assets and the production capacities are located on land in the company's patrimony and operates in the following structure:

1. PREMO tubes:
   - PREMO - IPREROM production technology;
   - production capacity: 210 km equivalent ∅600
2. SENTAB tubes:
   - production capacity: 122 km equivalent ∅600;
3. Autoclaved aerated concrete:
   - production technology is based on HEBEL license;
   - production capacity: 500 000 m³;
4. Various precast elements:
   - production technology - type STAND;
   - projected capacity: 50 000 m³;
5. Mineral aggregates:
   - extraction technology from the Danube with the repressed - absorbance dredger;
   - raw material processing in sorting - ranking stations;
   - production capacity: 700 000 m³;
6. Power: the high-efficiency cogeneration plant equipped with a generator of 5,4 MW, that produces electricity and steam.

2.2. Description and analysis of the group properties rate of wear

- Buildings = 39.53 %
- Equipments = 46.11 %

2.3. Specification of potential issues related to the ownership of tangible assets of the company

The company is the owner of its assets and there are no disputes about the ownership.

3. Market of securities issued by the company

3.1. Since July 5, 2010, the shares issued by PREFAB S.A. are traded on the regulated market administrated by Bucharest Stock Exchange, in the Sector Equity, Standard Category.

3.2.

Dividends	**2008** - lei -	**2009** - lei -	**2010** - lei -	**2011** - lei -	**2012** - lei -	**2013** - lei	**2014** - lei	**2015** - lei	**2016** - lei
due	4.479.634,5737	-	-	-	-	-	-	-	-
paid	-	2.682.556	1.690.048	1.221	329	30	92	123	28

Dividends paid in the year 2009, of the profit distributed in the year 2008, were in the amount of 2.682.556 lei.
Dividends paid in the year 2010, of the profit distributed in the year 2008, were in the amount of 1.690.048 lei.
Dividends paid in the year 2011, of the profit distributed in the year 2008, were in the amount of 1.221 lei.
Dividends paid in the year 2012, of the profit distributed in the year 2008, were in the amount of 329 lei.
Dividends paid in the year 2013, of the profit distributed in the year 2008, were in the amount of 30 lei.
Dividends paid in the year 2014, of the profit distributed in the year 2008, were in the amount of 60 lei.
Dividends paid in the year 2015, of the profit distributed in the year 2008, were in the amount of 123 lei.
Dividends paid in the year 2016, of the profit distributed in the year 2008, were in the amount of 28 lei.

Proposal for sharing the current profit on year 2015:

Net profit on 2015 :	1.081.334,00 lei
Dividends to be distributed to shareholders	648.891,81 lei
Other reserves:	432.442,19 lei

The equivalent amount of dividends due to shareholders worth 648.891,81 lei was transferred entirely on the Central Depository on 01.06.2016, for payment to shareholders according to the agreement.

Dividends	**2015** - lei -	**2016** - lei -
due	648.891,81	-
paid	-	648.891,81

On 31.12.2016, Prefab S.A. - the company registered a net profit worth 1.171.965 lei which is to be assigned based on the Board of Directors decision of 19.04.2017, according to legal regulations, as follows:

Proposal for profit distribution for the current year 2016 for the parent company:

Net income 2016:	1.171.965,00 lei
Legal reserve:	70.822,00 lei
Dividends to be distributed to shareholders	564.414,33 lei
Other reserves	539.728,67 lei

3.3. The company has not acquired its own shares.

3.4. PREFAB SA has holdings in these companies with a total value 9.439.668,9 lei as follows:

- 99.9% of PREFAB INVEST SA Bucuresti capital
- 100% of PREFAB BG EOOD SA Bulgaria capital
- 99.8707% of FOTBAL CLUB PREFAB 05 SA MODELU capital

Wishing to establish an association to promote activities related to the production of precast concrete industry, PREFAB SA with 8 other leading companies in this branch, they agreed to constitute «Asociatia Producatorilor de Prefabricate din Beton PREFBETON». The purpose of the Association is to promote precast concrete products, to represent, support and defend technical, economic and legal interests on trade and precast concrete industry, to develop and encourage cooperation in scientific, technical and standardization area, and to stimulate contacts between experts in the country. The initial patrimony of the Association was 1800 Ron, the contribution of Prefab SA being of 200 Ron.

3.5. The company has not issued bonds or other debt securities.

4. Management of the company

4.1. Starting from 24.06.2013, according to Decision of Ordinary General Meeting of Shareholders. no. 1/19.06.2013 until 29.09.2016, the Board of Directors of PREFAB S.A., had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of Board of Directors	Engineer
2.	Ionescu MarianValentin	member	Jurist
3.	Negrau Relu Dorin	member	Jurist

Starting from 29.09.2016, according to Decision of Ordinary General Meeting of Shareholders. no. 9/29.09.2016, the Board of Directors of PREFAB S.A., had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of Board of Directors	Engineer
2.	Momanu Radu	member	Engineer
3.	Negrau Relu Dorin	member	Jurist

a. 1) Name: Milut
Surname: Marian Petre
Age: 60 years
Qualification: engineer
Professional experience:
1980 - 1981 - engineer at IAMSAT Bucharest
1981 - 1982 - engineer at Sistem Hewlett Packard Romania
1982 - 1993 - IRUC Workshop Head of territory

1993 - present	- Chairman of S.C. Romerica International SRL Bucharest
1998 - present	- Chairman of Board of Directors of PREFAB S.A.

2) Name: Ionescu
Surname: Marian Valentin
Age: 54 years
Qualification: jurist
Professional experience:

1991 - 1993	- legal adviser - S.C. Grantmetal S.A.
1992 - 1993	- legal adviser - S.C. Bursa Romana de Marfuri S.A.
1994 - 1997	- parliamentary expert - Romanian Senate
1997 - 1998	- Minister for Privatization - Ministry of Privatization
1998 - 1999	- legal adviser - Herzfeld &Rubin S.R.L.
2001 - 2003	- policy officer for Local Agenda 21 - National Center for Sustainable Development
2003 - 2004	- senior policy reform specialist - Development Alternatives Inc - Suc. Bucharest
2005 - 2014	- General manager and sole shareholder - Unic Management Consulting S.R.L.
2010 - 29.09.2016	- member of the Board of Directors of PREFAB S.A.

3) Name: Negrau
Surname: Relu Dorin
Age: 53 years
Qualification: jurist
Professional experience:

1990 - present	- Chairman of Trade Union Unity League of Bucharest
2002 - 2005	- Chairman of the Board of Directors of S.C. NETINVEST S.A. Bucharest
2000 - 2014	- MAN and MAI Social Dialogue Commission member
2000 - present	- member of Advisory Board of municipal employment agency of Bucharest
2013 - present	- Advisory board member of I.T.M. Bucharest
2004 - present	- member of Union Colleges of Legal Advisers from Romania
2005 - present	- member of the Board of Directors of EGNATIA SECURITES S.A. Bucharest (currently EGNATIA INVEST)
2005 - present 2015 -	- member of the Board of Directors of PREFAB S.A representative of the Confederation of Democratic Trade Unions in the Commission for rights and freedoms, equality of opportunity and treatment od Social Economic Council from Romania

Since 29.09.2016, Mr. Ionescu Marian Valentin, Member of the Board of Directors, was replaced with Mr. Momanu Radu, according to Decision of Ordinary General Meeting of Shareholders. no. 9/29.09.2016.

Name: Momanu
Surname: Radu
Age: 49 years
Qualification: engineer
Professional experience:

1992-1994	- engineer - Institute of Microtechnology Bucharest
1995-1996	- engineer - Bucharest Investment Group Bucharest
September 1996 - March 1998	- investment officer - Romanian Post Privatision Fund Bucharest
September 1996 - April 2000	- senior project manager - CA IB Financial Advisers Bucharest
April 2000 - October 2004	- corporate finance and treasury manager - Carpat Cement Romania
November 2004 - August 2005	- investment manager - Global Finance Bucharest
September 2005 - present	- director - Capital Invest Bucharest
September 2016 - present	- Member of PREFAB S.A. Board of Directors

b. We specify that there are no litigation or administrative proceedings in which to be involved members of the Board of Directors.

c. On 31.12.2016, the administrators hold on PREFAB S.A. a number of shares, as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Momanu Radu	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

d. Not applicable.

4.2. Until 27.04.2016, the executive management was made up of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic Director, with responsibilities of Deputy General Manager	Economist
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer

Starting from 28.04.2016, the executive management was made up of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic manager, with responsibilities of Deputy General Manager	Economist
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer
4.	Cocoranu Tudor	Energy Manager	Engineer
5.	Macovei Olimpian	Commercial Director	Jurist

From 6.12.2016, after retirement, Mr. Zotescu Marian has not served as Production Manager with responsibilities of Deputy General Manager.

a. The term for which the person is part of the executive management;
Standing term.
b. Any agreement, understanding or family connection between a person and another person because of that the person has been appointed as a member of the executive management;
It's not necessary.

c. On 31.12.2016 the Executive Board members held at PREFAB S.A. a number of shares as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0%
2.	Boitan Daniela	9.240	0,0190%
3.	Cocoranu Tudor	0	0
4.	Macovei Olimpian	800	0.00164%

d. Not applicable.

4.3. In the last 5 years people in paragraphs 4.1 and 4.2. were not involved in litigation or administrative proceedings.

5. a. ECONOMIC AND FINANCIAL SITUATION

STATEMENT OF FINANCIAL POSITION

	December 31, 2016	December 31, 2015
Tangible assets	219.449.140	219.227.582
Intangible assets	337.401	428.847
Investment property	2.929.980	2.928.503
Investments in affiliated entities	9.439.869	9.439.669
Biological assets	12.263	13.298
TOTAL INTANGIBLE ASSETS	**232.168.653**	**232.037.899**
Stocks	7.331.709	9.510.478
Trade receivables and other receivables	34.712.970	36.895.681
Cash and cash equivalents	588.058	365.202
Other assets (Prepayments)	750.940	770.680
TOTAL CURRENT ASSETS	**43.383.677**	**47.542.041**
1.TOTAL ASSETS	**275.552.330**	**279.579.940**
Share capital	24.266.709	24.266.709
Adjustments of share capital	0	0
Other components of share capital	(366.662)	(674.435)
Share premium	14.305.342	14.305.342
Revaluation reserves	123.203.224	123.402.750
Reserves	35.414.806	34.911.541
Retained earnings except that from the adoption for the first time of IAS 29	9.552.175	9.352.650
Profit at the end of the reporting period	1.174.965	1.081.334
Distribution of profit	70.822	0
2. TOTAL EQUITY	**207.479.737**	**206.645.891**
Long term loans	18.824.053	16.636.184
Deferred income tax liability	366.662	674.435
TOTAL LONG-TERM LIABILITIES	**19.190.715**	**17.310.619**
Trade payables and other payables	12.971.114	16.123.428
Short term loans	29.299.869	32.339.387
Current income tax liability	87.501	122.304
TOTAL SHORT-TERM LIABILITIES	**42.358.484**	**48.585.119**
Subsidies for investment, of which:	**6.523.394**	**7.038.311**
- current party	504.795	514.916
- more than one year	6.018.599	6.523.395
3. TOTAL LIABILITIES	**275.552.330**	**279.579.940**

b. PROFIT AND LOSS ACCOUNT

Indicators	December 31, 2016	December 31, 2015
Turnover	67.977.103	75.313.249
Other operating income	11.252.632	13.933.993
Operating income	**79.229.735**	**89.247.242**
Expenditure on goods	18.109	72.422
Material expenses	49.609.325	58.290.693
Other operating expenses	8.260.530	8.663.629
Taxes/fees/payments	1.772.758	2.010.399
Staff costs	10.561.939	9.766.318
Amortization expenses	6.135.761	8.782.021
Adjustments on current assets	0	131.959
Adjustments for provisions	0	(103.040)
Total operating expenses	**76.358.422**	**87.614.401**
Operational result	2.871.313	1.632.841
Financial income	234.580	1.581.980
Financial expenses	1.689.445	1.901.527
Financial result	(1.454.865)	(319.547)
Total revenue	**79.464.315**	**90.829.222**
Total expenses	**78.047.867**	**89.515.928**
Profit before tax	**1.416.448**	**1.313.294**
Corporation tax	**241.483**	**231.960**
Net profit	**1.174.965**	**1.081.334**

6. CORPORATE GOVERNANCE

In Romania, the Corporate Governance Code was adopted by the Bucharest Stock Exchange in December 2007.

The original variant provided the compliance of issuers listed at Bucharest Stock Exchange with the provisions of the Corporate Governance Code, starting with the Annual Report 2008, subsequently, the implementation deadline changed - for the Annual Report 2010 - to meet their preparation stage and recently it was implemented the new Corporate Governance Code of Bucharest Stock Exchange since 2016.

The Corporate Governance Code of Bucharest Stock Exchange is predominantly designed for companies whose financial instruments are traded on the regulated market operated by Bucharest Stock Exchange.

The current version of the Corporate Governance Code of Bucharest Stock Exchange is available on Bucharest Stock Exchange website (www.bvb.ro).

PREFAB S.A. Bucuresti is a company listed on Bucharest Stock Exchange since July 05, 2010, pursuant to Decision of Board of Governors no. 54/29.06.2010, at STANDARD category since January 5, 2015.

Currently, the management system of the company is unitary.

PREFAB S.A. voluntarily and self-imposed adopt the provisions of the Corporate Governance Code of the Bucharest Stock Exchange.

Corporate governance includes all the systems and processes implemented to manage and control a company with the aim of increasing its performance and value. Basically, it refers to efficient management systems, insisting on the role of Board leadership, on the liability and compensation of members, the credibility of financial statements and on the effectiveness of the risk management systems.

In principle, it refers to the support decision and control of a company, obtained through formal and informal rules and procedures, internal or external imposed by the competent bodies, implemented at both strategic and operational level.

Regulation: Corporate Governance Code of Bucharest Stock Exchange and Law no. 31/1990 on the companies, updated.

According to Corporate Governance Code of Bucharest Stock Exchange, the issuers prepare a Corporate Governance Regulations where are defined and described the main aspects of the corporate governance.

PREFAB S.A. has developed a Corporate Governance Regulation on 07.03.2011, that is published on the company website: w.w.w. prefab.ro and that will be updated in line with the new Corporate Governance Code of Bucharest Stock Exchange in the course of 2016.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.1. “all companies must have internal rules of the Council including the terms of reference/the Council responsibilities and the key management functions of the company and that applies among others General Principles in Section A.” - the terms of reference/ the current Council responsibilities are provided both by Article of Incorporation and the rules of corporate governance of Prefab, will be drafted internal rules of Board of Directors.

Corporate governance structures

1. Board of Directors and Executive Board - competencies and responsibilities

1.1. Board of Directors structure

The structure of the Board of Directors ensures a balance between the executive and non-executive members. Decision-making process remains a collective responsibility of the Board of Directors which will be jointly responsible for all decisions taken in the exercise of its competencies. Administrators constantly updates their skills and improve their knowledge related to the company's activity and the best practices of corporate governance, in order to fulfill their role.

The company PREFAB SA Bucureşti is administered by a Board of Directors, which has general responsibility for the performance of all acts necessary to successfully carry the company object of activity, except for matters falling within the competence of the General Meeting of Shareholders according to the provisions of Articles of Incorporation updated on 29.09.2016.

The Board of Directors is composed of 3 members (according to the Articles of Incorporation) who ensures the efficiency of supervisory capacity, analysis and evaluation of the company's activity and fair treatment of shareholders. The Board of Directors members are elected by the General Meeting of Shareholders for an innings of 4 years with the possibility of being revoked by the Ordinary General Meeting if the main targets are not met. The Board of Directors members may have the quality of shareholder. PREFAB SA Board of Directors is managed by a chairman appointed by it from its members, who ensure optimal functioning of bodies of the company. Board of Directors members who are also shareholders, participate in all general meetings of shareholders and exercise their innings being informed, in good faith for the interests of company, with due care and diligence, without disclosing confidential information and trade secrets of the company both during and after the termination of its innings. The Article of Incorporation of the Company PREFAB SA Bucureşti updated on 29.09.2016, approved by the Board of Directors, regulate the duties, responsibilities and powers of the Board of Directors and the obligations of company directors.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.3. “The Board of Directors must be composed of at least 5 members“ - Prefab can change the number of Board of Directors members only with AGA approval and amendment of the articles of association. In the first half of 2017 will take place A.G.O.A. which will have on the agenda the extension of the mandates of administrators and the replacement of at least one of them, and the analysis for reducing the number of members to 5 members.

The Board of Directors has the following membership:

1. Miluţ Petre Marian - Chairman.
Date and place of birth: 29.12.1955, Craiova, jud. Dolj
Faculty of Automation and Computer - engineer
Experience in the Board of Directors: 18 years (since 07.12.1998 - the fifth innings)
Date when the innings expires in the Board of Directors: 24.06.2017
Member of Board of Directors (other companies): S.C. Romerica International S.R.L., S.C. Prefab Invest S.A. Bucuresti

2. Momanu Radu - Member.
Date and place of birth: 25.04.1967, sat Ciumulesti, jud. Suceava
Polytechnic University - Bucharest - engineer
Experience in the Board of Directors: 3 months (since 29.09.2016 - the first innings)
Date when the innings expires in the Board of Directors: 24.06.2017
Member of Board of Directors (other companies): not applicable

3. Negrău Relu Dorin - Member.
Date and place of birth: 28.07.1962, Bucharest
Faculty of Law - University "Hyperion" - Bucharest - jurist
Experience in the Board of Directors: 11 years (24.03.2005 - the third innings)
Date when the innings expires in the Board of Directors: 24.06.2017
Member of Board of Directors (other companies): S.C. EGNATIA SECURITES S.A. Bucharest (the current S.C. EGNATIA INVEST)

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.5. "other commitments and professional obligations relatively permanent of a memeber of Board of Directors, including executive and non-executive positions in the Board of a nonprofit societies and institutions, should be disclosed to shareholders and potential investors before nomination and during his innings." - this provision being introduced by Code of Bucharest Stock Exchange, will be introduced in the Board of Directors regulation.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.6. "Board of Directors members must present to the Council information concerning any relation to a shareholder which owns directly or indirectly shares representing over 5% of all voting rights" - this provision being introduced by Code of Bucharest Stock Exchange, will be introduced in the Board of Directors regulation. Instead, in the applicable legal provisions and in the Article of Incorporation there is the obbligation of Board of Directors members to exercise the innings with loyalty, which obliges them to not affect the member position on issues decided by Board of Directors.

The Board of Directors has appointed a general registrar who has the role to advise the Board of Directors on the issues of governance of the company. This together with the Chairman of the Board of Directors prepare the minutes of each meeting, the resolutions that have been adopted or not, showing the votes in favour/against/abstentions in behalf of each resolution.

Board of Directors Registrar - Manoliu Nicoleta appointed by Decision no. 141/17.04.2008.

Date and place of birth: 04.02.1963, Roman
Faculty of Civil, Industrial and Agricultural Constructions - Iasi - engineer
Total experience: 28 years
Experience in PREFAB S.A.: 28 years of which 19 years in the Shareholding Service
Member of Board of Directors (other companies): not applicable

The Members of the Board of Directors and of the Executive Board do not participate in the Board of Directors of other companies listed on Bucharest Stock Exchange.

The election of Board of Directors members is done through a formal, rigorous and transparent procedure. The list of candidates for the position of administrator, accompanied by detailed information, submitted to the company at least fifteen (15) days before the date fixed for the General Meetings of Shareholders, is timely published on the website of the Company, in compliance with the provisions of Law no. 31/1990 on companies, updated and with the Article of Incorporation of PREFAB SA.

The Board of Directors is responsible for the administration of PREFAB SA. This act in the interest of company and protect the general interests of shareholders ensuring sustainable development of the Company. The Board of Directors will operate as a collective body, based on complete and accurate information. The information obtained shall be used only for exercising the innings.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.8. "corporate governance statement will inform you if there was an evaluation of the Council under President or the nomination committee directorate…" – Prefab is to develop a policy/guidance on the assessment of the Council including the purpose, criteria and frequency of the evaluation process. Currently, the Board of Directors presents the annual activity report in the first AGA during which it is assessed the Board of Directors activity.

The Board of Directors is responsible for carrying out all the necessary and appropriate documents to achieve the object of the company, except those reserved by law for the General Meetings of Shareholders. It ensures that the company has the financial resources and staff to be able to achieve the goals.

The Board of Directors delegates the Governing Board to manage the company. The annual financial statements of the company are subject to legal obligations of financial auditing, delegating management being mandatory.

The Governing Board is directly subordinate to the Chairman of the Board of Directors.

The Board of Directors has the following basic competencies that can not be delegated to the directors:

a) determining main directions of activity and development of the company;

b) establishing accounting policies and financial control system, and financial planning approval;

c) appoint and remove directors and determine their remuneration;

d) supervision of directors activity;

e) preparing the annual report, organizing the general meeting of shareholders and implementation of its decisions;

f) introduction of the request to open insolvency proceedings of company;

and, by delegation of authority given by the Extraordinary General Meeting, exercise of duties regarding:

g) foundation or closure of secondary offices: branches, agencies, offices or other such units without legal personality and those of the delegation of authority.

Under the law, the Board of Directors sets the «depreciation regime» and the «normal operational times» of fixed assets.

The Board of Directors fulfills any other attributions and it has all the powers arising from the law (organization of accounting, labor protection etc.), from the Article of Incorporation or from the decision of General Meeting of Shareholders.

The responsibilities between Board of Directors and Executive Board, which deals with the management of the company and its activities, are clearly divided and defined.

The Board of Directors delegated the company management to the Governing Board consisting of several directors, natural persons, of which one «general manager» and one «deputy general manager».

The Board of Directors of PREFAB S.A. consists of 3 non-executive directors, of which independent directors are Negrău Relu Dorin and Ionescu Marian Valentin.

PREFAB S.A. adheres to the criteria of independence of non-executive directors set by the corporate governance, namely:

a) a non-executive director or a member of the Supervisory Board (SB) is not a director of the company or of a company controlled by it and did not meet such a position in the last five years;

b) is not an employee of the company or of a company controlled by it and he had not such an employment relationship in the last five years;

c) does not receive and did not receive from the company or from a company controlled by it an additional remuneration or other benefits, other than those corresponding to its quality of non-executive director or member of the Supervisory Board;

d) is not and not represent in any way a significant shareholder of the company;
e) has not and had not in the last financial year business relationship with the company or with a company controlled by it, either directly or as a partner, shareholder, director, manager or employee of a company having such a relationship with the company. The business relationships include but are not limited to the position of: significant supplier of goods or services (including financial, legal, consulting services etc.) and/or important client of the company or of the organizations that receive significant contributions from the company or from its group, as applicable;
f) is not and has not been in the last three years associate or employee of the present or past financial auditor of the company or of a company controlled by it;
g) is not an administrator/director in another company in which an administrator/director of the company is a non-executive director or a member of the Supervisory Board and has no significant relations with the administrators/directors of the company due to the position held in other companies or entities;
h) was not a non-executive member of the company Board of Directors or of the Supervisory Board for a period more than three innings;
i) is not a close family member - husband/wife or relative up to the fourth degree inclusive - of one of the Board of Directors members or company directors or of the persons referred to letters a)-h) above.

The Board of Directors members are responsible for fulfilling all obligations provided for by law and Article of Incorporation. They are led by the spirit of loyalty to the company and shareholders.

The directors exercise their innings with loyalty in the company's interest.

The Board of Directors members are jointly liable with their immediate predecessors if, being aware of the irregularities committed by them, does not communicate this to the internal auditors and financial auditor.

The Board of Directors members are jointly liable to the company for:

a) the reality of payments made by the shareholders;

b) the actual existence of dividends paid;

c) the existence of registers required by law and their correct use;

d) the exact fulfillment of the decisions of the general meetings;

e) the strict fulfillment of the duties set up by law and Article of Incorporation.

The Chairman of the Board of Directors has a close cooperation relationship with the General Manager, providing support and advice, but at the same time, respecting the executive responsibilities of the General Manager.

The Board of Directors implements programs of initiation for the new members of the executive management, so that they can actively and at full capacity participate in the decision-making process as soon as possible after taking the position. The promotion in positions of executive managers is made only from staff who are knowledgeable about the company and the sector in which it operate or people who have demonstrated their competence in other companies.

All the Board of Directors members and the Executive Board participated to General Meetings of Shareholders.

The Board of Directors of PREFAB S.A. meets at regular intervals (at least once in three months) and adopts decisions that allow it to fulfill the duties in an effective and efficient manner.

In 2016, the Board of Directors met in 5 sessions, the presence on these being for 100%.

The important decisions taken within the Board of Directors were:

- Decisions for approving the annual financial statements for the year 2015.
- Decisions for approving the half-yearly financial statements for the Ist semester of 2016.
- Decisions for approving the programs for monthly and quarterly production.

- Decisions related to the establishment of committees which will follow the efficiency and optimization of production activity during the crisis.
- Decisions on organizational line for stabilization of the discipline.
- Decisions related to follow the investments in the company and commissions to analyze the investments that must be made in the next period.
- Decisions related to nominations on remuneration and functions.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.9. "corporate governance statement must contain information on the number of meetings of BD and committees over the past year, the participation of administrators (in person and in absence) and a report of the Council and committees on their activities." – information on the number of meetings of BD were mentioned in the annual reports of BD, efforts will be made in compliance of purposes.

PREFAB S.A. is provided with the services of directors and administrators with good training and ethically irreproachable profile, through a proper remuneration policy, consistent with the strategy and long-term interests of the company.

The company has developed a remuneration policy for directors and executives. Proposals regarding remuneration to managers and directors are consistent with the remuneration policy adopted by the company. Remuneration of non-executive directors is commensurate with their responsibilities and the time devoted to their duties. The total direct and indirect remuneration of directors and managers of the year 2016, resulting from the quality that they have is presented in the table below:

Name and surname	Position	Gross Remuneration RON	Additional Bonus
Milut Petre Marian	Chairman of Board of Directors	101.338	0
Ionescu Marian Valentin	Member (until 28.09)	12.753	0
Momanu Radu	Member (from 29.09)	8.502	0
Negrau Relu Dorin	Member	21.255	0

For the year 2016, no additional bonus was granted to those approved.

The remuneration for this year due to Board of Directors members, the general limits of the additional remuneration of Board of Directors members charged with specific functions within that body and the directors' remuneration is set within the Ordinary General Meetings.

The Board of Directors make proposals to the General Meeting of Shareholders related to directors' remuneration, sets the pay scale for all staff, the remuneration of auditors, identifies and nominates the candidates for various management positions.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision C.1. "the company must publish on its website the remuneration policy and include a statement in the annual report on the implementation of the remuneration policy in the annual period… " - the company has adopted a transparent policy of remuneration permanent BD members, all decisions adopted, on this aspect by AGA being made public and also notes to the annual financial statements contain information regarding the remuneration of directors and managers for the period analyzed, steps to be taken for the purposes of

publication on the website of the remuneration policy.

The Board of Directors ensure the necessary conditions for internal auditors and statutory auditor to supervise the management entity and to determine whether the financial statements are legally prepared and in accordance with the registers, if are regularly held, if the heritage assessment was done according to the rules established for the financial statements and how the obligations are met.

The Board of Directors constantly analyzes the risks to which the company is subject on identifying, recording, monitoring and control of significant risks. The internal audit by the annual plan, analyzes and informs the Board of Directors about any risks that may arise in the company.

1.2. Executive Board

The executive board of PREFAB SA for the year 2015, was provided by four directors, one of which is General Manager and another is director with duties of Deputy General Manager. The executive board was appointed by the Board of Directors and confirmed by the General Meeting of Shareholders. PREFAB SA was represented by two directors who signed the employment documents to third parties and in court. The Board of Directors kept the task of representing the Company in the relationships with the directors whom it called.

The organization of directors activity was established by decision of Board of Directors, according to the establishment plan approved.

The tasks of the general manager were established by the Rules of Organization and Operation of the Company (ROF) and mainly includes the following:
- application of strategy and policies of social development established by the Board of Directors;
- hiring, promotion and dismissal of staff employed, under the law;
- participation in the negotiation of the collective labor agreement, negotiation and conclusion of which are carried out in accordance with the law, within the mandate given by the Board of Directors;
- negotiation, under the law, of the individual employment contracts;
- signing legal documents, in the name and on behalf of PREFAB SA, in the limits established by decisions of the Board of Directors;
- establish duties and responsibilities of subordinate staff;
- approval of receipts and payments according to the legal competencies and the articles of incorporation of the company;
- empowering executives directors, directors of branches and any other person to exercise any task within its jurisdiction.

Directors are responsible for taking all measures related to company management, within the limits of the company object and respecting the exclusive competencies reserved by law or by articles of incorporation for the Board of Directors and General Meeting of Shareholders.

The directors exercise their mandate with loyalty, in the interest of the company.

The directors informs the Board of Directors regularly and comprehensively on the operations undertaken and those envisaged.

The directors notify the Board of Directors about all the deficiencies found during their duties.

The directors are jointly liables with their immediate predecessors if, being aware of the irregularities committed by them, do not communicate it to the internal auditors and financial auditor.

The directors must not disclose confidential information and trade secrets of the company, on which they have access in their capacity as directors. This obligation remains even after termination of director innings, for a period of 3 years.

The directors, without the authorization of the Board of Directors, can not be directors, managers, members of the Executive Board or the Supervisory Board, censors or, if appropriate, internal auditors or partners with unlimited liability, in other competing companies or having the same activity object, nor can

exercise the same trade or another competitor, on their own or for another person, under penalty of revocation and liability for damages.

In 2016, the company's executive management was provided by:
Until 27.04.2016, the executive management consisted of:

1) **Milut Petre Marian - General Manager**
Date and place of birth: 29.12.1955, Craiova, jud. Dolj
Faculty of Automation and Computer - engineer
Experience at PREFAB S.A.: 18 years
Member of Board of Directors (other companies): Romerica International S.R.L., Prefab Invest S.A. Bucuresti

2) **Boitan Daniela - Economic Director, with competences of Deputy General Manager**
Date and place of birth: 09.10.1968, Calarasi
Academy of Economic Sciences of Bucharest, Faculty of Finance - Banks
Accountancy - economist
Total experience: 23 years
Experience at PREFAB S.A.: 23 years (Economic Director since January 1999)
Member of Board of Directors (other companies): not applicable

3) **Zotescu Marian - Production Director, with competences of Deputy General Manager**
Date and place of birth: 07.08.1954 , Calarasi
Polytechnic Institute of Bucharest, T.C.M. - subengineer
Total experience: 38 years
Experience at PREFAB S.A.: 29 years
Member of Board of Directors (other companies): not applicable

Since 28.04.2016 the executive management consisted of:

1) **Miluţ Petre Marian - General Manager**
Date and place of birth: 29.12.1955, Craiova, jud. Dolj
Faculty of Automation and Computer - engineer
Experience at PREFAB S.A.: 18 years
Member of Board of Directors (other companies): Romerica International S.R.L., Prefab Invest S.A. Bucuresti

2) **Boitan Daniela - Economic Director, with competences of Deputy General Manager**
Date and place of birth: 09.10.1968, Calarasi
Academy of Economic Sciences of Bucharest, Faculty of Finance - Banks
Accountancy - economist
Total experience: 23 years
Experience at PREFAB S.A.: 23 years (Economic Director since January 1999)
Member of Board of Directors (other companies): not applicable

3) **Zotescu Marian - Production Director, with competences of Deputy General Manager**
Date and place of birth: 07.08.1954, Calarasi
Polytechnic Institute of Bucharest, T.C.M. - sub-engineer

Total experience: 38 years
Experience at PREFAB S.A.: 29 years
Member of Board of Directors (other companies): not applicable
Starting from 06.12.2016, Mr. Zotescu Marian was retired.

4) Cocoranu Tudor - Energy Manager
Date and place of birth: 25.07.1966, Targu Jiu, Gorj
Polytechnic Institute Traian Vuia Timisoara, Faculty of Electrical Engineering - Energy-engineer
Total experience: 24 years
Experience at PREFAB S.A.: 1 year and 1 month
Member of Board of Directors (other companies): not applicable

5) Macovei Olimpian - Director Comercial
Date and place of birth: 03.10.1967, Calarasi
University Spiru Haret, Faculty of Law and Public Administration - jurist
Total experience: 25 years
Experience at PREFAB S.A.: 6 years and 5 months
Member of Board of Directors (other companies): not applicable

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision D.1.2. "The professional CV of the governing bodies of the company, other professional commitments of BD members, including non-executive and executive positions in the Board of Directors in other companies or nonprofit institutions" - the CV of the executive management were presented in the annual reports and will be posted on the internet page.

The executive management remuneration due for the year 2016, is presented in the table below:

Name and surname	Position	Gross Remuneration	Additional Bonus
1 Milut Petre Marian	General Director	270.000	0
2 Boitan Daniela	Economic Director, with responsibilities of Deputy General Manager	115.021	0
3 Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	124.762	0
4 Cocoranu Tudor	Energy Manager	79.800	0
5 Macovei Olimpian	Commercial Director	88.855	0

For the year 2016, there were no additional bonus granted to those presented.

2. Shares and Shareholder Rights

The shares issued by the company «PREFAB» - S.A. are «registered shares» with «nominal value» of 0,5 lei per head, issued in «dematerialized form» and freely negotiable.

The shares of the same category and/or class issued by the Company «PREFAB» - S.A. grant to their holders equal rights and enjoy an equal treatment by providing relevant information allowing them to exercise their rights. All investors can obtain informations about the rights attached to each class of securities before the purchase. The minority shareholders are protected from abusive shares, being taken all measures to redress this situation, if it occurs.

Any ordinary share paid **entitles to one vote at the general meeting**, **the right to elect and to be elected in the management bodies of the company, the right to participate in the distribution of benefits, the pre-emption right, according to the articles of incorporation and legal provisions.**

The exercise of voting rights is suspended for the shareholders who are not up to date with the payments matured.

The shares are indivisible with respect to the company which recognizes only one owner for each title. When a registered share issued by the company is owned by several persons, the company will not enter the transfer as long as those persons will not appoint a single representative to exercise the rights arising from the share.

The holders of securities issued by the company «PREFAB» - S.A. must exercise the rights conferred by them in good faith, respecting the rights and the legitimate interests of the other holders and the priority interest of the company, otherwise they will be liable for damages.

The ownership of the registered shares issued in dematerialized form and traded on an organized market is transmitted in accordance with the applicable regulations of the regulated market on which those securities are traded.

All holders of shares issued by PREFAB SA will be treated fairly. All shares issued give the holders equal rights; any change of the rights conferred by them will be subject to the approval of the holders directly affected.

PREFAB SA facilitate and encourage shareholders' participation in the works of General Meetings of Shareholders (GMS) and the full exercise of their rights.

For complex issues related to development of the General Meetings of Shareholders, the company provides adequate details on its web page and through publication in the Official Gazette, in the Newspaper «Observator de Calarasi», in the Newspaper «Bursa».

Each shareholder has the right to ask questions regarding the items on the agenda of the general meeting. The Company may answer inclusively by posting the answer on company's website, www.prefab.ro - Section Shareholding. The questions of shareholders may be sent in writing, either by post or courier, or by electronic means, by e-mail: office@prefab.ro.

For the shareholders who can not attend, PREFAB SA provides the possibility of exercising 1) the vote in absentia, on the basis of a special power of attorney, 2) the postal voting, and 3) the remote voting, so that the voting process does not become unnecessarily difficult and expensive.

PREFAB SA encourages, within General Meetings of Shareholders, the dialogue between shareholders and Board of Directors and/or Executive Board members, the pertinent questions addressed getting the right answers, unless they are liable to damage the company, the shareholders or the employees.

In order to provide relevant information to shareholders in a timely manner, PREFAB SA created on the web page www.prefab.ro a special section, easily accessible and constantly updated. The page is structured to contain all information necessary to holders of securities: information on the General Meetings of Shareholders, financial calendar, current and periodic reports, rating, dividends, corporate governance etc.

Also, PREFAB SA has specialized internal structures for the investor relations and the relation

with its shareholders. The person appointed to liaise with investors and shareholders - Mrs. Manoliu Nicoleta, regularly follow training courses, including for the use of appropriate international language.

The shares are indivisible, dematerialized and are traded according to the Decision of Exchange Board no. 54/29.06.2010 on the regulated market administered by Bucharest Stock Exchange, STANDARD category, since January 5, 2015.

Trading in shares or other financial instruments (the company's securities) made on their account by administrators or other natural persons involved, will be related to the company within 24 hours of trading. The company prepares a report for Bucharest Stock Exchange which will be published on the company website too.

The ownership of registered shares issued in dematerialized form and traded on an organized market is transmitted in accordance with applicable regulations to the regulated market on which those securities are traded.

The Company may acquire its own shares only with the authorization of Extraordinary General Meeting of Shareholders, complying with the conditions and restrictions prescribed by law. Only the fully paid shares are object of the acquisition of own shares. The duration for which is requested the authorization to acquire own shares is 18 months from the date of decision publication in the Official Gazette of Romania, Part IV.

The payment for the shares to be acquired will be made from the available reserves of the company, entered in the company's financial statements and approved by the Ordinary General Meeting of Shareholders.

Acquisition of own shares is made for their distribution to directors, executives and employees of the company, in the limits and conditions that will be approved by the Extraordinary General Meeting of Shareholders.

Shareholders have the right in case of liquidation of the company to receive from the company, that part of the patrimonial assets that remains after extinguishing all the Company's debts. The extent of this right is determined either in proportion to the contribution in the share capital, or according to other rules established by the company article of incorporation.

For information and exercise of control, the shareholders may request the following documents:

a) periodic and annual financial results published

b) revenue and expense budget

c) current reports made by Bucharest Stock Exchange/ National Securities Commission

d) decisions of ordinary and extraordinary general meetings

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision D.2. “the company will have an annual dividend distribution policy or other benefits to shareholders, proposed by the Director General or by the Executive and adopted by BD, as a set of guidelines that the company intends to pursue on the distribution of net profits. Principles of annual distribution policy to shareholders will be published on the website of the company“–decisions on the distribution of dividends until now have been adopted by AGA, will be published on the website.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision D.3. “the company will adopt a policy about forecasts, whether they are made public or not….“ – the annual forecasts are provided in the income and expenditure and in the investment program, the policy about forecasts will be published on the website of the company.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision D.9. “the company will hold at least two sessions/teleconferences with analysts and investors every year. Information presented on these occasions will be published on the website on the date of the meetings/teleconferences.“ - the company makes such sessions, but that the information presented will be published on the website.

3. Transparency, internal control, financial reporting and risk management

3.1. Transparency

PREFAB SA performs periodic and continuous reporting related to the important events concerning the company, including but not limited to, financial situation, performance, ownership and leadership, both in the media and on its website. The company prepares and disseminates regular and continuous relevant information both in accordance with national accounting standards and in accordance with international financial reporting standards and other reporting standards, respectively of environment, social and for leadership. The company organizes meetings with financial analysts, brokers, market specialists and investors, on the occasion of dissemination of yearly and half-yearly financial statements, a relevant material in the investment decision.

PREFAB SA took steps to efficient use of electronic media means:

- posting all communications addressed to market participants on the company's website, after being sent by the market operator (Bucharest Stock Exchange);
- posting notices on the website of meetings/sessions/events and related information materials;
- providing investor information updates via email office@prefab.ro

The company has created a specialized department dedicated to the relationship with shareholders/investors, its staff being constantly trained/educated/professionaly trained on the legal aspects concerning the relationship with its shareholders, corporate governance principles, management, relationship with customers etc..

3.2. Financial reporting, internal control and risk management.

The financial statements, and the Company «PREFAB» - S.A. operations subject to authorization, supervision and control of the Financial Supervisory Authority, under the law, are audited by AUDIT EXPERT SRL, with registered office in Ploieşti, str. Mircea cel Bătrân nr. 14A, Judeţul Prahova, registered with the Trade Register under the no. J29/68/22.01.1998, Tax Identification Number 10117602, «financial auditors» active persons, members of the Chamber of Financial Auditors of Romania, according to the authorization no. 050 of 18.05.2001.

The contraction of «financial audit» is decided by the General Meeting of Shareholders.

In the exercise of its specific tasks, the financial audit has the following obligations:

a) draw up an «auditor's report», in accordance with the auditing standards issued by Chamber of Financial Auditors of Romania;

b) draw up, within 30 days, based on the information presented by the directors, «additional reports» - in accordance with the auditing standards and with the reporting framework defined by regulations of National Securities Commission regarding the operations of shareholders representing at least 5% of voting rights - if the securities issued by the company are traded on a regulated market;

c) provide additional services, respecting the principle of independence.

For an objective examination of the whole activities developed, for the purpose of providing an independent assessment of the risk management, of the control and its processes of management, the company will organize the «internal audit» and will ensure the exercise of internal audit professional activity, according to the rules developed by Chamber of Financial Auditors of Romania, to this end.

The internal audit is conducted by the internal department of audit and has as main objectives:

a) verification of compliance of the company activities with the policies, their programs and management, in accordance with the legal provisions;

b) evaluation of the appropriateness and application of financial and non-financial controls arranged and conducted by the management of the company to increase the efficiency of the activity of economic entity;

c) evaluation of the appropriateness of data/financial and non-financial information for the management for knowing the reality of the company;

d) protection of property items on and off balance sheet and identifying methods to prevent fraud and losses of any kind in the company.

The reports produced will be presented to the Board of Directors.

Within PREFAB S.A., during 2016, the internal control activities were an integral part of the management process by which the company watched to achieve the goals. The control targeted the application of rules and internal control procedures at all the hierarchical and functional levels: approval, authorization, verification, evaluation of operational performance, securing assets, separation of positions.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.1. "The board should establish an audit committee in which at least one member must be independent non-executive director" - the annual financial statements are audited by an external auditor appointed by independent and non-executive mandates AGA, also the company organized internal audit activity subordinate to BD, Prefab will comply with the requirement.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.2. "the chairman of the audit committee must be an independent non-executive member" - the auditor of the Company is independent and non-executive, Prefab will comply with the requirement.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.3. "within its responsibilities, the audit committee must conduct an annual assessment of internal control system" - the annual audit report contains references to the control system of the company, Prefab will comply with the requirement.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.4. "assessment should take into account the effectiveness and coverage of the internal audit function, reports the adequacy of risk management and internal control... " - currently, the evaluation is done considering most of the criteria stated.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.5. "the audit committee must assess conflicts of interest in connection with transactions of the Company and its subsidiaries with related parties"- currently the valuation is made by BD, efforts will be made in compliance of purposes.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.6. "the audit committee should evaluate the effectiveness of internal control and risk management system" - is currently evaluating by BD, efforts will be made in compliance of purposes.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.7. "the audit committee must monitor the application of legal standards and internal audit standards generally accepted ... " - is currently evaluating by BD, efforts will be made in compliance of purposes.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.8. "whenever Code mentions reports or analyzes initiated by the Audit Committee, they must be followed by periodic reports (at least annually) or to be filed later adhoc BD" - efforts will be made in compliance of purposes.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.10. "Council should adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved CA after a mandatory audit committee reviews…" - Council currently meets this check, but the steps to be taken in the sense of introducing binding opinion of the audit committee.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision B.12. "in order to ensure the fulfillment of the main functions of the internal audit department, it should report in

functional terms to the Council through the audit committee..." - reporting is done by the Director General and BD, but not through the audit committee, steps will be taken in compliance of purposes.

As in the previous years, in 2016 too, the company management aimed to design, implement and maintain a relevant internal control for the effective exercise of overall activity, and to the preparation and fair presentation of the financial assets and the company's performance in the financial statements, so it does not contain material misstatements.

An important concern was to select and apply appropriate accounting policies in order to achieve an effective internal control. The members of the Board of Directors and the company management have demonstrated experience and independence.

The internal control was focused on the following components:

- a clear definition of responsibilities, adequate resources and procedures, modalities and information systems, appropriate tools and practices;
- internal dissemination of reliable information whose knowledge has allowed everyone to exercise their responsibilities;
- a system for analyzing the main identifiable risks regarding the company's objectives and, on the other hand, ensuring the existence of the procedures for managing those risks;
- appropriate control activities, for each process, designed to reduce the risks likely to affect the achievement of company objectives;
- a permanent supervision of internal control device and an examination of its operation.

The purpose of internal control has been achieved by ensuring coherence of goals, by identifying the key factors for success and communication of the company leaders on real-time of information related to the performance and prospects.

4. Conflicts of interest and transactions with persons involved

4.1. Conflicts of interest

The Board of Directors members make decisions in the interests of the Company and do not take part in debates or decisions that create a conflict between their personal interests and those of the company or those of the controlled subsidiaries of the company.

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision A.2. ”provisions for managing conflicts of interest should be included in BD Regulation …“ - provisions for managing conflicts of interest will be included in BD Regulation care va fi eleborat. Currently, provisions for managing conflicts of interest are provided in the Corporate Governance Regulations of Prefab.

4.2. Transactions with persons involved

Each director shall ensure avoiding any direct or indirect conflict of interest with the Company or with its controlled subsidiaries and will inform the Board about the conflicts of interest as they arise and refrain from deliberating and voting on those matters, in accordance with legal provisions.

To ensure procedural fairness of transactions with the parties involved („transactions with it”), the Board used the following criteria:

- retention of Board of Directors competence to approve the major transaction;
- request of a preliminary opinion on the most important transactions from internal control structures;
- custody of the negotiations regarding these transactions to one or more independent directors or administrators having no relation with the parties concerned;
- consulting independent experts.

5. Regime of corporate information

The Board of Directors sets the corporate policy of disseminating the information in compliance with the legislation in force and the Company Aricle of Incorporation. This policy guarantees equal access to information for shareholders, investors and does not allow abuses about the confidential informations or the informations about "transactions with it".

The administrators and the managers will keep confidential the documents and the information received during their innings.

6. Social Responsibility

Being a part of its strategy for sustainable development, the policy of social responsibility aims the permanently increase of the degree of responsibility of the company to employees, shareholders, partners, community and environment.

PREFAB SA continuously identify people who may be interested in its activities, recognizes their legal rights and encourage their cooperation with the Company, having the purpose to create prosperity, jobs and to ensure the sustainability of a company financially sound. The Social Responsibility is the management process, a part of the business strategy of the Company, by which PREFAB SA wishes to contribute to the development of a sustainable and performing Romanian company..

The company is committed to solving the social problems of their own employees and of the community in which it operates and consider the interests of the society. PREFAB SA vision is to promote national values such as innovation, team spirit, respect for diversity and commitment. The Company has chose to been involved in education, sport, art and culture, humanitarian actions and for development of the society.

The company employees elected the Delegate of the Employees Council, in the person of the President of the Company Trade Union - Bajenaru Tony - who represent them in the sessions of the General Meeting of Shareholder and Board of Directors.

The conditions of employees participation in the decisional act are enssured by representative.

The company employees are enrolled in training, recycling programs and participate in training courses.

The Company has a voluntary pension program since April 2008 for employees who have at least one year of seniority in the company and aged between 18 and 52 years. The contribution is paid by the employer, up to the limit provided, according to the Tax Code. The contracts concluded by the employees are for the ING Optim Voluntary Pension Fund administered by ING Asigurări de viaţă SA.

The Company fulfils its commitments towards its employees, creditors, suppliers, customers, investors (stakeholders).

Under the new Corporate Governance Code of Bucharest Stock Exchange - provision D.10. “if a company supports various forms of artistic expression and cultural, sports, educational activities or scientific and considers that their impact on the innovative nature and competitiveness of the company are part of the mission and its development strategy, will publish the policy on the work in this area" - social responsibility projects involving the company were mentioned in the annual reports of BD, to be published on the website of policy on the company's activities in this area.

We attached to this report the Financial Statements on 31.12.2016.

7. Signatures

Chairman of the Board of Directors,

Eng. Milut Petre Marian

Statement of the Board of Directors of PREFAB S.A.

The Board of Directors of PREFAB S.A. hereby declares that assumes responsibility for preparing the Annual Financial Statements on December 31, 2016.

The Board of Directors of PREFAB S.A., in terms of the Annual Financial Statements on December 31, 2016, confirms as follows:

a) The Annual Financial Statements are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

b) The accounting policies used in preparation of the Annual Financial Statements are in accordance with the applicable accounting regulations.

c) The Annual Financial Statements provides an accurate picture of the financial position, financial performance and of other information related to the activity developed.

d) The company operates in conditions of continuity.

This statement is in accordance with the provisions of Art. 30 of Accounting Law no. 82/1991, republished.

Chairman of the Board of Directors,

Eng. Milut Petre Marian

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STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2016	December 31, 2015
Tangible assets	5	219.449.140	219.227.582
Intangible assets	4	337.401	428.847
Investment property	6	2.929.980	2.928.503
Investments in affiliates	7	9.439.869	9.439.669
Other long term investments		200	0
Biological assets		12.263	13.298
TOTAL FIXED ASSETS		**232.168.653**	**232.037.899**
Stocks	9	7.331.709	9.510.478
Trade receivables and other receivables	8	34.712.970	36.895.681
Cash and cash equivalents	10	588.058	365.202
Other assets (Prepayments)		750.940	770.680
TOTAL CURRENT ASSETS		**43.383.677**	**47.542.041**
1.TOTAL ASSETS		**275.552.330**	**279.579.940**
Share capital	11	24.266.709	24.266.709
Adjustments of share capital		0	0
Other components of share capital		(366.662)	(674.435)
Share premium	12	14.305.342	14.305.342
Revaluation reserves	12	123.203.224	123.402.750
Reserves	12	35.414.806	34.911.541
Retained earnings except that from the adoption for the first time of IAS 29	13	9.552.175	9.352.650
Profit at the end of the reporting period	14	1.174.965	1.081.334
Distribution of profit	14	70.822	0
2. TOTAL EQUITY		**207.479.737**	**206.645.891**
Long-term loans	18	18.824.053	16.636.184
Deferred income tax liability	20	366.662	674.435
TOTAL LONG-TERM LIABILITIES		**19.190.715**	**17.310.619**
Trade payables and other payables	19	12.971.114	16.123.428
Short term loans	17	29.299.869	32.339.387
Current income tax liability	23	87.501	122.304
TOTAL SHORT-TERM LIABILITIES		**42.358.484**	**48.585.119**
Subsidies for investment, of which:	21	**6.523.394**	**7.038.311**
- current party		504.795	514.916
- more than one year		6.018.599	6.523.395
3. TOTAL LIABILITIES		**275.552.330**	**279.579.940**

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Daniela

STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF GLOBAL RESULT
For the year ended on 31.12.2016

		Note	December 31, 2016	December 31, 2015
1.	Revenue from sales	22	67.977.103	75.313.249
2.	Cost of sales	23	61.349.336	65.936.750
3.	**Gross margin**		**6.627.767**	**9.376.499**
4.	Other operating incomes	22	11.252.632	13.933.993
5.	Distribution expenses	-	1.781.578	2.573.475
6.	Administrative expenses	-	4.157.518	6.004.776
7.	Other operating expenses	23	9.069.990	13.099.400
8.	**Operating result**		**2.871.313**	**1.632.841**
9.	Financial income	24	234.580	1.581.980
10	Financial expenses	25	1.689.445	1.901.527
11.	**Financial result**		**(1.454.865)**	**(319.547)**
12.	**PROFIT FROM CURRENT ACTIVITY**		1.416.448	1.313.294
13.	Income tax expense	26	241.483	231.960
14.	**Net profit for the period**	**26**	**1.174.965**	**1.081.334**
15.	**Items that will not be reclassified in the statement of profit and loss, total, of which**		**0**	**0**
16.	- increases/decreases in tangible assets revaluation reserve		0	0
17.	- Tax on other items of global result		0	0
18.	**Total comprehensive income for the period**		**1.174.965**	**1.081.334**
19.	Basic earnings per share	27	0.024209	0.022280
20.	**Diluted earnings**	27	0.024209	0.022280

Note: although the company presents consolidated financial statements, it chose the presentation of earnings per share and of diluted earnings in the individual financial statements. (IAS 33 Earnings per share)

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Daniela

STATEMENT OF CHANGES IN EQUITY

	Share capital	Adjustments of share capital (acct. 1028)	Other own capital items (acct. 1034)	Share premium	Own shares	Reserves	Retained and current earnings	Total
January 01, 2015	**24.266.709**	**0**	**(759.849)**	**14.305.342**	**0**	**159.021.043**	**8.822.442**	**205.655.687**
Current global result							1.081.334	1.081.334
Allocations legal reserve						0	0	-
Allocations other reserves						1.097.887	(1.097.887)	-
Loss coverage IFRS transition		0			0	0	0	-
Reserve increase from assets revaluation			85.414			0		85.414
Transfer reserve from revaluation to retained earnings						(1.804.639)	1.628.095	(176.544)
December 31, 2015	**24.266.709**	**0**	**(674.435)**	**14.305.342**	**0**	**158.314.291**	**10.433.984**	**206.645.891**

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Dan

STATEMENT OF CHANGES IN EQUITY

	Share capital	Adjustments of share capital (acct. 1028)	Other own capital items (acct. 1034)	Share premium	Own shares	Reserves	Retained and current earnings	Total
January 01, 2016	**24.266.709**	**0**	**(674.435)**	**14.305.342**	**0**	**158.314.291**	**10.433.984**	**206.645.891**
Current global result							1.174.965	1.174.965
Allocations legal reserve						70.822	(70.822)	0
Allocations other reserves						432.443	(432.443)	0
Dividends distributions						0	(648.892)	(648.892)
Reserve increase from assets revaluation			307.773			0		307.773
Transfer reserve from revaluation to retained earnings						(199.526)	199.526	0
December 31, 2016	**24.266.709**	**0**	**(366.662)**	**14.305.342**	**0**	**158.618.030**	**10.656.318**	**207.479.737**

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Dan

STATEMENT OF CASH FLOW
Indirect method

Item name	31.12.2016	31.12.2015
Cash flows from operating activities:		
Net profit before tax	1.416.448	1.313.294
Adjustments for:		
Depreciation and value adjustments related to tangible assets	6.135.761	8.782.021
Value adjustments reversed during the year	0	28.919
Subsidies - variation	514.916	523.934
Expenses interest and other financial expenses	1.689.445	1.901.527
Interest income and other financial income	-234.580	-1.581.980
Loss/ (profit) from sale of tangible assets	-1.286.993	-472.909
Income tax paid	-241.483	-231.960
Operating profit before changes in working capital	**1.857.753**	**10.262.846**
Decrease/ increase of trade receivables and otherwise	2.182.711	-2.866.065
Decrease/ increase of stocks	2.178.769	6.523.675
Decrease/ increase commercial debts and otherwise	-3.494.890	-6.109.100
Net cash from operating activities	**2.724.343**	**7.811.356**
Cash flows from investing activities:		
Payments for acquisition of tangible and intangible assets	-833.102	-1.415.026
Proceeds from sale of tangible and intangible assets	1.286.993	472.909
Interests received	234.580	1.581.980
Net cash from investing activities	**688.471**	**639.863**
Cash flows from financing activities:		
Loans received	67.475.953	32.107.518
Repayments of loans	-68.327.604	-38.661.595
Interests paid	-1.689.445	-1.901.527
Dividends payments	-648.892	0
Net cash from financing activities	**-3.189.988**	**-8.455.604**
Increase /Decrease of net cash and cash equivalents	**222.826**	**-4.385**
Cash and cash equivalents at the beginning of financial year	**365.202**	**369.587**
Cash and cash equivalents at the end of financial year	**588.028**	**365.202**

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

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

EXPLANATORY NOTES TO FINANCIAL STATEMENTS
for the year ended on December 31, 2016

1. Information about the company

PREFAB S.A. is a company limited by shares thet operates in accordance with the Law no. 31/1990 on the companies, republished, including subsequent amendments and additions, founded on the basis of Government Decision no. 1200/November 12, 1990.
The company is registered at Trade Registry Office under no. J40/9212/04.07.2003 and had the tax registration no. RO 1916198.
PREFAB S.A. is a company that produces precast concrete elements and other construction materials; was founded in 1967 to meet the requirements of elements for residential construction, industrial objectives, agribusiness and irrigation; was privatized in 1999 by buying the majority of shares of F.P.S. by the company with mixed capital, Romerica International.
The share capital subscribed and paid on 31.12.2016 is **24.266.709,5 lei**, divided into **48.533.419 shares** at a nominal value of 0.5 lei/share.
During the year 2016, the share capital of PREFAB S.A has not changed.
The shares of PREFAB SA Bucuresti are traded on the Bucharest Stock Exchange, at the first category, starting with July 5, 2010.
The last trading price of the Company PREFAB SA Bucuresti shares, available on 20.02.2017 was for 1.1450 lei/share.
The specific activities of independent registry for PREFAB SA were carried out by the *Central Depository.*
PREFAB S.A. holds shares worth 149.850 lei and a share of 99.9% in the share capital of PREFAB INVEST S.A.Bucuresti. This holding is materialized in a number of 3.996 shares with nominal value of 37.5 lei per share and gives control over it, considering the percentage held in the share capital of this company. Equity were recorded at the actual cost.
The Company holds equity-shares at PREFAB BG EOOD, trading company established in 2003, with sole shareholder 100% PREFAB S.A. and a share capital of 18.918,90 lei.
It also holds equity-shares worth 9.270.900 lei at Fotbal Club Prefab 05, a company founded in 2005, representing 99.8707% of the share capital. These titles are materialized in 30.903 shares with nominal value of 300 lei per share.

The company note that these actions are not traded on the stock market.
The company has not issued bonds or other debt securities..

On 31.12.2016, the company has the following premises:
1. Premises in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi
2. Premises in Statiunea Jupiter, sat vacanta Zodiac, lot nr.3, Mangalia, jud. Constanta

Ownership structure on 31.12.2016:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDER - LEGAL PERSONS	422.298	0.8889
OTHER SHAREHOLDER - NATURAL PERSONS	1.536.617	3.2153
TOTAL	**48.533.419**	**100**

2. BASIS OF PREPARATION

2.1. Declaration of conformity

The financial statements of the company have been prepared in accordance with the recognition and measurement principles stipulated by International Financial Reporting Standards adopted by European Union („IFRS") in force on the company annual reporting date, respectively December 31, 2016 in accordance with the provisions of **Ordinance of the Public Finances Ministry no. 2844/2016**, including subsequent amendments and additions, being available on the premises of the Company situated in str. Bucuresti, nr. 396.
The financial statements include the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes to the financial statements.
The date of passing to IFRS is 01.01.2011 and the first year of preparation of individual financial statements in accordance with IFRS was the year 2012.

In accordance with the Ordinance of the Public Finances Ministry no. 881/2012 provisions on the application by companies whose values are admitted to trading on a regulated market of the International Financial Reporting Standards and of Minister of Finance Order no. 2844/2016 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, **the companies whose securities are admitted to trading on a regulated market are required**, starting with the fiscal year 2012, to apply the International Financial Reporting Standards (IFRS) for the preparation of the annual financial statements. Because SC Prefab SA adopts IFRS as the new basis of accounting for the year 2012, the company has applied including the provisions of IFRS 1 “First-time Adoption of International Financial Reporting Standards”
IFRS 1 is applied in all cases in which an entity adopts for the first time IFRS, by an explicit and unreserved statement of compliance with IFRS.
Starting with 01.01.2016 the company implemented a new system for recording financial transactions in accounting records, preparing reports under the Accounting Law no. 82/1991 and other accounting regulations applicable to the entity.

2.2. Basis of assessment

The financial statements are presented in RON (“Romanian leu”), have been prepared under the historical cost, except for the revaluation of certain fixed assets and financial instruments that are measured at fair value and the elements of share capital, legal reserves and other reserves from net profit, which was adjusted to International Accounting Standard (“IAS”) 29 “Financial reporting in hyperinflationary economies”, until December 31, 2003.
The financial statements ended on 31.12.2016 have been prepared using the principles for business continuity.

2.3. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the economic environment in which the entity operates („functional currency"), meaning “RON”. The financial statements are presented in RON, which is the functional and presentation currency of the Company.
According to the Minister of Finance Order no. 2844/2016 for the approval of Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted

to trading on a regulated market, Chapter I pt. 4 "**Accounting is kept in Romanian language and currency**. Accounting of transactions in foreign currency is kept both in national currency and in foreign currency. The currency means a currency other than RON. The annual consolidated financial statements are prepared in Romanian and in national currency."
The operations denominated in foreign currencies are recorded in RON at the official rate of exchange on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are expressed in RON at the exchange rate of the day. The gains or losses from their settlement and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate from the end of financial year, are recognized in the result of exercise. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are recorded in RON at the exchange rate from the transaction date.
For the evaluation of the foreign currency items at the end of each reporting period, is used the exchange rate of the currency market, communicated by Banca Naţională a României in the last banking day of the month in question.

The exchange rates of main currencies were the following:

CURRENCY	Rate Dec. 31, 2016	Rate Dec. 31, 2015
EUR	4.5411	4.5245
USD	4.3033	4.1477

2.4. Use of estimates and professional judgment

Preparation of financial statements in accordance with IFRS adopted by European Union requires by the management the use of estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. The estimates and judgments associated to this are based on historical data and other factors considered to be eloquent in this circumstances and the result of these factors forms the basis of the judgments used in determining the carrying amounts of assets and liabilities for which there are no other evaluation sources available. The actual results could differ from these estimates.
The estimates and judgments are reviewed periodically. The revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the current and in future periods, if the revision affects both the current period, and the future periods. The effect of change related to the current period is recognized as income or expense in the current period. If there is, the effect on future periods is recognized as income or expense in those future periods.
The management of the company believes that any deviations from these estimates will not have a material impact on the financial statements in the near future.
The estimates and assumptions are used mainly to impairment of fixed assets, of securities held and valued at cost, estimating the useful life of a depreciable asset, for adjustment of impairment of receivables, for provisions, for recognition of deferred income tax assets.
According to IAS 36, both tangible and intangible assets are analyzed to identify any indications of impairment at the balance sheet date, if any impairment loss is recognized to reduce the net carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in subsequent periods, the net carrying amount of the asset is increased until the net book value that would have been determined if no impairment loss had been recognized. The rating for doubtful debts is made individually and is based on the best estimate of the management regarding the present value of cash flows which is expected to be received. The company reviews its trade receivables and for other nature at each financial position date, to assess whether must register in profit and loss account an impairment of value. In particular, the professional judgment of the management it is necessary to

estimate the amount and to coordinate the future cash flows when is determined the impairment loss. These estimates are based on assumptions about many factors and the actual results may differ resulting in future changes of the adjustments.
The deferred tax assets are recognized for the tax losses, to the extent that it is probable that a taxable profit will exist in order to be covered the losses. It is necessary to exercise the professional judgment to determine the value of assets regarding the deferred tax recognizable based on probability in terms of period and the level of the future taxable profit and the future tax planning strategies.

3. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

According to IFRS - International Accounting Standard 8 ”Accounting policies, changes in accounting estimates and errors”, the *accounting policies* represent the principles, bases, conventions, rules and the specific practices applied by this entity in preparing and presenting the financial statements.
The Company has selected and applied consistently the accounting policies for transactions, other events and similar conditions, unless a standard or an interpretation specifically requires or permits the classification of items that might be appropriate for the application of different accounting policies. If a standard or an interpretation requires or permits such a classification, it must be consistently selected and applied for each category an appropriate accounting policy.
The Company change an accounting policy only if the change:
- is required by a standard or an interpretation; or
- results in financial statements providing reliable and more relevant information about the effects of transactions, of other events or conditions on the financial position, financial performance or cash flows of the entity.

We present a summary of the significant accounting policies which have been applied consistently to all periods presented in the financial statements:

3.1. Intangible assets and tangible assets; property investments;

3.1.1. The intangible assets acquired by the Company are measured at the cost less the accumulated amortization and the impairment losses.
The Company chose as its accounting policy for evaluating the intangible assets after the initial recognition, the cost model.
The useful life for this group of assets is between 3 and 5 years.The Company has opted to use for the amortization of intangible assets the straight line depreciation formula.
To determine whether an intangible asset is measured at a depreciated cost, the Company applies IAS 36 ”Impairment of assets”. An impairment loss is recognized immediately in profit or loss.
For the purpose of presenting the profit and loss account, the gains or the losses arising with the cessation of the use or leaving an intangible asset, is determined as the difference between revenues by the output of asset and its unamortized value, including the expenses incurred in removing it from record and must be presented as a net amount in the profit and loss account, according to IAS 38 ”Tangible assets”.

Goodwill
The goodwill acquired in a business combination is initially measured at cost, representing the excess of the cost of the business combination over the Company's interest in the net fair value of assets, liabilities and contingent liabilities recognized.
The goodwill is not amortized but it is tested for impairment at least once a year. The goodwill impairment losses are recognized immediately against income and are not reversed in subsequent periods.

3.1.2. The tangible assets are initially recognized at the acquisition or construction cost and are presented net of accumulated amortization and accumulated impairment losses.

The cost of purchased tangible assets is represented by the value of the consideration given to acquire the assets and the amount of other costs directly attributable to bringing the asset to the location and condition necessary so that they can operate in the manner intended by the management.
The cost of self-constructed assets includes the wage costs, the material costs, the indirect production costs and other costs directly attributable to bringing the asset to the current location and condition.
The company opted to use to assess after the initial recognition of tangible assets, the **revaluation model**. Under the revaluation model, an item of tangible asset whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.
The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the end of the reporting period.
The fair value of land and buildings is generally determined based on market evidence, through an evaluation carried out by professionally qualified valuers.
The fair value of tangible asset elements is generally determined by the market value assessment.
Frequency of revaluations depends on changes in fair value of tangible assets revalued. If the fair value of an asset differs significantly from the carrying value, it is required a new revaluation.
When a tangible asset element is revalued, any accumulated depreciation at the revaluation date is treated by the company as follows: it is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.
Consequently, frequency of revaluations depends on changes in the fair value of tangible assets. If the fair value of an item of tangible assets revalued at the balance sheet date is significantly different from its carrying amount, is necessary another revaluation. If the fair values are volatile, as can be for land and buildings, are necessary frequent revaluations. If the fair values are stable over a long period of time, as can be the case with installations and equipment, the assessments may be needed less frequently. IAS 16 suggests that the annual reassessments may be needed if there are significant and volatile changes in values.
The Company opted for revaluation of buildings and lands at least once every three years, and for the other categories of assets at least once every five years.
If a tangible asset item is revalued, then the entire class of tangible assets of which that asset belongs shall be revalued.
The last revaluation was performed on December 31, 2014 according to the regulations in force at that time, in order to determine their fair value, taking into account the inflation, the utility of goods, their condition and the market value. The results were recorded on the basis of the Report of technical expertise rating prepared by a certified valuation company. The decrease in book value resulting from these revaluations was debited to revaluation reserve in the limit of the existing amounts from its revaluation. The residual value and the useful life of the asset shall be reviewed at least at the end of financial year.
The depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for operate in the manner intended by the management.
The depreciation of an asset ceases at the first date between the date when the asset is classified as held for sale (or included in a disposal group which is classified as held for sale), in accordance with IFRS 5 and the date when the asset is recognized. Therefore, the depreciation does not cease when the asset is not used or is out of service, unless it is fully depreciated.
The lands and the buildings are separable assets and are separately accounted even when they are acquired together. The owned lands are not depreciated.
If the cost of land includes the costs of disassembly, removal, restoration, these costs are amortized over the period when it is obtained benefits as a result of performing these costs.
The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by unit. At the end of each financial year is reviewed the method of depreciation and if is noticed

a significant change of the expected pattern of consumption of future economic benefits, this is changed to reflect the changed pattern.
PREFAB SA has opted to use straight line depreciation method for all fixed assets.
The residual value, the life and the depreciation method are reviewed on the date of the financial statements.
The useful life of tangible assets on the date of these financial statements are within the limits set on the Government Decision no. 2139/2004 and they are estimated by management as fair.
The depreciation calculated are the following useful lives for different categories of property:

Tangible assets	**Duration (years)**
Constructions	8-60
Technological equipment	3-24
Devices and systems of measurement, control and adjustment	4-24
Means of conveyance	4-18
Furniture, office equipment, human and material values protection equipment	3-18

Depreciation policy applied by the company
According to IAS 36 ”Impairment of assets”, both tangible and intangible assets are investigated to identify if present any indications of impairment at the balance sheet date. For the intangible assets with indefinite useful life, the impairment test are performed annually, even if there is no indication of impairment. If the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased until the net book value, that would have been determined if no impairment loss had been recognized. The difference is presented as other operating income.
The carrying amount of an item of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal. The revaluation surplus included in equity related to an item of a tangible asset is transferred directly to the retained earnings when the asset is derecognised on disposal or scrapping. Any gain or loss arising on derecognition of an item of a tangible asset must be included in the profit or loss when the item is derecognised.
If are repeatedly sold the items of the tangible assets that have been held for rental to others, these assets will be transferred in stocks at the carrying value on the date when they cease to be rented and they are held for sale. The proceeds from the sale of these assets are recognized as income in accordance with IAS 18 ”Incomes”.
The assets classified as “held for sale” are presented at the lower value of net book value and fair value less the costs for sale. The fixed assets (or the groups of fixed assets) are classified as ”held for sale” if their carrying amount will be recovered principally through a sales operation, and not through their continued use. This classification is based on assumptions that the sale of those assets have a high probability and that the assets are available for the immediate sale and in the form in which they are in that moment.

3.1.3. Property investments

According to IAS 40 “**Property investments**”, an investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows which are largely independent from the other assets held by the company. Thus, the property investments are different from the real estate property used by the owner. The production of goods or the provision of services (or the use of property for administrative purposes) generate cash flows which can not be attributed only to the real estate property, but also to other assets used in the production process or in that of supply of goods or services.

The evaluation of real estate investments at the initial recognition is made at cost. The cost of a real estate investment consists of the purchase price plus any directly attributable expenditure (professional fees for legal services, property transfer taxes etc.). The property investments are presented later in the financial statements at the fair value.
After the initial recognition, an entity that chooses the fair value model must evaluate all of its investment property at fair value, unless it can not be reliably determined.
A gain or loss generated by a change in fair value of investment property is recognized in the profit or the loss from the period in which it arises.
An entity measures the fair value without deducting the transaction costs it may incur for the sale or for other type of disposal.
The Company has elected the fair value model for the evaluation after recognition and the presentation of real estate investments in the financial statements. The fair value is determined annually by an authorized assessor. The fair value of the investment property reflects the market conditions at the end of the reporting period.
From an accounting perspective, is no longer recorded the amortization but is recorded the depreciation/appreciation according to the annual evaluation at the fair value through the profit or loss account, depending on the outcome of the evaluation.

3.2. Leasing

The tangible assets may include too the assets held under a finance lease. Since the Company benefits from the advantages associated with the ownership right, the assets must be capitalized to the lowest value of the present value of minimum lease payments and their fair value, and then depreciated over the useful life or the lease term, if it is less than the useful life. Simultaneously it is recognized a liability equal to the amount capitalized and the future lease payments are split into the finance charges and principal (reduction of the outstanding debt).
All the lease agreements that are not classified as finance leases are treated as operating leases and the payments are included in the expenses of the period.
On 31.12.2016, The Company has no ongoing leasing contracts.

3.3. Biological assets

In the meaning of IAS 41 “Agriculture”, an agricultural activity represents the administration by a company of the biological transformation and harvesting biological assets for sale or for conversion into agricultural products or in additional biological assets.
A biological asset is an animal or a plant. On the initial recognition of a biological asset is possible to be not available the prices or the values determined on the market and the alternative estimates of fair value may be unreliable.
In this case, according to pt. 30 from IAS 41, that asset must be measured at cost less any accumulated depreciation and any accumulated impairment loss.
The Company has established an agricultural sector, and the production obtained is destined to the domestic consumption directed to the company canteen.
By the SAPARD program were upgraded two of the three existing vegetable greenhouses. The entire production is consumed internally.
The free spaces inside the Company were planted with vegetables and culture of the vine for grapes and the production will be destined for domestic consumption.
The Company recognized as biological assets the vineyard valued at cost less the depreciation, under the provisions above, following that once the fair value can be measured reliably to be presented at this value less the costs of sale.

The length of depreciation is 24 years. All the difference in revaluation of assets reclassified in this category was transferred to retained earnings originated from the transition to IFRS.

3.4. Assets and financial liabilities

The investments for which there is no price list or an active market are presented at cost or at a smaller value where there is a permanent impairment. Interest-bearing loans are shown at nominal value and that with interest-free and low interest, are shown at their present value.
The securities available for sale are presented at their fair value. Temporary decreases in value and increases in fair value are not recognized in the profit and loss account, but in equity. Temporary decreases in fair value are recognized in the profit and loss account.
Investments held until maturity are presented at amortized cost (reduced accordingly if it is found a temporary impairment).
Securities designated as financial assets at fair value through profit and loss account are reflected at fair value including gains and losses in profit and loss account. Equity and other financial assets for which there is no active market trading or market values, whose fair value can not be estimated in a credible way, are stated at cost less the impairment losses.
Financial instruments at fair value through profit and loss are measured at the fair value and the subsequent changes are recognized in other comprehensive income.
Classification:
IAS 39, pt. 9 and 45 classify the financial instruments held by entities in the following categories:
Financial assets or liabilities evaluated at fair value through profit and loss account
This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss account at the moment of initial recognition. An asset or a financial liability is classified in this category if it was acquired mainly with speculative purpose or if it was designated in this category by the management of the Company. The company has no assets or financial liabilities held for trading classified at fair value through profit and loss account on December 31, 2016.
Investments held until maturity
Investments held until maturity are those non-derivative financial assets with fixed or determinable parts and fixed maturities, which the Company has the firm intention and the ability to hold them until maturity. Investments held until maturity are measured at amortized cost by effective interest method minus impairment losses. The Company has no investments held until maturity on December 31, 2016.
Loans and receivables
The loans and the receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near future.
Financial assets available for sale
The financial assets available for sale are the financial assets not classified as loans and receivables, investments held until maturity or financial assets at fair value through profit and loss account.
On the date of passing to IFRS and on 31.12.2016, The Company has classified investments held in affiliated companies amounted to 9.439.669 in financial assets available for sale.
The estimated fair value at the date of the financial statements normally is based on available market information. When such quotes or prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c).

3.5. Interest on loans

The loans costs that are directly attributable to the acquisition, construction or production of a qualifying asset production are capitalized until the asset is ready for use or for sale. All other costs of borrowing are recognized as an expense in the profit and loss account for the period in which they arise.

3.6. Government grants

In accordance with IAS 20, the government grants are recognized only when there is sufficient certainty that the conditions attaching to them will be met and that the grants will be received. The grants that meet these criteria are presented as other liabilities and are recognized systematically in the profit and loss account over the useful life of the asset to which it relates.

3.7. Stocks

According to IAS 2 ”**Stocks**”, these assets are:

- held for resale in the ordinary course of business
- under production for such a sale or
- in the form of materials and other consumables which will be used in the production process or for the provision of services

The stocks are stated at the lower value between the cost and the net realizable value. The net realizable value is the estimated on the basis of the selling price related to normal course of activity, less the estimated costs of completion and sale. For damaged or slow moving stocks, there are formed provisions on the basis of the management estimates. The evaluation for impairment of the stocks is performed individually and is based on the best estimate of the management regarding the present value of the cash flows which is expected to be received. To estimate these flows, the management makes certain estimates on the utility value of stock, given the expiry date, the possibility of use in the current activity of the company and other factors specific to each category of stock.
Setting and adjustment resumption for impairment of costs is done based on the profit and loss account.
To determine the cost of materials supplied, the Company uses the **weighted medium cost method determined at the end of each month**.

3.8. Receivables and other similar assets

With the exception of derivative financial instruments recognized at fair value and of items denominated in a foreign currency, which are converted at the closing rate, the receivables and the other similar assets are presented at amortized cost. This value can be considered a reasonable estimate of the fair value, given that in most of cases, the maturity is less than one year. Long-term receivables are updated using the effective interest method.
In order to present in the annual financial statements, the receivables are measured at the likely amount receivable.
When it is estimated that a receivable will not be fully collected, in accounting are recorded adjustments for depreciation, on the amount that can not be recovered. The objective evidence indicating that the financial assets are impaired may include: failure to meet payment obligations by a debtor, restructuring of an amount due to the company according to terms that in other conditions the company would not accept, indications that a debtor will enter in bankruptcy, disappearance of an active market for an instrument. All the receivables that individually are significant, are tested for impairment at each asset. Losses are recognized in profit or loss account and reflected in an adjustment account of receivables. The impairment losses recognized in prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed if there were no changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount of the asset which could have determined if no impairment had been recognized. Deregistration of

receivables occurs as a result of them cashing or disposal to a third party. Current receivables can be deducted from records by mutual compensation between the third parties of the receivables and liabilities, under the law. The deduction from records of the receivables whose terms of collection are prescribed, is performed after the company obtained documents showing that all legal steps have been undertaken for their settlement with the approval of the Board of Directors. The receivables deducted from records are recorded in the statement of order and records out of balance sheet and they are aimed for collection.

3.9. Cash and cash equivalents

In terms of the Statement of Cash Flows, it is considered that cash is cash in hand and from current bank accounts. Cash equivalents represent deposits and investments with a highly degree of liquidity, with maturities of less than three months.

3.10. Liabilities

A liability is a present obligation of the Company arising from past events and the settlement of which is expected to result in an outflow of resources which incorporates economic benefits.
A liability is recognized in accounting and presented in the financial statements when it is probable that an outflow of resources bearing economic benefits will result from the settlement of a present obligation (probability) and when the amount at which the settlement will be achieved can be measured reliably (credibility).

It must be made distinction between the short-term debts and the long-term debts.

Current liabilities are those debts to be paid over a period of up to one year.

A liability shall be classified as short-term debt, also called current debt, when:

a) is expected to be settled during the normal operating cycle of the Company; or
b) is held primarily for trading;
c) is payable within 12 months of the balance sheet date;
d) the company has no unconditional right to defer the payment of debt for at least 12 months after the balance sheet date.

All the other liabilities shall be classified as ***long-term liabilities****, even in situations where they must be settled within 12 months of the balance sheet date, if:*

- *the initial term was for a period longer than 12 months;*
- *the Company intends to refinance the obligation on long term; and*

the intention is supported by an agreement to refinance or reschedule of payments, which is completed before the financial statements are approved for publication.
The liabilities are carried at amortized cost, except for financial derivative instruments which are stated at fair value.
Long-term liabilities are updated using the effective interest method. The discount rate used for this purpose is the rate ruling at the end of the year for instruments that represent debts with similar maturities.
The carrying amount of other liabilities is the fair value, because they are predominantly short-term maturities.
The Company derecognizes a liability when the contractual obligations are paid or are canceled or expired.

If the goods and services supplied in connection with the activities have not yet been invoiced, but if the delivery has been made and their value is available, that obligation is recorded as a liability (not as a provision).

The amounts representing dividends payable are recorded in earnings following that, after approval by the general meeting of shareholders of this destination, to be reflected in the account 457 "Dividends to be paid".

3.11. Income tax including the deferred tax

The income tax for the period includes the current tax and the deferred tax.
Income tax is recognized in the statement of comprehensive income or in other comprehensive income items if it relates to items recognized in the own equity.

3.11.1. Current income tax

The current tax payment is based on taxable profit for the year. The taxable profit differs from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Company's liability for the current tax is calculated using tax rates that have been provided by law or in a draft law at the end of the year. Currently the tax rate is 16%.

3.11.2. Deferred tax

Deferred tax is provided using the balance sheet method for the temporary differences of assets and liabilities (differences between the carrying amounts shown in the balance sheet of the company and their tax base). The tax loss reported is included in the calculation of the debt regarding the deferred income tax. The debt regarding the deferred income tax is recognized only to the extent that is likely to be obtainde a future taxable profit, after compensation with the tax loss of previous years and with the income tax to be recovered.
Receivables and liabilities regarding the deferred income tax are compensated when there is a right and when they relate to the income taxes charged by the same taxation authority. If the probability of making the receivable regarding the deferred income tax is greater than 50%, then the debt is taken into account. Otherwise, it is recorded a value adjustment for the receivable regarding the deferred income tax.

3.12. Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced accordant with the estimated value of the goods returned by the clients, rebates and other similar items.

Sale of goods

The revenues from sale of goods are recognized when all the following conditions are met:

- the Company has transferred to the buyers the significant risks and advantages arising from the ownership of goods;
- the Company no longer manages the goods sold at the level it should be done in case of holding their own and no longer have effective control over them;
- amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- transaction costs can be measured reliably.

A primary issue in accounting of revenues is determining the moment when to recognize such an income. Income from ordinary activities is recognized when it is probable that the Company will flow to the future economic benefits and when these benefits can be measured reliably.
The amount of the revenues arising from a transaction is usually determined by the agreement between the entity and the buyer or user of the asset. The revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and quantity discounts granted.

Provision of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the revenue associated with the transaction must be recognized according to the stage of completion of the transaction at the closing date of the reporting period.
The outcome of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- stage of completion of the transaction at the balance sheet date can be measured reliably; and
- costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue recognition according to the stage of completion of the transaction is „percentage of completion method". According to this method, revenue is recognized in the accounting periods in which services are provided. The recognition of revenue on this basis provides useful information on the activity proportion of services performance and of its results during a period.
Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. When an uncertainty arises about the collectability of an amount already included in revenue, the amount that can not be collected or the amount of which recovery has ceased to be probable is rather recognized as an expense, than as an adjustment of the amount of revenue initially recognized. When the outcome of a transaction involving the rendering of services can not be estimated reliably, the revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Income from rents related to the real estate investments are linearly recognized in profit and loss account, on the duration of the lease.

Dividends and interests

Dividend income is recognized when it is established the shareholder's right to receive the payment. Dividend income is recorded at the gross amount including tax on dividends, which is recognized as a current income tax expense.
Interest income is recognized on an accrual accounting basis, by reference to the principal outstanding and the effective interest rate, the rate that exactly discounts the estimated future cash flow of the receipts.

3.13. Provisions - IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Provision is made for current obligations to third parties when it is probable that the obligation will be honored, and the amount required for the remittal of the obligations can be estimated reliably. Provision for individual obligations are set at an amount equal to the best estimate of the amount required to settle the obligation.
According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision must be recognized if:

a) the Company has a current obligation (legal or default) generated by a past event;
b) It is likely to be required to settle the obligation an outflow of resources embodying economic benefits; and
c) It can be made an estimate of the amount of the obligation.

If these conditions are not met, any provision will be recognized.
The provisions are grouped by category in accounting and are constituted for:
a) litigation;
b) guarantees granted to customers;
c) decommissioning of tangible assets and other actions related thereto;
d) restructuring;
e) employees benefits;
f) other provisions.

When, on the basis of the analysis made by management together with the Legal Department on the chances of loss of process by the company, it is concluded that the estimated chances of loss are higher of 51%, it is constituted a provision at the credible estimated value.

Provisions for guarantees granted to customers are based on management and sales department estimates on the level of expenses with the repairs under warranty. The level of expenditure with repairs during the warranty period is determined as a percentage of the turnover of the reporting year.

Provisions for restructuring
The restructuring obligation arises where a company:
- has a detailed formal plan for restructuring in which to be pointed: the activity or the part of activity to which referred, the main locations affected, the location, the function and the approximate number of employees who will be compensated for termination of their activity, the expenses involved, the date on which it will be implemented the restructuring plan
- generated a justified expectation to those affected that the restructuring will be achieved by implementation start of that restructuring plan or by communicating its main characteristics of those who will be affected by restructuring

The restructuring provision includes only direct costs related to restructuring.

Provisions for employees benefits
For the remaining outstanding annual leave, for other long-term benefits granted to employees, (if they are stipulated in the labour contract), and those granted upon termination of employment are recorded during the financial year as provisions. At the time of their recognition as liabilities towards employees, the amount of provisions will be resumed by the appropriate revenue accounts.

Other provisions
If there are identified timing debts or debts with uncertain value that are qualified for the recognition of provisions pursuant to IAS 37 but they are not found in any of the categories identified above, other provisions are recorded.
At the end of each reporting period, the provision shall be reviewed and adjusted to reflect the best current estimate. When it is found from the analysis that is not likely to be required outflow of resources which incorporates economic benefits to settle the obligation, the provision should be annulled.
The Company does not recognize the provision for operating losses. The preview of the operating losses indicate that certain operating assets may be impaired in this case are tested these assets pursuant to IAS 36 “Impairment of assets”.

3.14. Employees benefits - IAS 19 “Employees benefits”

Short-term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the statement of comprehensive income as the services are provided.
Short-term benefits granted to employees include salaries, bonuses and social insurance contributions. Short-term benefits are recognized as expense when the services are rendered. It is recognized a provision for the amounts expected to be paid as short-term cash bonuses or staff participation schemes to profit given that the company currently has a legal or constructive obligation to pay those amounts as a result of past service provided by employees and whether the obligation can be estimated reliably.

Benefits after conclusion of labor agreement

Both the Company and its employees have a legal obligation to contribute to social security established to National Pension Fund managed by the National House of Pensions (contribution plan founded on the principle "you will pay over time").
Therefore the Company has no legal or default obligation to pay future contributions. Its only obligation is to pay the contributions when they fall due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, shall have no obligation to pay the benefits earned by its own employees in the previous years. The contributions of Company to the plan of contributions are presented as expenses in the year to which it relates.

Defined contribution plans

The Company makes payments on behalf of their employees to the Romanian state pensions system, health insurance and unemployment fund, in the normal course of business.
All employees of the Company are members and have the obligation to contribute to the Romanian state pensions system. All related contributions are recognized in profit or loss account of the period when performed. The Company is not engaged in any other post employment benefit system. The Company has no obligation to provide further services to current or former employees.
The Company has a voluntary pension program from the month of April 2008 for employees who have at least one year seniority in the company and aged between 18 and 52 years. The contribution is paid by the employer up to the limit of 200 euro/year. The contracts of employees are for the voluntary pension fund ING Optim managed by ING Asigurari de viaţa SA.
The Company does not currently grant benefits as employees participating in profits.
The Company may grant benefits in form of the entity's own shares with the approval of the General Meeting of Shareholders of each consolidated units.

3.15. Earnings for the year

In accounting, the cumulative gain or loss is determined at the beginning of the financial year.
The result for the year is calculated as the difference between the revenues and expenses of the year.
The final result for the financial year is fixed at its closure and represents the final balance of profit and loss account.
The profit distribution is carried out in accordance with the legal provisions in force. The amounts representing gross reserves from the current financial year, based on legal provisions, for example, legal reserve established under the provisions of Law 31/1990 is recorded at the end of the current year. The accounting profit remained after this allocation, is taken at the beginning of the financial year following that for which are prepared the annual financial statements in the account 1171 "Retained earnings representing the undistributed profit or the uncovered losses", where they are distributed to other

destinations decided by the General Meeting of Shareholders, under the law. In accounting, the highlights of the destinations of accounting profit shall be made after the general meeting of shareholders approved the distribution of profit by recording the amounts of dividends due to shareholders, reserves and other destinations, according to the law.

3.16. Earnings per share. Diluted earnings.

IAS 33 "Earnings per share" requires that if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is drawn only on the basis of consolidated information. If it chooses to disclose earnings per share based on its separate financial statements, it must present such earnings per share information only on the statement of comprehensive income. In this case it should not disclose earnings per share in the consolidated financial statements.
An entity shall calculate the values of the diluted earnings per share at the profit or loss attributable to the ordinary shareholders of the parent company and, if recognized, at the profit or loss which derive from continuing operations attributable to those shareholders.
For the purpose of calculating the diluted earnings per share, an entity shall adjust the profit or loss attributable to the ordinary shareholders of the parent company and the weighted average number of shares outstanding with the effects of all the ordinary shares potentially diluted.
The objective of this indicator is to assess the participation of each ordinary share in the performance of an entity, taking into account the influence of all the ordinary shares potentially diluted in circulation at that moment.
Dilution is a reduction in earnings per share or an increase in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
Antidilution is an increase in earnings per share or a reduction in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
An ordinary share is an equity instrument which is subordinate to all other classes of equity instruments.
A potential ordinary share is a financial instrument or another contract which may entitle its holder to ordinary shares.
The Company has elected to present earnings per share and diluted earnings in these individual financial statements.

The Company presents the ***basic earnings per share („CPA")*** for its ordinary shares. The basic CPA is calculated by dividing the earnings or loss attributable to the holders of ordinary shares of the Company to the weighted average of the ordinary shares in circulation during the period.
The weighted average of the ordinary shares in circulation during the period = the number of shares in circulation at the beginning of the period adjusted with the number of shares repurchased or issued during that period multiplied by a weighting factor of time.
The weighting factor of time is the number of days that the shares were in circulation, as a proportion of the total number of days in the period.

3.17. Dividends

The quote of profit that is paid, under the law, to each shareholder of the entities constitute a dividend. The dividends distributed to shareholders, proposed or declared after the balance sheet date, and the other similar distributions conducted from profits, are not recognized as a liability at the balance sheet date, but when it is established the right of a shareholder to collect them.
Accounting profit remaining after allocation of the share of legal reserve made, limited to 20 % of the share capital, is taken within the earnings from the beginning of the next financial year to the one for

which annual financial statements are prepared, and will be assigned to other legal destinations, according to Board of Directors decision of each entity.
The highlighting in accounting of the destinations of the accounting profit is carried out in the next year after the General Meeting of Shareholders which approved the distribution of profit, by recording the amounts representing dividends due to shareholders or associates, reserves and other destinations, under the law for each entity. No return can be made on recordings of the distribution of profit.
For the accounting of dividends are considered the IAS 10 provisions.

3.18. Capital and reserves

Capital and reserves (equity) is the right of shareholders to the assets of an entity, after deducting all liabilities. The equity contain: capital contributions, capital premiums, reserves, earnings, outcome of the financial year.
The ***share capital*** consisting of common shares, is recorded at the value established based on the constitution documents. In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29 «Financial reporting in hyperinflationary economies» for the contributions of shareholders obtained prior 01.01.2004, respectively they were properly adjusted with the inflation index.
The own shares repurchased, under the law, are presented in the balance as a correction to equity.
Gains or losses relating to the issuance, redemption, sale, transfer free of charge or cancel the entity's equity instruments (shares, holdings) are recognized directly in the equity in the rows „Gains or Losses related to equity instruments ”.
The Company recognizes the changes in share capital in accordance with the legislation in force and only after their approval in the Extraordinary General Meeting of Shareholders and their registration in the Trade Register, for each entity.
Revaluation reserves. After the recognition as an asset, an item of tangible assets whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.
If the carrying amount of an asset is increased as a result of a revaluation, this increase should be recorded directly in equity in the item - row "revaluation reserves". Nevertheless, the increase shall be recognized in profit or loss to the extent that it offsets a decrease from revaluation of the same asset previously recognized in profit or loss.
If the carrying amount of an asset is impaired as a result of a revaluation, this decrease should be recognized in profit or loss. Nevertheless, the decrease shall be debited directly to equity in the item - row "revaluation reserves", to the extent that there is a credit balance in the revaluation surplus for that asset.
The revaluation surplus included in equity related to an item of tangible assets can be transferred directly to retained earnings when the asset is derecognised.
Starting on May 1, 2009, the reserves from fixed assets revaluation, including the lands, performed after January 1, 2004, which are deducted from taxable income through tax depreciation or expenditures on assets sold and/or scrapped, are taxed simultaneously with the deduction of tax depreciation, respectively in the moment of the decrease from the management of these fixed assets, where appropiate, in accordance with the Tax Code.
The reserves from fixed assets revaluation, including the lands, performed until December 31, 2003 plus the portion of revaluation performed after January 1, 2004 of the period up to April 30, 2009, will not be taxed in the moment of the transfer to retained earnings (acct. 1175) but when the destination is changed.
The reserves from fixed assets revaluation are transferred to retained earnings in the moment of the decrease from the management of the revalued fixed assets.

The reserves made are taxable in future, in case of changes in reserves destination in any form, in case of liquidation, merger of the Company, including its use to cover the accounting losses, except the transfer, after the date of May 1, 2009, of the reserves related to the assessments made after January 1, 2004.

Legal reserves
In accordance with the legislation of Romania, the companies must assign a value equal to at least 5% from the profit before tax, in the legal reserves, until this reach 20% of the share capital. When this level has been reached, the Company may make additional allocations of net profits only. The legal reserve is deductible in limit of the quote of 5% applied to the accounting profit, before determining the profit tax.
The entities from Romania were founded according to Law no. 31/1990 on companies.
In the financial statements prepared in accordance IFRS, the company has applied IAS 29 - "Financial reporting in hyperinflationary economies", corrected the historical cost of the share capital, of the legal reserves and other reserves, with the effect of inflation, until December 31, 2003. These adjustments were recorded in different analytical accounts.

3.19. Segment reporting
An operating segment is a distinct component of the Company which engage in activities following which could get revenues and record charges, including revenues and expenses related to transactions with any of the other components of the Company and which is subject to risks and rewards that are different from those of other segments. The main format of segment reporting of the Company is reppresented by the segmentation on activities.
Given that the shares of Prefab SA are traded in the BUCHAREST STOCK EXCHANGE, and the Company applied IFRS, it shows in the annual financial statements and in the interim reports made under ***IAS 34 Interim Financial Reporting***, information about the business segments, about its products and services, about the geographic areas in which it operates and about the major customers.
In accordance with ***IFRS 8 "Segments of activity***", a segment of activity is a component of an entity:

- that engages in business activities which can get revenues and from which can incur expenditure (including income related to transactions with other components of the same entity)
- whose results from activity are periodically reviewed by the main factor of the entity's operational decision-maker in order to take decisions on the allocation of resources by segment and its performance evaluation, and
- for which separate financial information is available.

Considering the criteria for identifying the business segments and quantitative thresholds described in IFRS 8, Prefab SA identified as a business segment for which is presenting the information separately, the AAC segment.

3.20. Affiliated parties
A person or a person's immediate family member is considered affiliated to a Company if that person:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the staff - key management.

The staff - key management are those persons having authority and responsibility to plan, lead and control the Company's activities directly or indirectly, including any director (executive or otherwise) of the entity. The transactions with key personnel include only salary benefits granted to them as presented in Notes.

An entity is affiliated to the Company if it meets any of the following conditions:

- The Entity and the Company are members of the same group (which means that each parent company, branch and subsidiary of the same group is linked to the other)

- An entity is associate or joint venture of the other entity (or associate or joint venture of a member of the group of which is the other entity)
- Both entities are joint ventures of the same third
- An entity is a joint venture of a third party and the other is an associate of the third entity
- The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or of the affiliated entities of the reporting entity. If the reporting entity is itself such a plan, the sponsors employers are also, the affiliates of the reporting entity.
- The entity is controlled or jointly controlled by a person affiliated
- An affiliated person having the control significantly influence the entity or a member of the key personnel from the entity management (or of the entity parent company).

Information on relationships with the affiliated parties, subsidiaries and associates entities are presented in the note 29.

3.21. Changes in accounting policies

Application of the new and revised International Financial Reporting Standards

I) New or revised Standards and interpretations mandatory for the company applicable to the accounting periods starting with January 01, 2016.

- IFRS 14 "Deferral accounts related to regulated activities", issued on January 30, 2014 (effective for annual periods beginning on or after January 1, 2016). IFRS 14 permites to entities adopting for the first time IFRS that, on the date of adoption of standards, to continue to recognize the amounts of regulated tariffs as required by accounting practices with national standards, to continue this treatment at the date of transition too.
  This standard was not applicable to the company because the company is not applying for first time IFRS.
- Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Presentation of existing interests in other entities and IAS 28 – Investments in associates and joint ventures – investment companies: applying the exception from consolidation (effective for periods beginning on or after January 1, 2016). Amendments were issued by IASB on December 18, 2014. These amendments of IFRS 10, IFRS 12 and IAS 28, have a precise destination and introduce clarifications to the requirements of accounting for investments in entities. The amendments relate to three aspects related to the exception from consolidation for investment entities:
  - that the exception applies to an entity that is a subsidiary of an investment entity, when the entity shall measure all investment entities at fair value;
  - that only a subsidiary which is not an investment entity but provides support services for such entities, is consolidated and all the other subsidiaries of an entity of investments are measured at fair value;
  - changes to IAS 28 allow investors that at the application of the equity method, to keep the fair value applied by the associate or joint venture entity's investment for its interests in subsidiaries.
  These amendments had no impact on the financial statements of the Company.
- **Amendments to IAS 1** - Presentation of Financial Statements - Initiative of presentation – adopted by EU on December 18, 2015 (effective for periods beginning on or after January 1, 2016 or after this date) and issued by IASB on December 18, 2014. Amendments to IAS 1 aimed to encouraging companies in the application of professional judgment to determine what information to disclose in their financial statements. For example, the amendments specify that the materiality is applied to the financial statements in their entirety and that the inclusion of insignificant information could affect the usefulness of financial presentations. In addition, the amendments clarify that entities should use professional judgment in determining the place and the order in which information is presented in the financial statements.

These amendment had no impact on the financial statements of the Company.

- **Amendments to IAS 27** Equity method in the individual financial statements.
  Amendments reactivates equity method accounting as an option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity.
  This amendment allows entities to use the equity method to account the investments in subsidiaries, the joint ventures and the associates in the separate financial statements.
  This amendment had no impact on these financial statements individual because the company still reflects the investments in subsidiaries at historical cost, reduced by any allowance for impairment, if applicable.

- **Amendments to various standards - Improvements for IFRS (cycle 2012 - 2014)** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) aiming primarily to eliminate inconsistencies and other clarifications; adopted by EU on December 15, 2015. The review clarifies the accounting records for situations where interpretations were permitted. The changes include new or revised requirements regarding:
  - IFRS 5: Current assets held for sale and discontinued operations: clarify that the transition from one method of transfer to another should not be considered a new plan of disposal but a continuation of the original plan and therefore, there is no interruption in the application of IFRS 5 requirements. It is also clear that a new method of transfer does not change the date of classification.
  - IFRS 7: clarify that a service contract which includes an honorarium may be a continous involvement in the financial asset
  - applicability of amendments to IFRS 7 to condense the interim financial statements.
  These amendments had no impact on the individual financial statements of the Company.
- **Amendments to IAS 16** - Tangible assets and IAS 38 - Intangible assets - clarifications to the acceptable methods for depreciation and amortization - adopted by EU on December 2, 2015 (effective for periods beginning on or after January 1, 2016 or after this date) and issued by IASB peon May 12, 2014. The amendments clarify that the methods that involve the depreciation calculation of an asset based on income are not recommended because the income generated by an activity that includes the use of an asset, generally reflect other factors than the economic benefits embodied in the asset. As a result the ratio of revenues and total revenues expected to be generated can be used to amortize an item of property. This amendment had no impact on these financial statements individual.
- **Amendments to IAS 16** - Tangible assets and IAS 41 - Agriculture - Biological assets - adopted by EU on November 23, 2015 (effective for periods beginning on or after January 1, 2016) and issued by IASB on June 30, 2014. The amendments bring biological assets, which are used only for generating products in order to IAS 16 so it can be accounted in the same way as the tangible assets. These amendments had no impact on the individual financial statements of the Company.

II) New or revised standards and interpretations that are not yet effective and have not been adopted early

- **Amendments to IAS 7 – Statement of Cash Flows** – initiative of presentation (effective for periods beginning on or after January 1, 2017); issued by IASB on January 29, 2016. Amendments aimed to improving the information provided to users of financial statements about the financial activities of the entity. The amendments require to an entity to disclose information to help users of financial statements to evaluate changes in liabilities arising from financial activities, including that of the cash flow and the non monetary activities.
- **IFRS 9 - Financial instruments** (effective for periods beginning on or after January 1, 2018); replaces IAS 39 - Financial instruments: recognition and measurement and include requirements for recognition, measurement, impairment, derecognition, general notions of accounting hedging.

IFRS 9 - Financial instruments issued on July 24, 2014, is the standard by which IASB replaces IAS 39 - Financial instruments: recognition and measurement". This includes requirements for recognition, measurement, impairment, derecognition, general notions of accounting hedging.

Classification and measurement - IFRS 9 introduces a new approach regarding the classification of financial assets, approach that takes into account the cash flow characteristics and the business model in which the asset is owned. This approach based on a single principle replaces the requirements of the basic rules of IAS 39. The new model also requires a single impairment model that is applied to all financial instruments.

Depreciation - IFRS 9 introduced a new model of depreciation, that of the expected loss, which will require a timely recognition of the expected credit losses. Basically, the new standard requires to the companies to record the expected losses from credit while recognizing the financial instrument and to recognize the expected losses over all the life of the instrument.

Accounting for hedging - IFRS 9 introduces a model totally changed for hedge accounting, with presentations improved in terms of risk management activity. The new model represents a significant revision of the accounting for hedging that aligns the accounting treatment with the business of risk management.

Accounting exposure to credit risk - IFRS 9 eliminate the volatility from the profit or loss that was caused by changes in the credit risk associated to the liabilities for which it was opted the presentation at the fair value. This change in accounting suppose that the earnings determinated by reducing credit risk related to these liabilities are not recognized in profit or loss.

The company analyzes the implications in the financial statements regarding the application of this standard for the first time.

- **IFRS 15 - Revenue from contracts with customers** and other future amendments (effective for periods beginning on or after January 1, 2018) was issued by IASB on May 28, 2014 (on September 11, 2015 IASB postponed the effective date to January 1, 2018). IFRS 15 specifies how and when will recognize the revenues, but also requires that the institutions provide to users of the financial statements more info. The standard replaces IAS 18 - Income, IAS 11 - Construction contracts and a number of interpretations related to incomes. Applying this standard is mandatory for all companies that apply IFRS and for almost all contracts with customers; the main exceptions are the leasing contracts, financial instruments and insurance contracts. The basic principle of this standard is that institutions recognize the revenue so they indicate exactly the consideration for the transfer of goods or services to customers (ie the payment) that the entity expects to receive. The new standard also requires enhanced presentations of income, provides guidance for transactions that previously were not addressed exhaustively (e.g., service revenue and contract changes) and for contracts with multiple objects.
- **IFRS 16 - Leasing agreements** (effective for periods beginning on or after January 1, 2019) was issued by IASB on January 13, 2016. Under IFRS 16 the lessee recognizes a right of use and a lease liability. The right to use is treated similar to other non-financial assets and depreciated accordingly. Lease debt is initially measured at the lease payments due under the lease terms, reduced to the rate of the contract, if it can be easily determined. If the interest rate can not be determined, the lessee will use his interest for loan. As with its predecessor IFRS 16, IAS 17, the parties clasify the leasing contracts as operational or financial. A leasing contract is classified as a financial lease if through this will be transfered all the risks and rewards of ownership. Otherwise, a leasing contract is classified as operating lease. For finance leases the lessor recognizes revenue over the contract period based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes the payments related to the operational leasing contract as a linear income or, if it is deemed more representative, depending on how the benefits of the asset diminishes.
- Amendments to IAS 7 The initiative of presenting information, effective for annual periods beginning on January 2017. Amendment oblige institutions to provide information that will allow

investors to assess changes in liabilities arising from financial activities, including cash flow and those without monetary nature.

- Amendments to IAS 12 Recognition of deferred tax assets, effective for annual periods beginning on January 2017. Clear recognition of these assets for unrealized loss on debt instruments measured at fair value.

Regarding the adoption of these new standards and amendments to existing standards the company anticipates that will not have a significant impact on the financial statements of the Company at the initial application.

4. INTANGIBLE ASSETS

The intangible assets include software, licenses and various software and are accounted in the account 208 ”Other intangible assets”; They are depreciated on a straight-line; They are presented at historical cost, less the depreciation and any value adjustments. For the periods presented were not recorded value adjustments.
The Company has no internally generated intangible assets or acquired through a government grant and also, does not hold intangible assets with indefinite useful life.
The Company has no intangible assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5.
For the intangibles assets, the useful lives were estimated at 3 years.

The situation of the Company intangible assets on 31.12.2016 is as follows:

Cost

	Other intangible assets	Total
Balance on January 01, 2016	**1.563.632**	**1.563.632**
Entrances	104.943	104.943
Cessions	0	0
Balance on December 31, 2016	**1.668.575**	**1.668.575**

Accumulated amortization

	Other intangible assets	Total
Balance on January 01, 2016	**1.134.785**	**1.134.785**
Cost of the period	196.389	196.389
Cessions	0	0
Balance on December 31, 2016	**1.331.174**	**1.331.174**
Net book value January 01, 2016	**428.847**	**428.847**
Net book value December 31, 2016	**337.401**	**337.401**

5. TANGIBLE ASSETS

On 31.12.2014, the Company has reassessed with authorized independent experts in the field, buildings, land and equipment assets existing in its heritage at that time. The depreciation was restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.

Tangible assets of the parent company	Lands	Buildings	Plant and machinery	Other systems, equipment and furniture	Tangible assets in progress	Total
COST						
1.01.2015	**119.242.964**	**65.506.163**	**95.492.974**	**1.857.948**	**0**	**282.100.049**
Increases	0	1.752.611	6.651.740		4.110.841	12.515.192
Discounts		(1.084.237)	(161.827)	(30.662)	(182.583)	(3.366.730)
31.12.2015	**117.335.543**	**66.174.537**	**101.982.887**	**1.827.286**	**3.928.258**	**291.248.511**
Increases	0	1.198.020	5.703.430		4.195.749	11.097.199
Discounts	0	(598.697)	(508.434)	0	(4.765.103)	(5.872.234)
31.12.2016	**117.335.543**	**66.773.860**	**107.177.883**	**1.827.286**	**3.358.904**	**296.473.476**
AMORTIZATION						
1.01.2015	**447.125**	**22.346.481**	**39.685.488**	**1.358.272**	**0**	**63.837.366**
Cost of the period	64.74	2.708.502	5.769.010	89.909	0	8.632.167
Outputs		(274.463)	(149.893)	(24.248)	0	(448.604)
31.12.2015	**511.871**	**24.780.520**	**45.304.605**	**1.423.933**	**0**	**72.020.929**
Cost of the period	64.74	1.687.906	4.111.361	53.857	0	5.917.870
Outputs		(156.796)	(508.123)	0	0	(664.919)
31.12.2016	**576.617**	**26.311.630**	**48.907.843**	**1.477.790**	**0**	**77.273.880**
NET VALUES						
01.01.2015	**118.795.839**	**43.159.682**		**499.676**	**0**	**218.262.683**
31.12.2015	**116.823.672**	**41.394.017**	**56.678.282**	**403.353**	**3.928.258**	**219.227.582**
31.12.2016	**116.758.926**	**40.462.230**	**58.270.040**	**349.496**	**3.358.904**	**219.199.596**

5.1. Tangible assets entered and put into operation

In 2016 were made investments consisting in modernization and retechnologization of the technological installations and equipment worth 11.097.199 lei.

5.2. Outgoing tangible assets

The company in 2016 alienated these ancillary assets:

- Apartment no. 25 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti.
- Apartment no. 31 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti.

There were not alienated assets that influence the execution of the object of activity of the company or that may affect the achievement of expected economic benefits.
Also they have scrapped fixed assets worth 508.434 lei, consisting in means of conveyance and equipment fully depreciated and which can no longer be used in the company's activities.

5.3. Pledged fixed assets

For guarantee of the guarantee agreements and credit contracts signed with the financing banks, the company mortgaged these assets in favor of that banks, as follows:

For all the credit facilities contracted with Veneto Banca, the company constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 (Premo) located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2.
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors.

For all the credit facilities contracted with CEC Bank, listed above, the company constituted these guarantees in favor of the bank:

- Warranty on building land with cadastral no. /top 22567(surface 1209 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on building land with cadastral no. /top 22575(surface 735 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Administrative building and annexes**, (land of 15.979 m²) with cadastral no. 22574 - C1-C6, 22574, located in Calarasi, str. Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Large tubes and decanter**, (land of 11815,08 m²) with cadastral no. 22566 - C1-C2, 22566, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Precasts**, (land of 56.635 m²) with cadastral no. 22721 - C1-C6, 22721, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on residential estate - **Block housing P+3-Prefab House**, (land of 940.81 m²) with cadastral no. 23596 - C1, 23596, located in Calarasi, str. Ing. Victor Orlovski, nr. 2.
- Warranty on residential estate - **Accommodation Villa P+1 E+M**, (land of 4000,08 m²) with cadastral no. 107450-C1-C2, 107450, located in Mangalia, localitatea Jupiter, str. Aldea, nr. 14.
- Mortgage on company present and future claims arising from the commercial contract no. 50/09.11.2016 concluded with Arcocim SRL, and the commercial contract no. 51/09.11.2016

concluded with Oyl Company Logistic and the commercial contract no. 49/02.11.2016 concluded with Metale International and on current accounts opened at CEC Bank.

- Material warranty on the following equipment:
  - AAC pallet wrapping and turning machine
  - a plant shape armature
  - slurry pumps
  - autoclave for autoclaved aerated concrete production
  - an automatic lathe

For all the credit facilities contracted with BRD Groupe Societe Generale, for achieving the cogeneration plant, the company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipality of Calarasi, in area of 83.928,74 m², located within the company PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.
- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/ Municipality of Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of S.C. PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

5.4. Assets in progress

On 31.12.2016, the company recorded in the account of assets in progress the amount of 3.358.904 lei representing modernization and upgrading of technological installations and equipment.

6. PROPERTY INVESTMENTS

The land and the building owned by the parent company in the resort Jupiter, are considered as Property investments, are not used by the company for conducting the operational activity and have not a destination established.

	Land and land improvements	**Constructions**	**Property investments in progress**	**Total**
Balance on December 31, 2014	**1.415.240**	**1.513.262**	**0**	**2.928.502**
Increases:	0	0	0	0
Discounts:	0	0	0	0
Balance on December 31, 2015	**1.415.240**	**1.513.262**	**0**	**2.928.502**

	Land and land improvements	**Constructions**	**Property investments in progress**	**Total**
Balance on December 31, 2015	**1.415.240**	**1.513.262**	**0**	**2.928.502**
Increases:	419	1.059	0	1.478
Discounts:	0	0	0	0
Balance on December 31, 2016	**1.415.659**	**1.514.321**	**0**	**2.929.980**

7. INVESTMENTS IN AFFILIATED ENTITIES

At the date of transition to IFRS and respectively on 31.12.2016, the Company has classified, in its separate financial statements, the investments held in affiliated companies amounted to 9.439.669 lei in financial assets available for sale in accordance with IAS 39. None of the companies where these investments are made is not rated on securities market.
The estimates of fair value at the balance sheet date are normally based on available market information. When such quotes and prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c)
The financial assets available for sale listed and whose fair value can not be determined reliably are recorded at the acquisition cost less the impairment losses and are tested annually for impairment. To fix this, the management uses a series of judgments and envisages, in addition to other factors, the duration and extent to which the value of the investment at the reporting date is less than the cost of its; the financial health and the short-term perspective of the issuer, including the factors such as industry performance and the industry in which it operates, technological changes and operating cash flows and for financing. On 31.12.2016, the management has not identified factors leading to record an impairment of investments held in subsidiaries.

Participation situation of PREFAB SA at the share capital of other companies (unquoted) during the year 2016, compared to the year 2015, is as follows:

Company name	**Balance on 31.12.2016**			**Balance on 31.12.2015**		
	Value	No. shares	%	Value	No. shares	%
PREFAB INVEST S.A.	149.850	3.996	99.9	149.850	3.996	99.9
PREFAB BG EOOD Silistra	18.919	100	100	18.919	100	100
Fotbal Club S.A. Modelu	9.270.900	30.903	99.8707	9.270.900	30.903	99.8707
TOTAL	**9.439.669**			**9.439.669**		

These companies are included in the financial consolidation statements prepared in accordance with IFRS 10 *"Consolidated and Separate Financial Statements". The financial consolidation statements* are the financial statements of a group, presented as if it were a single economic entity.

Wishing to establish an association to promote activities related to the production of precast concrete industry, PREFAB SA with 8 other leading companies in this branch, they agreed to constitute «Asociatia Producatorilor de Prefabricate din Beton PREFBETON». The purpose of the Association is to promote precast concrete products, to represent, support and defend technical, economic and legal interests on trade and precast concrete industry, to develop and encourage cooperation in scientific, technical and standardization area, and to stimulate contacts between experts in the country. The initial patrimony of the Association was 1800 Ron, the contribution of Prefab SA being of 200 Ron.

8. RECEIVABLES AND OTHER ASSETS

The receivables are recorded at nominal value and are pointed in the analytical accounting for each person or entity. Foreign currency receivables have been assessed based on exchange rate in force at the end of the exercise, and the rate differences were recognized as incomes or expenses of the period.

a) The trade receivables are presented below.

	Receivables	**Balance on December 31, 2016**	**Balance on December 31, 2015**
1	Trade receivables from affiliated entities (subsidiaries)	32.033.162	33.765.731
2	Trade receivables - third parties	3.271.463	3.422.433
3	**Total of trade receivables**	**35.304.625**	**37.188.164**
4	Adjustments for impairment of trade receivables	(659.263)	(659.263)
5=3-4	**Trade receivables, net**	**34.645.362**	**36.528.901**

The main receivables are:
Customers net worth 34.645.362 lei consists of:

- Internal customers worth 33.711.923 lei, of which the most important are: Prefab Invest, Arcocim S.R.L., Arabesque, Metale International, Oyl Company Logistic, Mucaba Comodity SRL
- Intra-community and external customers worth 31.440 lei, among which: RS Captivant Chisinau, Prefab BG EOOD Bulgaria.
- We mention that till 28.02.2017 were collected customers from the balance of 31.12.2016, in proportion of 20%**.**

The doubtful clients or in litigation had on 31.12.2016 the gross value of 1.478.142 lei keeping in balance, much of that registered at the beginning of the year which were not collected.
For these doubtful clients, the process started in the previous years have continued.
For some of them, for which the management has estimated that there is a risk of non-recovery, there are made adjustments for doubtful debts worth 659.263 lei. Also they were undertaken legal action to recover the debts.
Customers – invoices to be issued had on 31.12.2016 the value of 82.918 lei, the amount representing the value of the bonus of cogeneration related to month of December 2016, who was charged in January 2017, according to decision of ANRE.

Term liquidity analysis Trade receivables	**Balance on December 31, 2016**	**Balance on December 31, 2015**
	34.645.362	**36.528.901**
Under a year		
	0	**0**
More than a year		

Other assets	Balance on December 31, 2016	Balance on December 31, 2015
b) Other assets, of which:		
Debtors	1.017	9.355
Prepayments	750.940	770.680
VAT to be recovered	0	301.836
VAT not do in	33.513	16.271
Suppliers debtors	850	19
Other receivables	32.228	39.299
Total	**818.548**	**1.137.460**

Term liquidity analysis Other assets	Balance on December 31, 2016	Balance on December 31, 2015
Under a year	**818.548**	**1.137.460**
More than a year	**0**	**0**

c) Adjustments of depreciation for trade receivables and other receivables

The evolution of adjustments of depreciation is as follows:

	December 31, 2016	December 31, 2015
At the beginning of the period	**659.263**	**757.919**
Increase/ (reversals)	0	0
Decreases	0	98.656
At the end of the period	**659.263**	**659.263**

Suppliers debtors
The suppliers debtors in the amount of 850 lei represent advance for the suppliers.

9. STOCKS

December 31, 2015	Cost	Adjustments	Net value
1. Raw materials and consumables	3.526.566	0	3.526.566
2. Production in progress	295.259	0	295.259
3. Finished products and goods	5.692.213	3.560	5.688.653
Total	**9.514.038**	**3.560**	**9.510.478**

December 31, 2016	Cost	Adjustments	Net value
1. Raw materials and consumables	3.383.077	0	3.383.077
2. Production in progress	768.859	0	768.859
3. Finished products and goods	2.932.241	3.560	2.928.681
4. Advances	251.092	0	251.092
Total	**7.335.269**	3.560	**7.331.709**

The main categories of stocks are the raw materials and and the consumables, the production in progress, the finished products and goods, the advances for purchases of stocks.
The cost of stocks includes all costs of acquisition and processing and other costs incurred in bringing the stocks to the form and in the place where there are.
The cost of finished products and of production in progress includes the direct costs related to production, namely: direct materials, energy consumption for technological purposes, direct labor and other direct costs of production and the quote of indirect production costs rationally allocated as related to their manufacturing.
On leaving the management, the stocks are evaluated based on the weighted average cost method.

This method involves the calculation of the cost of each element on the basis of the weighted average of the similar cost items being in stock at beginning of period and of the cost of similar items purchased or produced by the company during that period. The average is are calculated monthly, at the end of each month.
On the date of financial statements, the stocks are valued at the lower value between the cost and the net realizable value.
The net realizable value is the estimated selling price to be obtained in the ordinary course of business, less the estimated costs of property completion, when appropriate, and the estimated costs necessary for sale.
Where appropriate it is constitute provision for the outdated, slow moving or defective stocks.
On 31.12.2016, they are maintained the stocks impairment of finished products in the amount of 3.560 lei.
Advances for stocks represent the amounts paid in advance to the lime provider Celco Constanta.

10. CASH AND CASH EQUIVALENTS

On 31.12.2016 the cash and cash equivalents are in amount of 588.058 lei, lower than the values recorded on 31.12.2015 of 365.202 lei and shall consist of:

	Balance on December 31, 2016	Balance on December 31, 2015
Cash	581	2.142
Deposits and available money in banks	587.477	363.060
Letter of credits	0	0
Total	**588.058**	**365.202**

Of the total of cash accounts and cash equivalents, the restricted amounts on 31.12.2016 and on 31.12.2015 consisted of:

	Balance on December 31, 2016	Balance on December 31, 2015
Performance guarantees	158.831	256.692
Managers guarantees	50.160	2.023
Other guarantees	91.300	9.655
Total	**300.291**	**268.370**

11. EQUITY

The subscribed and paid **capital** worth 24.266.709,5 lei, composed of 48.533.419 shares with nominal value of 0,50 lei/share.

The ownership structure on 31.12.2016 is:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDERS - LEGAL PERSONS	422.298	0.8701
OTHER SHAREHOLDERS - NATURAL PERSONS	1.536.617	3.1661
TOTAL	**48.533.419**	**100**

Board of Directors members on 31.12.2016 held shares of the Company on market (as independent shareholders) in this way:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Momanu Radu	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

The shares are nominative, are issued in dematerialized form, each share having a nominal value of 0.50 lei/share. During the financial year 2016, the nominal value of a share did not change.
We note that the actions Prefab S.A. are traded on the Bucharest Stock Exchange, Category Standard, starting with 05.07.2010. The prices of the company shares had a oscillating trend manifested in terms of number of shares traded, a trend primarily due to cash shortage and to the general reduction of transactions on the Bucharest Stock Exchange.
The last trading price of the Company's shares PREFAB SA Bucuresti, available on 20.02.2017 was for 1.1450 lei/share.
The specific activities of independent registry for PREFAB SA were conducted by the *Central Depository.*

12. RESERVES

The reserves include the following components:

	Balance on December 31, 2016	Balance on December 31, 2015
Legal reserves	4.263.040	4.192.217
Other reserves	31.151.766	30.719.324
Revaluation reserves	123.203.224	123.402.750
Total	**158.618.030**	**158.314.291**

The company recorded at the end of the year 2016 "**Legal reserves**" in the account 1061 the amount of 4.263.040 lei of which 1.482.798 lei represents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the company correcting the historical cost of the legal reserves with the effect of inflation until December 31, 2003.

The company recorded at the end of the year 2016 "**Other reserves**" in the account 1068 the amount of 31.151.766 lei of which 2.676.474 lei represents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the company correcting the historical cost of the other reserves with the effect of inflation until December 31, 2003.

The **revaluation reserves** are in the amount of 123.203.224 lei on 31.12.2016. The last revaluation was performed on December 31, 2014 for land, buildings and equipment from records according to the regulations in force based on Report of technical expertise rating prepared by an evaluation firm, member of ANEVAR, in order to determine their fair value, taking into account the inflation, the utility goods, their condition and the market value. The decrease or increase in book value resulting from these revaluations was debited to the revaluation reserve.
The following describes the nature and the purpose of each reserve within the equity:

Reserve	Description and purpose
Legal reserves	According to Law no. 31/1990, every year it is taken at least 5% of profit for the formation of reserve fund, until it reaches a minimum of one fifth of share capital.
Other reserves	Other reserves include on December 31, 2015 the reserves constituted on the net profit distribution.
Revaluation reserve fixed assets	If the carrying value of a tangible assets is increased as a result of revaluation, then the increase should be recognized in other comprehensive income items and accumulated in equity, with title of revaluation surplus. The revaluation reserves can not be distributed and can not be used to increase the share capital.

14. RETAINED EARNINGS

The retained earnings include the following components:

	Balance on December 31, 2016	**Balance on December 31, 2015**
Retained earnings, except the retained earnings due to the adoption for the first time of IAS 29 (acct. 117)	9.552.175	9.352.650
Retained earnings due to the adoption for the first time of IAS 29 (acct. 118)	0	0
Total	**9.552.175**	**9.352.650**

15. DISTRIBUTION OF PROFIT

On 31.12.2015, Prefab S.A. recorded a net profit worth 1.081.334 lei which was distributed based on the decision Board of Directors of 28.04.2016 according to the legal regulations, as follows:

Distribution of profit	**December 31, 2015**
Net profit to be distributed	**1.081.334**
- legal reserve	0
- dividends to be distributed to shareholders	648.891,81
- other reserves	432.442,19

On 31.12.2016, Prefab S.A. recorded a net profit worth 1.171.965 lei which was distributed based on the decision Board of Directors of 19.04.2017, according to the legal regulations, as follows:

Distribution of profit	**December 31, 2016**
Net profit to be distributed	**1.171.965**
- legal reserve	70.822
- dividends to be distributed to shareholders	564.414,33
- other reserves	539.728,67

The legal framework for setting up its own financing sources and other distributions from profit consists of the following legislation:

- Law no. 571/2003 on the Fiscal Code subsequently amended
- Law no. 31/1990 republished, on companies

15. PROVISIONS

PREFAB S.A. did not constituted at the closure of the financial year 2015 provisions for risks and expenses, considering that the future uncertainty does not justify the creation of provisions or the deliberate evaluation of future obligations.

16. LOANS AND OTHER LIABILITIES

The liabilities are recorded at the nominal value and are recognized in the accounting for each person or entity. Foreign currency liabilities were valued based on exchange rate in force at the end of the exercise, and foreign exchange differences are recognized as income or expense for the period.

The liabilities situation is as follows:

Liabilities	Balance on December 31, 2016	Balance on December 31, 2015
Amounts owed to credit institutions	48.123.922	48.975.571
Advances collected for orders	714.269	107.752
Trade payables - suppliers, related parties	0	0
Trade payables - third-party providers	11.201.225	15.245.489
Other liabilities including tax and social security debts	1.143.121	892.491
Deferred income tax	366.662	674.435
Total liabilities	**61.549.199**	**65.895.738**

Analysis of chargeability term	Balance on December 31, 2016	Balance on December 31, 2015
Under a year	42.358.484	48.585.119
More than a year	19.190.715	17.310.619
Total	**61.549.199**	**65.895.738**

The amounts due to credit institutions have the following composition:

Amounts due to credit institutions	Balance on December 31, 2016	Balance on December 31, 2015
Short term loans	29.299.869	32.339.387
Long term loans	18.824.053	16.636.184
Total	**48.123.922**	**48.975.571**

17. SHORT-TERM LOANS

The Company benefited during the year 2016 of short-term loans granted by commercial banks, as follows:

Bank	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2016
CEC Bank	Credit line	Contract credit line facility RQ151262997913 50/25.01.2016	28.01.2018	ron	19.000.000	17.135.000 lei

Veneto Banca	Credit line	Convention credit line no. 8929/10.10.2013	2017	ron	9.000.000	8.835.000 lei
Veneto Banca	Credit line	Convention credit line no. 10040/12.08.2014	2017	ron	4.500.000	3.329.869 lei
Total						**29.299.869 lei**

18. LONG-TERM LOANS

The Company benefited during the year 2016 of long-term loans granted by commercial banks, as follows:

Description	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2016
BRD Groupe Societe General	Long-term credit	Contract no. 77/29.09.2011	20.10.2018	eur	4.778.750	3.509.143 lei
Veneto Banca	Credit line	Credit convention 10614/12.08.2014, addendum no. 2/14.08.2015	31.07.2020	ron	7.500.000	5.250.000 lei
CEC Bank	Long-term credit	Contract no. RQ15126299791362/ 25.01.2016	28.01.2020	ron	7.700.000	6.611.905 lei
CEC Bank	Credit for investment	Contract no. RQ15126299791319/ 25.01.2016	28.01.2023	ron	4.300.000	3.453.005 lei
Total						**18.824.053 lei**

During the year 2016, the company benefited from these loans, opened to Veneto Banca:

- a long-term loan worth 7.500.000 lei, under the convention of credit line no. 10614 of 12.08.2014 and addendum no. 2 of 14.08.2015. Repayment is made in 60 monthly installments, each of 125.000 lei until 31.07.2020. The balance on 31.12.2016 is 5.250.000 lei.
- a credit line worth 4.500.000 lei, under the convention of credit line for factored bills no. 10040/12.08.2014. The balance on 31.12.2016 is 3.329.869 lei.
- a credit line to support the current activity worth 9.000.000 lei, under the convention of credit line no. 8929/10.10.2013 maturing on 31.07.2017. The balance on 31.12.2016 is 8.835.000 lei.

For all contracted credit facilities with Veneto Banca, the Company constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 (Premo) located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2.
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors

During the year 2016, the Group benefited from these loans, opened to CEC Bank, after taking the financial position of Raiffeisen Bank, as decided by the general meeting of shareholders:

- Credit line for current activity - worth 19.000.000 lei, representing the credit facility agreement no. RQ15126299791350/ 25.01.2016. The balance on 31.12.2016 is 17.135.000 ron.
- Investment loan worth 4.300.000 lei on the basis of the credit agreement no. RQ15126299791319/25.01.2016. The amount used in 2016 worth 3.875.242,62 ron and the repayment will be made in 84 monthly installments, the first installment being due in February 2016, and the last in 28.01.2023. The balance on 31.12.2016 is 3.453.005 ron.
- Credit for financing the current activity worth 7.700.000 lei on the basis of the credit agreement no. RQ15126299791362/25.01.2016. The repayment will be made in 47 monthly installments of 108.809,52 ron and the last payment, the 48th will be in the amount of 2.585.952,56 ron, the first installment being due in February 2016, and the last in 28.01.2020. The balance on 31.12.2016 is 6.611.904,80 ron.

For all credit facilities contracted with CEC Bank, listed above, the Company constituted these guarantees in favor of the bank:

- Warranty on building land with cadastral no. /top 22567(surface 1209 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on building land with cadastral no. /top 22575(surface 735 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Administrative building and annexes**, (land of 15.979 m²) with cadastral no. 22574 - C1-C6, 22574, located in Calarasi, str. Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Large tubes and decanter**, (land of 11815,08 m²) with cadastral no. 22566 - C1-C2, 22566, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Precasts**, (land of 56.635 m²) with cadastral no. 22721 - C1-C6, 22721, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on residential estate - **Block housing P+3-Prefab House**, (land of 940.81 m²) with cadastral no. 23596 - C1, 23596, located in Calarasi, str. Ing. Victor Orlovski, nr. 2.
- Warranty on residential estate - **Accommodation Villa P+1 E+M**, (land of 4000,08 m²) with cadastral no. 107450-C1-C2, 107450, located in Mangalia, localitatea Jupiter, str. Aldea, nr. 14.
- Mortgage on company present and future claims arising from the commercial contract no. 50/09.11.2016 concluded with Arcocim SRL, and the commercial contract no. 51/09.11.2016 concluded with Oyl Company Logistic and the commercial contract no. 49/02.11.2016 concluded with Metale International and on current accounts opened at CEC Bank.
- Material warranty on the following equipment:
    - AAC pallet wrapping and turning machine
    - a plant shape armature
    - slurry pumps
    - autoclave for autoclaved aerated concrete production
    - an automatic lathe

The company benefited from a long-term loan concluded with BRD - Groupe Societe Generale worth 4.778.750 euro, its balance on 31.12.2016 being of 3.509.143 ron, respectively 772.752 eur.

For the credit facility contracted with BRD Groupe Societe Generale, the Company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipiul Calarasi, in area of 83.928,74 m², located within the enterprise PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.
- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/Municipiul Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

19. OTHER LIABILITIES

These mainly consist of:

Other liabilities	Balance on December 31, 2016	Balance on December 31, 2015
Liabilities for the staff and assimilated	480.423	394.671
Liabilities for the social security budget	227.909	205.693
Liabilities for the state budget	314.933	182.209
Liabilities to shareholders	119.786	105.248
Other liabilities	70	4.670
Total liabilities	**1.143.121**	**892.491**

20. DEFFERED TAX

Variation of deferred tax liabilities is presented in the following table:

Description	December 31, 2016	December 31, 2015
Initial balance	674.435	759.849
Deferred tax revaluation differences	(307.773)	(85.414)
Final balance	**366.662**	**674.435**

21. SUBSIDIES FOR INVESTMENTS

Variation in subsidies for investments is presented in the following table:

Description	December 31, 2016	December 31, 2015
Initial balance	7.038.311	7.562.242
Received during the year	0	0
Reversed during the year	0	0
Resumed at income	(514.917)	(523.931)

	(514.917)	(523.931)
Final balance	**6.523.394**	**7.038.311**

The amounts represents subsidies recorded for the assets (co-financing) acquired within the projects developed by the parent company, namely:

- the modernization of the vegetable glasshouse by the Program SAPARD (2005)
- the Project 'Plan of rational energy use - Energy Efficiency Project at Prefab S.A.', worth 1.200.000 euro which was developed in partnership with BERD, where was obtained funding for 15 % of the investments made, respectively the amount of 812.124 lei (equivalent to 180.000 eur).
- the Project 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity', partially funded from European Funds under the Priority Axis 4 of the Sectoral Operational Programme: Increasing Economic Competitiveness, the Company concluding in this purpose the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment. The grant amount approved by contract was 10.199.768,65 lei, of which in 2013 was collected the amount of 6.140.662,41 lei and in 2014 was collected the amount of 1.503.822,08 lei.

22. OPERATING INCOME

Income	**December 31, 2016**	**December 31, 2015**	**Difference (2016-2015)**
Production sold	67.977.103	75.313.249	(7.336.146)
Income related to product stocks costs	3.019.989	5.777.472	(2.757.483)
Income from production assets and real estate investments	5.796.374	4.039.009	1.757.365
Income from real estate investments	1.478	0	1.478
Other operating income	2.434.791	4.117.512	(1.682.721)
Total	**79.229.735**	**89.247.242**	**(10.017.507)**

Products share in the total of turnover:

Name of products	2012	2013	2014	2015	2016
	%	%	%	%	%
A.A.C.	78.27%	77.53%	80.59%	73.43%	71.80%
Tubes	6.13%	3.79%	3.80%	5.64%	6.14%
Precasts	12.94%	5.90%	8.17%	6.45%	9.5%
Electrical power	0	9.28%	4.15%	13.23%	11.62%
Other products	2.66%	3.50%	3.29%	1.25%	0.94%

The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. Bucuresti with the largest share in the Group's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity started in February.

In 2016, Prefab SA sold approximately 428.000 m³ of AAC, maintaining its position taken in the previous years on this market for this product.
Regarding the market of precast and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes, there were no significant changes, it being in the same setback due primarily to financial bottlenecks in the investments area.

In 2016, the total volume of precasts produced and marketed was 4.463,10 m³ plus concrete goods 77.90 m³, a very small volume for the existing production capacity.

Regarding the sewage pipes PREMO-SENTAB, the volume was 2.167,65 m³.

Regarding the work of the cogeneration plant, the amount of electricity produced in 2016 was: 27.407,90 MWh of which was delivered in SEN the cantity of 21.741,935MWh, the cantity of 5.665,965 MWh being used for domestic consumption. For the cantity of electricity delivered in SEN, the company is qualified to obtain the bonus of cogeneration in the aid scheme to promote high-efficiency cogeneration. In 2016 this was in the amount of 211,36 lei/ MWh delivered in SEN.

The amount of heat produced in 2016 was 48.274,47 MWh, being fully used for domestic consumption.

23. OPERATING EXPENSES

Expenses	December 31, 2016	December 31, 2015	Difference (2016 -2015)
Expenses for materials and supplies	**34.383.586**	**38.160.572**	**(3.776.986)**
Energy and water expenses	12.804.158	17.228.995	(4.424.837)
Other production expenses	2.836.537	3.153.113	(316.576)
Trade discounts received	(396.847)	(179.565)	(217.282)
Total cost materials	**49.627.434**	**58.363.115**	**(8.735.681)**
Wages and allowances	8.521.482	7.761.366	760.116
Social security and welfare expenses	2.040.457	2.004.952	35.505
Total expenses on staff	**10.561.939**	**9.766.318**	**795.621**
Amortization	6.135.761	8.782.021	(2.646.260)
Adjustments for impairment	0	28.919	(28.919)
Total amortization and depreciation	**6.135.761**	**8.810.940**	**(2.675.179)**
Expenses on external supply	7.704.252	5.380.710	2.323.542
Other taxes, duties and similar	1.772.758	2.010.399	(237.641)
Other expenses	556.278	3.282.919	(2.726.641)
Total other operating expenses	**10.033.288**	**10.674.028**	**(640.740)**
Total	**76.358.422**	**87.614.401**	**(11.255.979)**

The prices of raw material supply and materials recorded generally an evolution similar to those recorded in the previous year, being mainly affected by the national currency rate against the European currency

and US dollar. Increased costs for raw materials and auxiliary materials are due to the achieving of a greater volume of products in 2016 compared to 2015.
Generally, the sources of supply are safe, aiming to maintain a minimum number of 2 suppliers/assortment.
Water and energy costs decreased by 4.427.837 lei, from 17.228.995 lei (2015) to 12.804.158 lei (2016), mainly due to the decreased production of electricity and heat compared to a year earlier, but also to obtain a higher price from the suppliers of natural gas, the company fitting in the category of large consumers.

Of the expenses for external services we remember the amounts paid to statutory auditor that in 2016 were for 72.000 lei (without VAT) and expenses for the recorded insurances that were in the amount of 263.639 lei.

24. FINANCIAL INCOME

Incomes	December 31, 2016	December 31, 2015	Difference (2016-2015)
Income from rate differences	234.487	50.168	184.319
Interest income	93	21	72
Other financial income	0	1.531.791	(1.531.791)
Total	**234.580**	**1.581.980**	**(1.347.400)**

Income from shares in subsidiaries on 31.12.2015, represents amounts received as dividends based on the Decision no. 4 of 26.03.2015, through which the affiliated company Prefab Invest approves the allocation of net profit that was recorded in the financial year 2014, as dividends for shareholders.

25. FINANCIAL EXPENSES

Expenses	December 31, 2016	December 31, 2015	Difference (2016-2015)
Interest expenses	1.407.533	1.780.372	(372.839)
Other financial expenses	281.912	121.155	160.757
Total	**1.689.445**	**1.901.527**	**(212.082)**

Interest expenses decreased by 372.839 lei, from 1.780.372 lei (2015) to 1.407.533 lei (2016) because of the reimbursements and of the conversion into local currency of the bank loans. (see the situation of short-term loans and long-term loans).
Other financial expenses mainly refer to expenses with exchange rate differences and increased by 160.757 lei, from 121.155 lei (2015) to 281.912 lei (2016) due to the devaluation of the national currency versus the European currency and the US dollar, with negative influence on the financial result of the company.

26. CORPORATION TAX

Information about the corporation tax (pursuant to declaration 101):

Indicators	Amounts 31.12.2016	Amounts 31.12.2015
Operating income	79.229.735	89.247.242
Operating expenses	76.599.905	87.846.361
Operating earnings	**2.629.830**	**1.400.881**
Financial income	234.580	1.581.980
Financial expenses	1.689.445	1.901.527
Financial earnings	(1.454.865)	(319.547)
Gross profit	**1.174.965**	**1.081.334**
Items similar to incomes, of which:	**246.680**	**1.706.591**
- items similar to incomes from other restatements	**246.680**	**1.706.591**
Items similar to expenses from other restatements	**39.823**	**39.823**
Fiscal depreciation	6.099.156	8.741.708
Deductible legal reserve	70.822	0
Other deductible amounts	0	0
Total deductions	**6.169.978**	**8.741.708**
Dividend income, of which:	**0**	**1.531.791**
Dividend income received from a Romanian legal entity, as provided by law	0	1.531.791
Other non-taxable income	0	2.800
Total of non-taxable income	**0**	**1.534.591**
Income tax expenses	241.483	231.960
Non-deductible fines, penalties	2.256	9.649
Non-deductible entertainment expenses	88.816	99.920
Sponsorships expenses	36.154	99.008
Accounting depreciation expenses	6.135.761	8.782.021
Other non-deductible expenses	18.916	117.832
Total non-deductible expenses	**6.523.386**	**9.340.390**
Total taxable profits	**1.735.230**	**1.812.193**
Total income tax	**277.637**	**289.950**
Amounts representing sponsorship in the limits prescribed by law	**36.154**	**57.990**
Tax incom, of which:	**231.960**	**365.874**
Net profit	**1.081.334**	**1.172.196**

27. BASIC EARNINGS PER SHARE. DILUTED EARNINGS.

	2016	2015

Basic earnings per share	**0.024209**	**0.022280**
Diluted earnings	**0.024209**	**0.022280**

The basic earnings per share and that diluted have the same value because there are no financial instruments with diluted effect on earnings. At the Board of Directors meeting of 14.03.2017 it was proposed the distribution of the net profit for the year 2016 as follows:

- the amount of 70.822,00 lei for the legal reserve
- the amount of 564.414,33 lei for the dividends to be distributed to shareholders
- the amount of 539.728,67 lei for other reserves,

the General Meeting of Shareholders of April 19, 2017 shall rule on this decision.

28. MEDIUM NUMBER OF EMPLOYEES

a) Employees

The medium number of employees developed as follows:

	Financial year ended on December 31, 2016	**Financial year ended on December 31, 2015**
Management staff	6	6
Administrative staff	39	33
Production staff	335	292
TOTAL	**380**	**331**

b) Evolution of employees structure by level of training is shown below:

Year	**2016**	**2015**
Personal with higher studies	21%	22%
Personal with secondary studies	11%	10%
Personal with professional studies and studies for qualification	64%	64%
Non qualified personal	4%	4%

c) The expenses for wages and related taxes registered in the years 2016 and 2015 are the following:

	December 31, 2016	**December 31, 2015**
Wages expenses	8.521.482	7.761.366
Social security and welfare expenses	2.026.157	1.988.152
Voluntary pension expenses	14.300	16.800
Total	**10.561.939**	**9.766.318**

The company contributes to the national pension program under the laws in force and it has a voluntary pension program since April 2008 for the employees who have at least one year seniority in the company and aged 18 - 52 years. The contribution is paid by the employer, up to the limit of 200 euro/year, according to the Tax Code. The contracts concluded for employees are for the voluntary pension fund

ING Optim administred by ING Asigurari de viaţa SA. The Group has no other post-employment obligations relating to such insurance.
The expenses for wages and taxes increased in 2016 compared to 2015 mainly due to the growth of the average number of employees from 331 (2015) to 380 (2016) and retaining the workforce in the company during the winter for maintenance works.

29. TRANSACTIONS WITH AFFILIATES PARTIES

The company is managed in a single system by a Board of Directors composed of 3 directors, temporary and revocable, elected by the General Meeting of Shareholders, the majority of the Board members being non-executive directors, elected for aperiod of 4 years.

Until 28/09/2016 the Board of Directors had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of the Board of Directors	Engineer
2.	Ionescu Valentin	member	Jurist
3.	Negrau Dorin	member	Jurist

From 29.09.2016 the Board of Directors has the following composition

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of the Board of Directors	Engineer
2.	Momanu Radu	member	Engineer
3.	Negrau Dorin	member	Jurist

On 29.09.2016, Mr. Ionescu Marian Valentin, Member of the Board of Directors, was replaced with Mr. Momanu Radu, according to the decision of the Ordinary General Meeting of Shareholders no. 9/29.09.2016.

On 31.12.2016 the members of the Board of Directors owned shares in the share capital of PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Momanu Radu	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

Until 27.04.2016, the executive management consisted of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General director	Engineer
2.	Boitan Daniela	Economic director, with responsibilities of deputy general director	Economist
3.	Zotescu Marian	Production director, with responsibilities of deputy general director	Engineer

Starting from 28.04.2016, the executive management consisted of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic manager, with responsibilities of Deputy General Manager	Economist
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer
4.	Cocoranu Tudor	Energy Manager	Engineer
5.	Macovei Olimpian	Commercial Director	Jurist

From 06.12.2016, after retirement, Mr. Zotescu Marian has not served as Production Manager with responsibilities of Deputy General Manager.

Participation in the share capital of the executive management of PREFAB S.A.

On 31.12.2016 the members of the executive management owned shares of the share capital of PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Boitan Daniela	9.240	0,0190%
3.	Cocoranu Tudor	0	0
4.	Macovei Olimpian	800	0,00164%

The gross allowance of the members of executive management during the financial year 2015 was 143.848 lei.
The gross allowance of executive management during the financial year 2016 was 678.438 lei.
The cmpany has no obligations to former managers and administrators and no advances or loans were granted to current directors and administrators.
The cmpany has no further obligations assumed by the nature of guarantees on behalf of directors.

Information on relationships with affiliated parties, subsidiaries and associates

Details of affiliated parties are as follows:

Name of entity	**Name of operations with the Group**	**Country of origin**	**Type of transactions**
o PREFAB S.A.	Parent company	Romania	commercial
o PREFAB INVEST S.A.	Branch of the parent company (99.9%)	Romania	commercial

o PREFAB BG EOOD	Branch of the parent company (100%)	Bulgaria	commercial
o FOTBAL CLUB PREFAB 05	Branch of the parent company (99.8707%)	Romania	commercial

The situation of PREFAB SA transactions with the affiliated companies on 31.12.2016 compared with 31.12.2015, is as follows:

Receivables from the affiliated parties are as follows:

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	31.625.713	33.372.920
ROMERICA INTERNATIONAL	393.839	392.811
PREFAB BG EOOD	13.610	0
FOTBAL CLUB PREFAB 05	0	0
Total	**32.033.162**	**33.765.731**

Payables to the affiliated parties are as follows:

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	0	0
ROMERICA INTERNATIONAL	0	0
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	0
Total	**0**	**0**

Sales of goods and services and /or fixed assets (values expressed in lei without VAT):

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	11.096.338	14.302.843
ROMERICA INTERNATIONAL	1.026	0
PREFAB BG EOOD	79.131	179.668
FOTBAL CLUB PREFAB 05	0	0
Total	**11.176.495**	**14.482.511**

Acquisitions of goods and services (values expressed in lei without VAT):

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	1.080.140	649.234
ROMERICA INTERNATIONAL	529.750	997.761
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	0
Total	**1.609.890**	**1.646.995**

30. INFORMATIONS PER SEGMENTS OF ACTIVITY

The information on segments are reported according to the Company's activities. The transactions between the business segments are performed under normal market conditions.
Segment assets and liabilities include the items directly attributable to those segments and items that can be allocated using a reasonable basis.

PREFAB SA - is the mainly manufacturer in Romania of:

a. AAC (autoclaved aerated concrete) with a capacity of 500.000 m³ per year
b. Typified Precast
c. Concrete pipes for water and sewage networks (Premo and Sentab technology)
d. Untypified Precast

And one of the important suppliers of the local market for:

e. Aggregates
f. Concrete Goods
g. PVC Joinery
h. Electrical energy (since April 2013).

PREFAB SA has identified a segment of activity for which is presenting the information separately, namely **AAC Branch -** which earned revenues exceeding 71.80 % of sold production, for the product AAC.
The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. Bucuresti with the largest share in the Company's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity started in February, and during the period 01.05- 22.05 it was stopped due to maintenance and repairs operations carried out both at AAC Branch and Cogeneration Plant.
In 2016, Prefab SA sold approximately 428.000 m³ of AAC, maintaining its position taken in the previous years on this market for this product.
PREFAB SA aplica o politica unitara de preturi si discounturi acordate clientilor, in functie de volum si perioada de plata (scadenta).

The structure of revenues and expenses for this business segment is as follows:

Revenues	**December 31, 2016**	**December 31, 2015**
Production sold	**48.805.010**	**55.300.355**
Other operating income	-406.402	0
Total revenues	**48.398.608**	**55.300.355**

Expenses	**December 31, 2016**	**December 31, 2015**
Expenses for raw materials and supplies	**27.291.020**	**32.651.241**
Energy and water expenses	11.084.300	11.601.161
Other production expenses	0	0

Total cost of materials	**38.375.320**	**44.252.402**
Salaries and compensations	2.386.078	2.348.254
Expenses on social security and welfare	558.864	711.820
Total expenses on staff	**2.944.942**	**3.060.074**
Amortization	1.630.076	3.093.674
Adjustments for depreciation	0	0
Total amortization and depreciation	**1.630.076**	**3.093.674**
Expenses for external supply	550.686	1.907.775
Other taxes, duties and similar	111.684	257.877
Other expenses		
Total other operating expenses	**3.157.755**	**2.165.652**
Total expenses	**46.770.463**	**52.571.802**
Result of activity	**1.628.145**	**2.728.553**

For the business segment AAC, we report the following elements:

Tangible assets:

	Book value	**Amortization**	**Net value**
Land - 33.392,80 m²	9.412.738	0	9.412.738
Buildings	7.858.487	3.742.644	4.115.843
Machinery	38.092.208	13.146.260	24.945.948
Means of conveyance	2.669.145	861.947	1.807.198
Other systems and equipment	801.068	793.919	7.149
Total	**58.833.646**	**18.544.770**	**40.288.876**

Long-term liabilities: 13.778.933 lei
Short-term liabilities: 30.413.392 lei

PREFAB SA is one of the major national manufacturers of building materials, with a diverse portfolio of marketed products.
The main markets are in: Romania, Bulgaria and Republic of Moldova
In Romania the sales market structure is:

a. for AAC: Muntenia, Transilvania, Moldova
b. for Precast: over Romania
c. for Aggregates, Concrete Goods, PVC Joinery: local market

It works as a policy of selling differentiated depending on the specificity of each product.

a. AAC is sold through Distributors or DIY chains (Do It Yourself)
b. Precast are sold by auction method or negotiation on project.

AAC sales by geographic areas:

Geographic area	**Sales in 2016**	**Sales in 2015**	**Sales in 2014**
1. Muntenia	81.03%	87.52%	92.26%
2. Transilvania	0.27%	0.22%	0.12%
3. Moldova	17.97%	10.97%	6.91%
4. Bulgaria	0.18%	0.35%	0.54%

5. Republic of Moldova	0.55%	0.94%	0.17%
	100%	100%	100%

ELECTRICITY PRODUCTION ACTIVITY

PREFAB SA performed during the period 2011-2013 a major investment project, namely: the project: 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity' - a project worth 22.400.846,58 lei (5.247.575 euro). This project was submitted on July 20, 2011 at the Intermediate Body for Energy for EU funding under the Priority Axis 4 of the Sectoral Operational Programme 'Increasing Economic Competitiveness' and it was declared eligible for funding, for this purpose being concluded the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment for the grant maximum amount of 10.199.768,65 lei. The **main objective of the project** was the increase of energy use efficiency in the industrial activities of SC Prefab SA, by installing a high-efficiency cogeneration plant. The project was completed with the commissioning on 15.04.2013 of the new production capacities in cogeneration of the electricity and heat.
On 24.04.2013, PREFAB SA obtained under Decision of ANRE no. 1038/24.04.2013, the «License no. 1222 to produce electricity for the commercial exploitation of the cogeneration plant with turbine with gas of 5,4 MW». The electricity produced is delivered SEN, a part being used for domestic consumption.
In the turnover recorded in the year 2016, the electricity accounts for 11.62%.
The amount of electricity produced in year 2016 was 27.407,9 MWh of which was delivered to the SEN the amount of 21.741,935 MWh and that remaining 5.665,965 MWh being used internally (self-consumption).
For the amount of electricity delivered to SEN, the company got qualified for cogeneration bonus in the Support scheme to promote the high-efficiency cogeneration. For 2016 this was in amount of 211.36 lei/ MWh delivered to SEN.
The amount of thermal energy produced in the year 2016 was 48.274,47 MWh, used entirely for domestic consumption.

31. COMMITMENTS AND CONTINGENTS

The Company is subject to a number of court actions results in the normal course of carrying out the activity. The Company's management believes that besides the amounts already recorded in these financial statements as provisions or adjustments for impairment and described in the notes to these financial statements, other legal actions will have not significant adverse effects for the economic results and the financial position of the Company.

Insurances

In 2016, the Company has signed several insurance contracts with the insurance companies which mainly refer to:

- Ensuring buildings and supplies (mainly pledged or mortgaged to banks)
- Insurance for vehicle fleet (RCA, CASCO)

Transfer price

In accordance with relevant tax law, the evaluation of transactions with related parties is based on the market price concept for the respective transaction. In this context, the transfer prices must be adjusted to

reflect the market prices which would be made between entities that there is no affiliate relationship and that are acting independently based on normal market conditions.
It is likely that the checks transfer pricing to be achieved in future by the tax authorities, to determine whether these prices comply with the principle of "normal market conditions"and that the tax base is not distorted. The management of the parent company believes that the transactions with the related parties respect the principle of market price for each transaction.

32. RISK MANAGEMENT

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

This note presents information about the Company's exposure towards each risk mentioned above, the Company targets, the policies and the processes for measuring and managing the risk and the procedures for managing the capital.

Background about risk management

The Boards of Directors of the Company have overall responsibility for the establishment and oversight of the risk management framework in each Company.
The activity is governed by the following principles:
a) principle of delegation;
b) principle of decisional autonomy;
c) principle of objectivity;
d) principle of investor protection;
e) principle of stock market development promotion;
f) principle of active role.
The Board of Directors is also responsible to examine and approve the strategic, operational and financial plan of Company and of corporate structure of the Company.
Company risk management policies are defined to ensure the identification and analysis of risks faced by the Company, to establish appropriate limits and controls and to monitorize the risk and to comply the limits set. Policies and risk management systems are reviewed regularly to reflect the changes occurred in the market conditions and in the Company's activities. The Company, through its standards and its procedures of training and management aims to develop an orderly and constructive control environment during which all employees understand their roles and obligations. The internal audit of entities oversees how directorate monitors the compliance with the policies and procedures for risk management and reviews the adequacy of the risk management framework in relation to the risks faced by entities.

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

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

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade liabilities and other liabilities

Below is provided a summary of financial instruments obtained by category:

ASSETS	December 31, 2016	December 31, 2015
Trade receivables and similar	34.712.970	36.895.681
Cash and cash equivalents	588.058	365.202
Total	**35.301.028**	**37.260.883**

ASSETS	December 31, 2016	December 31, 2015
Investments in affiliated	9.439.669	9.439.669
Other long term investments	200	0
Total	**9.439.869**	**9.439.669**

LIABILITIES	December 31, 2016	December 31, 2015
Trade liabilities and assimilated	12.941.114	16.123.428
Current income tax liabilities	87.501	178.509
Total	**13.058.615**	**16.245.732**

The Company monitors the credit risk exposure by analyzing the seniority of receivables that it records and works permanently for the recovery of that past due date or outdated.

Liquidity risk

The liquidity risk is the risk that the Company may encounter difficulties in fulfilling the obligations related to liabilities that are settled in cash or in another financial asset transfer. The Company's approach on liquidity risk is to ensure, to the extent possible, that it always hold sufficient liquidity to meet the liabilities when they become due, both under normal conditions and under stress, without incurring unacceptable losses or jeopardizing the Company's reputation.
The Company has committed long-term loans.
To counteract this risk factor, the Company has applied restrictive policies of delivery of products to uncertain customers. An important role was played by the Company's policy to require in some cases the

payment in advance of the products delivered and a careful selection of new customers depending on their creditworthiness and financial discipline. There was requested guarantees for delivery contracts and tried to reduce the number of days of claims payment by customers of Company established by contract. There were extended the warranty contracts with mortgage in favor of banks with whom we have open credit lines and letters of guarantee so that we can pay our obligations in the event of a cash shortages.

Market risk

The market risk is the risk that market prices variation, such as exchange rate, interest rates and market demand reduction, to affect the Company's revenues.
Market risk - instability in the sale market for building materials, characterized by a significant drop in demand, a prevent risk through market research and marketing policies. The risk of price volatility in electricity, gas, metals, diesel was prevented by finding new suppliers or renegotiating the contracts with the traditional suppliers.
Regarding the activity of producing electricity and heat in high efficiency cogeneration, the biggest risk is the volatility of energy prices compared to costs incurred in MWh, which continuously are influenced by the increase or introduction of new taxes by the ANRM in terms of volume regulation impressive but at the same time changing.

Exposure to interest rate risk

The Company's exposure to the risk of interest rate changes refers mainly to variable interest bearing loans that the Company has for long-term.

Interest rate risk management
In order to manage the interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.
The sensitivity analysis below was determined based on the exposure to interest rates on the date of financial statements. For the liabilities with variable rates, the analysis is prepared assuming the amount outstanding on the date of the financial statements was outstanding throughout the year. An increase or decrease of 1% is the management's assessment related to a possible reasonable changes of interest rates (the other variables remaining constant).

Analysis for change in interest rate risk:

Variable rate loans	**Effect of 1% change in interest rate**			
	2016	**2015**	**2016**	**2015**
Short term loans	29.299.869	32.339.387	292.998,69	323.393,87
Long term loans	18.824.053	16.636.184	188.240,53	166.361,84

Currency risk

The Company has transactions and loans in other currency than the functional currency (RON).
The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.

The foreign exchange rate variations risk generally was prevented by an appropriate management, in the conditions of this economic crisis.

Foreign currency sensitivity analysis.
Since the Company has operations in various currencies, are analyzed the industry specific activities and the corresponding exchange risks. The Company is mainly exposed to the exchange rate of the euro and US dollar against the Romanian leu. Other currencies have only a limited effect on cash flow and profit before interest and tax.
The carrying amounts of the Company's assets and liabilities denominated in foreign currencies at the reporting date are as follows:

	Assets		**Liabilities**	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
EUR	10.108	38.811	868.988	2.296.621
USD	1.637	1.727	0	0

The following table details the Company's sensitivity to a 10% increase or decrease in the exchange rate of EUR and USD. The sensitivity analysis includes only monetary items denominated in foreign currencies outstanding at the reporting date and adjusts their translation at the end of period for a 10% change in foreign exchange rates. A positive amount in the table below shows an increase in profit generated by a variation in exchange rates of 10% and a negative number indicates a decrease in profit by the same amount.
+10% increase in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2016	**2015**	**2016**	**2015**
Profit /loss	(85.886)	(225.756)	164	173

-10% decrease in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2016	**2015**	**2016**	**2015**
Profit /loss	85.886	225.756	(164)	(173)

(i) This impact is mainly attributable to the exposure to the EURO of the money available in bank, of the letters of credit, receivables, payables and bank loans, outstanding at the end of year.

(ii) This impact is mainly attributable to the exposure to the USD of the money available in bank, outstanding at the end of year.

The sensitivity analysis of currency risk inherent presented above shows the translation risk exposure at the end of year; nevertheless, the exposure during the year is permanently monitored and managed by the Company.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Company and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The Company is exposed to the risk of disasters too. In these conditions, the Company acted towards concluding insurance policies to protect against disasters the company assets.
The operational risks come from all the Company's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Company's development of general standards of operational risk management in the following areas:
• Requirements sof separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures
• Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them
• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate.

Risk related to balancing cost

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

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Company had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation, including the application of IFRS.
The Company has implemented these changes, but the way of their implementation remains open to tax audit for 7 years, starting with the financial year 2009.
The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk

that in some cases, the tax authorities could take a different position from that of the Company. It is possible that the Company continue to be subject to tax audits in so far as new tax rules are issued.

33. ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL INDICATORS

	2016	2015
1. Liquidity indicators		
Current liquidity indicator	1.006	0.96
Immediate liquidity indicator	0.833	0.77
2. Risk indicators		
Indebtedness indicator	0.24	0.23
Interest coverage indicator	2.00 times	1.74 times
3. Activity indicators		
Inventory turnover	7.29 times	5.16 times
Number of days of storage	50 days	71 days
Rotational speed customer flow	192 days	170 days
Rotational speed of credit providers	86 days	68 days
Rotational speed of fixed assets	0.29 times	0.32 times
Rotational speed of total assets	0.25 times	0.27 times
4. Profitability indicators		
Return on capital employed	0.0137 times	0.0143 times
Gross margin on sales	2.08%	1.74%
5. Earnings per share indicators		
Earnings per share	0.024209	0.022280

34. EVENTS SUBSEQUENT TO REPORTING DATE

There are no subsequent events that may influence these financial statements**.**

Explanatory notes at the financial statements from 1 to 34 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Daniela

S.C. AUDIT EXPERT S.R.L.
Strada Mircea cel Bătrân, nr. 14 A, Ploieşti
R.C. J29/ 68/ 1998; C.I.F. RO 10117602;
Tel/fax: 0244 596 421; e-mail: auditexpert2004@yahoo.com
Chamber of Financial Auditors of Romania certificate no. 50/ 2001

INDEPENDENT AUDITORS' REPORT

To the shareholders of
PREFAB S.A. Bucharest

In the attention of,
Mr. Chairman
Ing. Peter Marian Milut

Opinion

1. We have audited the accompanying individual financial statements of **PREFAB S.A. BUCHAREST**, („the Company"), which comprise the individual statement of financial position as at 31 December, 2016, the individual statement of profit or loss and other comprehensive income, cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements mentioned refer to:

- Total Equity: 207.479.737 lei;
- Net result of the financial year (Profit): 1.174.965 lei.

2. In our opinion, the individual financial statements present fairly, in all material respects, the individual financial position of the Company as at 31 December 2016, and its individual financial performance and its individual cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards.

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in Section "Auditor's responsibilities" in our report. We are independent of the Company under the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and we met other ethical responsibilities according IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were the most significance in our audit of financial statements of the current period. These matters were addressed in the context of the audit of financial statements as a whole, and in forming our opinion thereon, and do not provide a separate opinion on these matters.

4.1. Implementation of a new IT system starting on 01.01.2016

- **Aspects considered**

As mentioned in Note 2.1. on the financial statements "Basis of preparation", the company implemented in fiscal year 2016 a new IT system for financial accounting, which required significant attention from the statutory auditor, both in terms of setting overall audit strategy, as in ongoing mission. There is a risk in implementation of any new IT system, in not fully provide of data processing accounted for in accordance with applicable accounting standards and deviations may appear in controlling, preservation and archiving of documents on technical supports.

- **The approach during the audit**

Our audit procedures included testing the design and implementation of the new IT system and we considered these:

- the new IT system contains the regulations in place and has the possibility of updating these procedures, according to the changes in legislation;
- adequate knowledge of the functions of automatic data processing system by staff involved and compliance with those functions;
- ensuring the protection of IT software and data from unauthorized access, achieving the confidentiality of the information system through passwords, ID for access to information, backup programs and information;
- random checking on the operation of processing procedures provided by the IT system;
- tests of control checking, random inspections of economic and financial operations accounted, noting whether they are conducted in strict compliance with currently applicable regulations. Data recorded in the accounts must be found in a document, which can be access both by beneficiaries and by other authorized persons;
- the IT system generates clear listings, understandable and complete, containing identification data on the unit name; document or situation type; period to which it relates; and they respect the compliance with the minimum information required in financial accounting forms, etc.
- the system provides data retention for a period of time in compliance with Law no. 82/1991, published; provides archiving software products, data inputs, financial statements or other documents.

We noticed that the new system meets the requirements to identify and report financial data accounting both for management and for other authorized users.
The responsibilities of the company personnel when using the new system for automatic data processing, for database management and archiving, will be detailed in their own internal

control procedures, distributed and processed by those responsible and will be monitored by company management.
We have not identified other issues that require highlighting.

4.2. Revenue recognition - discounts granting

- **Aspects considered**

As described in note 30 to the financial statements, the Company has agreements with customers under which they are eligible for various bonuses, discounts and other commercial or financial discounts, depending on the volume of purchases, advance payment, promotion or marketing of products, etc.
Therefore, the Company recognizes a reduction in revenue generated by such operations. Under IFRS, revenue from a transaction are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In determining the conditions for granting discounts and the period which is attributed the reduction in income, there is an argument used by responsible persons from entity, involving both detailed understanding of contractual clauses and the use of sources with complete and accurate data, relating to the sales volume and relevant period for calculating the reductions that may be granted.

Due to accounting errors that may appear in this field, we paid significant attention to the design and implementation of internal controls related to company business revenue recognition.

- **The approach during the audit**

During our mission, we have gained a detailed understanding of the activities conducted by the Company in connection with commercial revenue recognition.

Our audit approach included testing of completeness and accuracy of data entry into the system, the Company's control keys, such as sales volume data. Our substantive procedures regarding the operations of the Company's sales included the following tests:
• We tested whether the recognized amounts are correct and properly charged to the corresponding period, based on confrontation with a sample of contracts with different customers.
• We used analytical procedures to verify the commercial income registered and the discounts given. Detailed tests were conducted on income recognition of the entity.

The results of the tests carried out by us have been satisfactory. We have not identified issues requiring highlighting.

4.3. Estimates and judgments use in preparing and presenting of the financial statements

- **Aspects considered**

As described in Note 2.4. "Use of estimates and judgments" from the Company's financial statements, estimates and assumptions are used mainly for presentation at fair value of tangible

and intangible assets, of securities held and valued at cost, estimating the useful life of a depreciable asset for allowance for impairment of receivables and inventories for different categories of provisions; to recognize deferred income tax assets. Use of estimates and judgments by the management, is resulting from the need to comply with the requirements of the applicable financial reporting regarding the fair presentation of the financial position and performance of the company in the financial

Estimates and judgments are periodically reviewed. Actual results may differ from the estimated values. Company management stated in the financial statements that any deviation from these estimates will not have a significant influence on the financial statements in the near future.

Management's estimates are based on information available at the time the financial statements are closed, and on assumptions, sometimes subjective, related to transactions, future events, or on some estimation. There is a risk in the degree of subjectivity to influence significantly the values and presentations on items subject to estimates and judgments of management in the financial statements.

- **The approach during the audit**

In carrying out our mission we obtain audit evidence, by performing specific audit procedures, evidence on the consistent presentation of financial statements related to accounting estimates in accordance with the requirements applicable to. We have ensured that the management assumptions in establishing the estimates were adequate, and we have assured that the accounting estimates and the related disclosures made by management in the financial statements were reasonable. Examples:

- We have taken care in understanding the conditions for the accounting estimates recognition generated by responsible persons, information which formed the basis of assumptions;
- We have discussed with the management and we reviewed the assumptions that formed the basis of accounting estimates in order to determine if they were properly applied;
- We looked for new types of transactions that could cause the necessity of accounting estimates; if they have changed the terms of transactions previously carried out and these can involve new estimates; if there were new conditions and events that may lead to a need for new or revised accounting estimates; if they changed the accounting policies related to estimates or professional judgment
- We tested the effectiveness of controls related to the existence, integrity and usefulness of tangible assets and inventories by analysing a sample of inventory' assets.
- We obtained from the entity lawyer a list of litigations involving the company, both as a defendant, and plaintiff. Based on professional judgment we evaluated the risks involved and we reviewed the estimates made by management regarding these events.
- We used analytical procedures and we reviewed the accounting estimates set previously;
- We perform confirmation of the receivables from the balance sheet;
- We reviewed ongoing contracts with customers;
- We checked a sample of stocks to confirm its recognition at the lowest level between cost and net realization value, by comparing prices with the purchase invoices and sales;

- We reviewed the minutes of board meetings and other reports, briefings and correspondence, to identify areas requiring the Company attention;
- We have reviewed the financial statements of entities in which the company owns securities;
- We looked if the events or transactions that occurred between the end of the period and the date of our audit report, contradict management's estimates.

The results are satisfactory and the estimates are applied in accordance with the Company policy.

Although the depreciation and the provisions recognized by the entity in the financial statements are relatively low, after evaluating the reasonableness of management's assumptions that formed the basis of accounting estimates, the auditor has concluded that there is no high risk of uncertainty in estimates that could cause a significant risk of distortion of financial statements.

Responsibilities of Management and Those Charged with Governance for the Individual Financial Statements

5. The management is responsible for the preparation and fair presentation of these individual financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

6. Our objectives are to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for

our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the individual financial statements, including the disclosures, and whether the individual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the individual financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated those charged with governance, we determine those matters that were of most significance in the audit of the individual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements/ Report on Conformity of the Administrators' Individual Report with the Individual Financial Statements

7. The Administrators are responsible for the preparation and presentation of the Administrators' Individual Report, in accordance with the Order of the Minister of Public Finance no 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards, points 15-19, that does not contain material misstatements. Administrators are also responsible for such internal control as management considers necessary to enable the

preparation of the Administrators' Individual Report that is free from material misstatement, whether due to fraud or error.

The Administrators' Individual Report is presented on page 1-38 and it's not a part of the individual financial statements.

Our opinion on the individual financial statements does not include an opinion regarding the Administrators' Individual Report.

In connection with our audit of the individual financial statements, in accordance with the Order of the Minister of Public Finance no 2844/2016, points 15-19, we have read the Administrators' Individual Report attached to financial statements and presented on page 1-38 and we report that:

a) in the Administrators' Individual Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying individual financial statements attached;
b) the Administrators' Individual Report identified above include, in all material respects, the information required by Order no. 2844/2016 points 15-19;
c) based on our knowledge and understanding acquired during the audit of financial statements for the year ended December 31, 2016 on the Company and its environment, we have not identified any information contained in the Administrators' Individual Report to be significantly flawed.

Ploiesti, 24 March 2016

Financial Auditor,
Roman Ileana - registered at the Chamber of Financial Auditors of Romania with certificate no. 1199/2001

On behalf of,

S.C. AUDIT EXPERT S.R.L.
Audit Firm - registered at the Chamber of Financial Auditors of Romania with certificate no. 50/ 2001

General Director,
Constantin Maria – registered at the Chamber of Financial Auditors of Romania with certificate no. 184/ 2001

CONSOLIDATED ANNUAL REPORT
For the financial year 2016
According to provisions of OMPF 2844/2016 and A.S.F./ C.N.V.M. Regulations

For the financial year: 2016
Date of report: 19.04.2017
Name of the company - Prefab S.A.
Registered Office - Bucuresti, Dr. Iacob Felix, nr. 17-19 ,et.2, sector 1
Premises: Calarasi, str. Bucuresti, nr. 396
Phone no./fax - 021-3315116/ 021-3305980
Tax Identification Number at Trade Registry Office - RO 1916198
Trade Register Registration Number - J40/9212/2003
Regulated market where the issued securities are traded - Bucharest Stock Exchange, Standard category
Subscribed and paid in share capital - 24.266.709,5 lei
The main characteristics of the securities issued - the company has issued a number of 48.533.419 registered shares each with a nominal value of 0,5 lei, dematerialized
Accounting standard applied: International Financial Reporting Standards
Auditing: The financial statements are audited.

1. Activity of companies in the „Group''

a. Description of the company's core business

PREFAB S.A.BUCURESTI - parent company, is a company limited by shares in accordance with the provisions of 31/1990 Act on companies, republished, including subsequent amendments and additions. The company is registered at Trade Registry Office under no. 40/9212/04.07.2003 and has the tax registration number RO 1916198 and since January 01, 2006, following the provisions of the Tax Code amended to date, it was assigned the fiscal registration code for the purposes of VAT - RO 1916198. The main activity is according to the Articles of Association - Manufacture of concrete products for construction, NACE Code 2361.

The ownership structure on 31.12.2016 was as follows:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDER - LEGAL PERSONS	422.298	0.8701
OTHER SHAREHOLDER - NATURAL PERSONS	1.536.617	3.1661
TOTAL	**48.533.419**	**100**

PREFAB S.A. BUCURESTI, as parent company, as defined in the accounting regulations applicable to society groups, performs the consolidation of annual financial statements according to provisions of Art. 9, Para. 3 of Accounting Law no. 82/1991, republished, because it holds the majority of voting rights of shareholders or associates in other entities, called subsidiaries.
Also, being an entity whose securities are admitted to trading on a regulated market, PREFAB S.A. BUCURESTI, holding a position of control in several subsidiaries, according to provisions of Regulation

no. 31/2006 on completion of certain regulations of A.S.F./C.N.V.M, to implement certain provisions of European directives, is obliged to release to the public by sending to National Securities Commission and to the regulated market operator, the consolidated financial statements for the financial year ended on 31.12.2016.
Following the expansion of marketing activities, PREFAB SA has holdings in these companies with a total value of 9.439.668,9 lei, as follows :

- 99.9% of PREFAB INVEST SA Bucuresti capital
- 100% of PREFAB BG EOOD SA Bulgaria capital
- 99.8707% of FOTBAL CLUB PREFAB 05 SA MODELU capital

RELATED PARTIES:

PREFAB INVEST S.A. BUCURESTI

Office: Bucuresti, Dr. Iacob Felix, nr. 17-19 ,et.2, sector 1
Date of foundation: 10/05/2000
Foundation method: subscription of shares
Main activity according to NACE: code 2361 - Manufacture of concrete products for construction
Directorate in 2016:
Chairman of the Board of Directors - Eng. Milut Petre Marian
Director general - Ec. Nistor Carmen
Director economic - Ec. Tancu Razvan
Share capital: - 150.000 lei consisting of a number of 4.000 shares having the nominal value of 37.5 lei/share.

PREFAB BG EOOD SRL Bulgaria

Office: Silistra, Dobrich Street, no. 15, Bulgaria
Date of foundation: 06.02.2004
Foundation method: subscription of shares
Main activity according to NACE: code 2361 - Manufacture of concrete products for construction
Directorate in 2016 - Manager: jr. Macovei Olimpian
Share capital - value 18.918,9 lei equivalent to 10.000 leva

FOTBAL CLUB PREFAB 05 SA

Office: str. Calarasi, nr. 175 B, com.Modelu, Calarasi
Date of foundation: 25/07/2005
Foundation method: subscription of shares
Main activity according to NACE: code 9319 - Other sports activities
Directorate in 2016:
In 2016 the company was led by the Board of Directors consisting of:
1). Dumitriu Dumitru - Chairman of the Board of Directors
2). Dragomir Constantin
3). Nuta Domnica

Share capital - value 9.282.900 lei consisting of a number of 30.943 shares having the nominal value of 300 lei/share. The activity of Fotbal Club Prefab 05 SA is suspended since 2013.

b. Specification of the company date of foundation

The parent company PREFAB S.A. was founded in the year 1990, by taking full heritage of ex « Intreprinderea de Materiale de Constructii Calarasi » which was founded in the year 1967.

The company PREFAB S.A. was organized in the current structure under Law no. 15/1990 and under Government Decision no. 1200/12.11.1990, being registered with the Trade Register under the no. J40/9212/2003.

PREFAB INVEST S.A. BUCURESTI - Date of foundation: 10.05.2000
PREFAB BG EOOD Bulgaria - Date of foundation: 06.02.2004
FOTBAL CLUB PREFAB 05 - Date of foundation: 25.07.2005

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

During the financial year 2016 there was no change/ significant reorganization, merger, division or dissolution for Prefab SA and affiliates.

On 31.12.2016, the parent company PREFAB SA has the following premises:

1. Premises in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi
2. Premises in Statiunea Jupiter, sat vacanta Zodiac, lot nr.3, Mangalia, jud. Constanta

Prefab Invest had until 31.10.2016 the following premises: Bucuresti, sector 3, soseaua Garii Catelu.

The other affiliates have no premises.

d. Description of acquisitions and/or alienation of assets

STATEMENT OF CONSOLIDATED FINANCIAL POSITION

	December 31, 2016	**December 31, 2015**
Tangible assets	219.631.488	219.439.356
Intangible assets	338.850	430.987
Investment property	2.929.980	2.928.503
Investments in affiliated entities	300	100
Biological assets	12.263	13.298
TOTAL FIXED ASSETS	**222.912.881**	**222.812.244**
Stocks	7.333.702	9.611.541
Trade receivables and other receivables	39.359.533	40.552.926
Cash and cash equivalents	619.650	524.921
Other assets (prepayments)	750.940	770.680
TOTAL CURRENT ASSETS	**48.063.825**	**51.460.068**
1. TOTAL ASSETS	**270.976.706**	**274.272.312**
Share capital	24.278.859	24.278.859
Adjustments of share capital	0	0
Other components of share capital	(367.391)	(675.164)
Share premium	14.305.342	14.305.342

Revaluation reserves	123.230.103	123.429.629
Reserves	38.686.427	38.092.112
Reserves of conversion	3.658	3.067
Retained earnings except that from the adoption for the first time of IAS 29	656.945	519.218
Retained earnings from the adoption for the first time IAS 29	0	0
Profit at the end of the reporting period	1.126.700	1.108.757
Distribution of profit	70.822	0
2.TOTAL EQUITY	**201.849.821**	**201.061.820**
Long term loans	18.824.053	16.636.184
Deferred income tax liability	367.392	675.165
TOTAL LONG-TERM LIABILITIES	**19.191.445**	**17.311.349**
Trade payables and other payables	12.716.506	15.583.088
Short term loans	29.299.869	32.339.387
Other liabilities	1.404.116	946.811
TOTAL SHORT-TERM LIABILITIES	**43.420.491**	**48.869.286**
Subsidies for investment, of which:	**6.523.394**	**7.038.311**
- current party	504.795	514.916
- more than one year	6.018.599	6.523.395
3. TOTAL LIABILITIES	**270.985.151**	**274.280.766**
4. MINORITY INTEREST	**(8.445)**	**(8.454)**

Changing of the balance sheet fixed assets during the year 2016: there is an increase of 0.50% due to investments in the parent company for the subsidiaries of AAC, Tubes and Cogeneration, continuing the process of modernization of the technological processes.

Sources of funding for this investment were our own sources

The parent company in 2016 alienated these ancillary assets:

- Apartment no. 25 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti
- Apartment no. 31 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti

The affiliated company, Prefab Invest, alienated construction amounting 25.362 lei.

There were not alienated assets that influence the execution of the object of activity of the Group or that may affect the achievement of expected economic benefits.

Also in the parent company, they were disposed fixed assets worth 508.434 lei, consisting of means of conveyance and equipment fully depreciated and which can no longer be used in the company's activities.

1.1.1. Elements of general evaluation

PREFAB SA has prepared the consolidated financial statements in accordance with the provisions of **OMFP 2844/2016**, which are pursuant to International Financial Reporting Standards adopted by European Union (IFRS), in force on the annual reporting date of the company, namely on 31.12.2016.

Indicator	2016	2015
Net turnover	**70.516.304**	**76.902.540**
Other operating income	11.337.589	14.030.310
Total operating income	**81.853.893**	**90.932.850**
Raw materials and supplies expenses	34.424.858	38.166.647
Other material expenses	2.848.286	3.113.567
Energy and water expenses	12.819.288	17.242.409
Expenditure on goods	116.391	179.898
Trade discounts received	(379.009)	(470.492)
Staff costs	11.929.582	10.640.914
Depreciation and amortization expenses	6.143.019	8.818.037
Other operating expenses	11.063.970	11.538.111
Total operating expenses	**78.966.385**	**89.229.091**
Operating result	**2.887.508**	**1.703.759**
Interest income	452	463
Other financial income	234.487	50.168
Income from investments	0	1.531.791
Total financial income	**234.939**	**1.582.422**
Interest expenses	1.407.533	1.780.372
Other financial expenses	284.208	123.427
Total financial expenses	**1.691.741**	**1.903.799**
Financial result	**(1.456.802)**	**(321.377)**
Current result	**1.430.706**	**1.382.382**
Total income	**82.088.832**	**92.515.272**
Total expenses	**80.658.126**	**91.132.890**
Gross profit	**1.430.706**	**1.382.382**
Income tax	**303.996**	**273.533**
Net profit	**1.126.710**	**1.108.849**

The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. Bucuresti with the largest share in the Group's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity started in February.

In 2016, Prefab SA sold approximately 428.000 m³ of AAC, maintaining its position taken in the previous years on this market for this product.

Regarding the market of precast and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes, there were no significant changes, it being in the same setback due primarily to financial bottlenecks in the investments area.

In 2016, the total volume of precasts produced and marketed was 4.463,10 m³ plus concrete goods 77.90 m³, a very small volume for the existing production capacity.

Regarding the sewage pipes PREMO-SENTAB, the volume was 2.167,65 m³. Regarding the work of the cogeneration plant, the amount of electricity produced in 2016 was: 27.407,90 MWh of which was delivered in SEN the cantity of 21.741,935MWh, the cantity of 5.665,965 MWh being used for domestic consumption. For the cantity of electricity delivered in SEN, the company is qualified to obtain the bonus of cogeneration in the aid scheme to promote high-efficiency cogeneration. In 2016 this was in the amount of 211,36 lei/ MWh delivered in SEN.

The amount of heat produced in 2016 was 48.274,47 MWh, being fully used for domestic consumption.

The affiliated companies PREFAB INVEST and PREFAB BG mainly sells PREFAB products in their geographic area.

Liquidity:
- cash and accounts at banks at the beginning of the period: 524.921 lei
- cash and accounts at banks at the end of period: 619.650 lei
- cash flow: 94.729 lei

The affiliated companies: PREFAB INVEST S.A., PREFAB BG EOOD and FOTBAL CLUB PREFAB 05 have not contracted loans from banking institutions.

The money include the current accounts in lei and in foreign currency, the available cash. The money is evaluated on the exchange rate announced by the NBR valid on the reporting date.

1.1.2. Evaluation of the technical level of the company

PREFAB SA - the parent company is one of the major manufacturers in Romania of:

a. AAC (autoclaved aerated concrete) with a capacity of 500.000 m³ per year
b. Typified Precast
c. Concrete pipes for water and sewage networks (Premo and Sentab technology)
d. Untypified Precast

And one of the important suppliers of the local market for:

e. Aggregates
f. Concrete Goods
g. PVC Joinery
h. Electrical power (since April 2013)

We note that the production structure has always been correlated with market conditions respectively with the quantity and assortment required.

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

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

PREFAB SA - the parent company, is one of the major national manufacturers of building materials, with a diverse portfolio of marketed products.

The main markets are in: Romania, Bulgaria and Republic of Moldova

In Romania the sales market structure is:

a. for AAC: Muntenia, Transilvania, Moldova
b. for Precast: over Romania
c. for Aggregates, Concrete Goods, PVC Joinery: local market

It works as a policy of selling differentiated depending on the specificity of each product.

a. AAC is sold through Distributors or DIY chains (Do It Yourself)
b. Precast are sold by auction method or negotiation on project.

Sales by geographic areas:

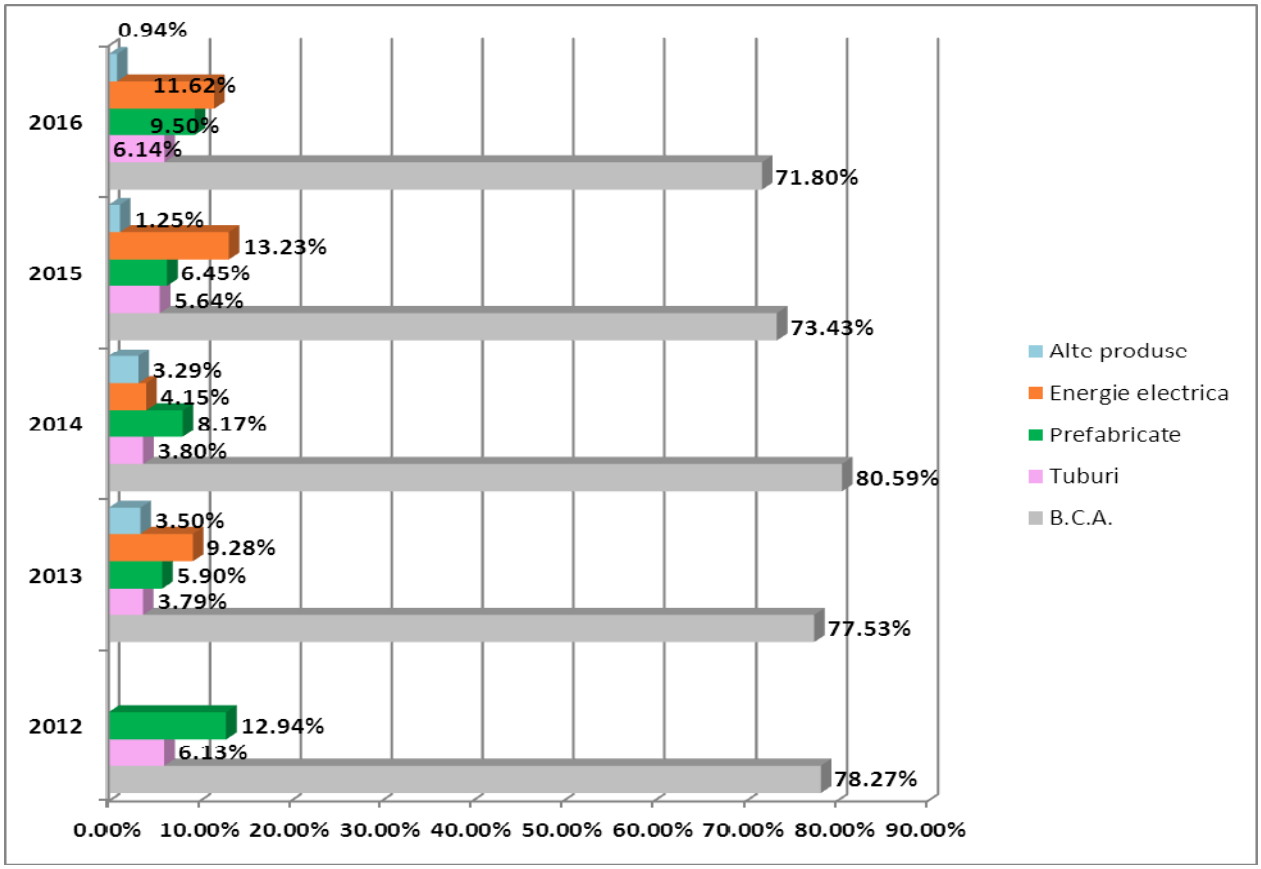
Geographic area	Sales in 2014	Sales in 2015	Sales in 2016
1. Muntenia	92.26%	87.52%	81.03%
2. Transilvania	0.12%	0.22%	0.27%

3. Moldova	6.91%	10.97%	17.97%
4. Bulgaria	0.54%	0.35%	0.18%
5. Moldova (country)	0.17%	0.94%	0.55%

b. the weight of each category of goods or services in the income and the total turnover of the company for the last three years:

PREFAB SA continuously watched over the years the differentiation from the national competitors, giving special importance to refurbishment and modernization of production process, to increasing product quality and customer service, in terms of declining of purchasing power on market.

Description of products	2012	2013	2014	2015	2016
A.A.C.	78.27%	77.53%	80.59%	73.43%	71.80%
Tubes	6.13%	3.79%	3.80%	5.64%	6.14%
Precast	12.94%	5.90%	8.17%	6.45%	9.5%
Electric power	0	9.28%	4.15%	13.23%	11.62%
Other products	2.66%	3.50%	3.29%	1.25%	0.94%



Turnover recorded in the year 2016 by the parent company:
- **Prefab S.A. 67.977.103 lei**

Turnover recorded in the year 2016 by the affiliated companies:
- **Prefab Invest : 14.705.262 lei**
- **Prefab BG: 89.548 lei**
- **Fotbal Club Prefab 05: 0 lei (suspended activity)**

c. the new products contemplated for which will be affected a substantial volume of assets in the future financial year and the stage of development of these products

Through the specifics of activity, Prefab SA - the parent company, always has new products on the production line, depending on market demand structure of precast products, products that run on demand by adapting or creating new patterns, according to technical projects.

For the product AAC, the Hebel type manufacturing technology is strict and does not allow modifying products that are produced according to international product Standards, but in the branch of AAC, permanently take place improvements on technological lines of production, upgrades of IT systems for control of processes, periodic revisions and updates of technological equipment (mobile cranes, automatic cutting machine, autoclaving control etc.)

In the branch of Precasts, there are performed and sold two types of typified and un typified products.

The typified precast are standardized for different types of works. For example, the centrifuged poles of concrete for the overhead lines are standardized products with special conditions.

On the other hand, the commercial and industrial projects (industrial or commercial halls of Hypermarkets type) suppose to follow the dimensions of project precast, which basically means to enter into production almost every month new products, new patterns etc., to execute monthly new products, without substantial volume of new assets.

Since 2013 the new products obtained are the electricity and heat, produced in high efficiency cogeneration to cover domestic consumption in the production process but also to deliver energy in SEN.

1.1.3. Evaluation of the technical-material supply activity

The main objectives of supply activity were:
- reducing acquisition costs, thus reducing production costs
- identifying new suppliers
- providing the necessary raw materials, spare parts, depending on stocks policy
- getting the best supply conditions in contracting (quality/ price/ payment terms)

The current stock in which is included the safety stock too, ensures the smooth running of the production activity.

The main suppliers of raw materials:

- cement	- CRH Ciment Romania SA
	- Holcim Romania SA
- lime	- Celco SA
	- SMA Mineral Burgas
- aluminum paste	- Grimm Metallpulver Germany

- balls mill grinding	- Wirenet Services Corp Panama
- steel	- Arabesque Bucharest
	- Mairon Bucharest
	- D&D Drotaru Ungaria
- marsh gas	- Engie Romania SA

Commercial relationships with main suppliers of raw materials, are based on compliance with the clauses included in contracts of sale concluded or where appropriate, extended at the beginning of each year. The choice of supplier is made having as basic principles the quality-price ratio, the payment conditions and the market development of that product.

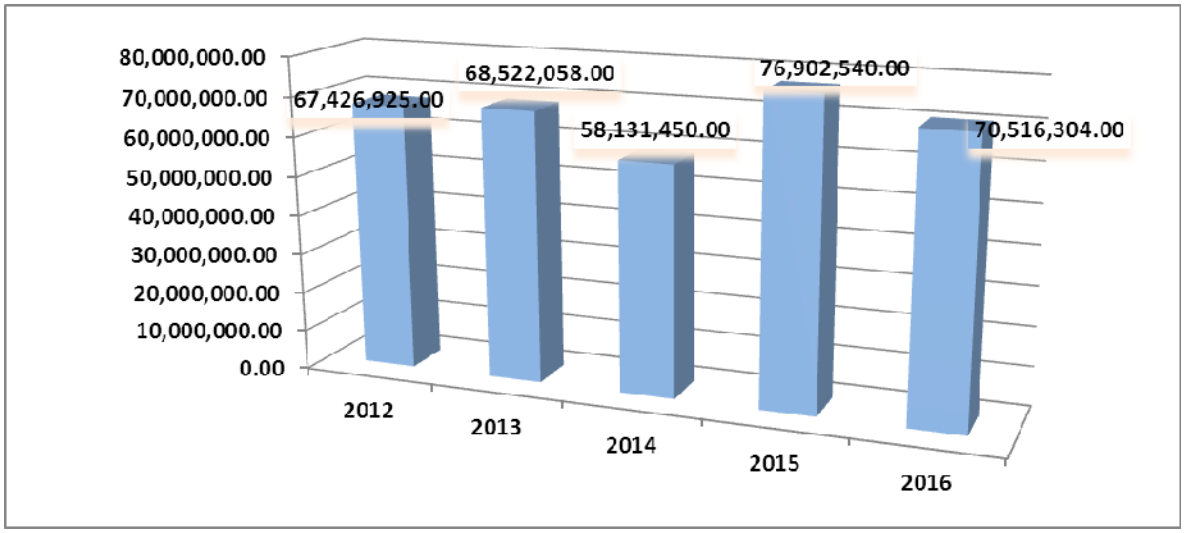
1.1.4. Evaluation of the sale activity

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

Sequential sales activity for the period 2012 - 2016 is presented in the table 1.1.2, point a.)

Evolution of the turnover of the group in the last 5 years is as follows:

2012	2013	2014	2015	2016
67,426,925.00	**68,522,028.00**	**58,131,450.00**	**76,902,540.00**	**70,516,304.00**



Prospects for medium and long-term sales are reported at the factory's existing capabilities, namely the construction of new production capacities property of PREFAB SA.

It is expected for the period 2017 - 2019:

Domestic market:

- Maintaining sales volumes in traditional markets for AAC and increase margins.
- Gaining new markets for Typified Precast in Banat, Oltenia, Ardeal.
- Gaining new markets for Tubes in Banat, Oltenia, Ardeal, Moldova

- Increasing of sales volumes of Precast and Tubes in traditional markets from Muntenia, Dobrogea, Moldova.
- In long term, to own a market share of 12% from the market of untypified precast and infrastructure projects.

Prefab Invest, Prefab BG subsidiaries through the services rendered of sale, the representation, mainly addresses to the economic agents from our country and abroad (Bulgaria). We appreciate that both internal and external market also face the competition from national perimeter of the respective market.

b. Description of the competitive situation in the objects to the business of the company, the market share of company products or services and the main competitors

In 2016, the Group sold around 428.000 m³ of AAC.
Traditional competitors on AAC market:
- Celco Constanta
- Prefabricate Vest Bucuresti
- Elpreco Craiova
- Somaco SA
- Soceram

The market of precast products of reinforced and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes was in decline due primarily to economic conjuncture and financial bottlenecks in the investment field. PREFAB S.A. Bucuresti tried to maintain its market position, obtained in previous years.

In 2016 the total volume of precast producted was 4.463,10 m³ plus concrete goods 77.9 m³, an unsatisfactory volume for the existing production capacity.

Traditional competitors in the market for precast:
- Asa Cons Consolis Turda
- Bauelemente Ploiesti
- Ergon Ploiesti
- Somaco Grup Prefabricate
- Lupp Sibiu
- Tiviere Construzioni
- Precon Bucuresti
- Dunapref Giurgiu

On market stands for both the parent company and its affiliates, relationships disputing competition for the same market segment with other competitors with the same activity.

c. Description of any significant dependence of the company compared to one customer or compared to a group of customers whose loss would have a negative impact on company revenue

As the client list - supply chain, as well as balanced territorial dispersion, the Group does not significantly depend on a single customer, as a result, the loss of a client can not have negative impact on group.

1.1.5. Assessment of aspects related to company's employees/staff

a. specifying both the number and the training level of the company's employees and the degree of unionization of the employment

On 31.12.2015 the average number of employees at group level is 342, and the effective one is 342 employees. In 2016 the average number at group level was 396 and the effective one on December 31, 2016 was 364 employees.

The shortage of staff in 2015 is during the cold season due to the seasonality of activity in construction.

In relation to Employers, the employees are represented by Prefab Free Union. The unionisation in 2016 is for 99%.

The Group has no debts to directors or managers in the analyzed period and there were no advances or loans granted to directors or managers.

Regarding the *personnel recruitment and selection*, this period is characterized by a rather limited supply of qualified staff, introducing more rigorous selection phase of potential candidates.

The Group attaches great importance to the organization of *training courses*, to the efficient work style and to the interdepartmental collaboration.

During 2016 it was constantly watched the *evaluation of staff performance* and the setting of individual targets by checking their quarterly.

b. description of the relationship between manager and employees as well as any conflicting elements that characterize these reports

During 2016 there were no conflicts between the company management and employees.

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

PREFAB S.A., on group, proposes to intensify the concerns about ensuring and maintaining an environment on the level required by International and European Standards.

For that were established the following objectives:

1. Implementation and certification of an environmental management system. The company has environmental management certificate no. 08/27.06.2014 according to SR EN ISO 14001: 2005;
2. Identification and control of environmental aspects associated with all activities taking place in the company, to ensure compliance with legal requirements and prevention of pollution by:

- minimizing the amount of waste generated and managing them safely when their occurrence can not be avoided;
- improving the quality of water discharged from the company;
- reducing NOx emissions into the atmosphere;
- reducing the consumption of natural resources.

3. Enssuring policy communication to all the internal and external stakeholders;
4. Creating conditions for implementation, maintenance and continuous improvement of environmental management system by providing competent human resources and material resources necessary to maintain the environmental policy and to meet the goals.

During 2016 it was followed observing the legal requirements and those contained in regulatory legal acts, this being acknowledged too upon inspection by authorized bodies.

1.1.7. Evaluation of research and development activity

The activity of research within the company PREFAB SA runs through Technical service and their laboratories and through collaborations with design institutes with direct implications in increasing the quality of products and services of our company, by improving the fabrication recipes and improvement schemes to increase the work productivity, namely:

- modernization of existing production capacities, improvement of work microclimate, extend the sales markets and the object of activity, automation of technological processes.
- the investments made were from own and borrowed sources.

1.1.8. The evaluation of the company's risk management

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

This note presents information about the Group's exposure towards each risk mentioned above, the Group targets, the policies and the processes for measuring and managing the risk and the procedures for managing the capital.

Background about risk management

The Boards of the entities have overall responsibility for the establishment and oversight of the risk management framework in each entity.
The activity is governed by the following principles:
a) principle of delegation;
b) principle of decisional autonomy;
c) principle of objectivity;
d) principle of investor protection;
e) principle of stock market development promotion;
f) principle of active role.
The Board of Directors is also responsible to examine and approve the strategic, operational and financial plan of entities and of corporate structure of the Group.
Group risk management policies are defined to ensure the identification and analysis of risks faced by the Group, to establish appropriate limits and controls and to monitorize the risk and to comply the limits set. Policies and risk management systems are reviewed regularly to reflect the changes occurred in the market conditions and in the Group's activities. The Group, through its standards and its procedures of training and management aims to develop an orderly and constructive control environment during which all employees understand their roles and obligations.

Credit risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country in which it operates. Most clients of Group operates in Romania.

The ***main financial instruments*** used by the Group of which arise risks relating to financial instruments, are:

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade liabilities and other liabilities

Below is provided a summary of financial instruments obtained by category:

ASSETS	December 31, 2016	December 31, 2015
Trade receivables and similar	39.359.533	40.552.926
Cash and cash equivalents	619.650	524.921
Total	**39.979.183**	**41.077.847**

LIABILITIES	December 31, 2016	December 31, 2015
Trade liabilities and assimilated	12.716.506	15.583.088
Other liabilities (including tax)	1.404.116	946.811
Total	**14.120.622**	**12.627.505**

The Group monitors the credit risk exposure by analyzing the seniority of receivables that it records and works permanently for the recovery of that past due date or outdated.

Liquidity risk

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

Market risk

The market risk is the risk that market prices variation, such as exchange rate, interest rates and market demand reduction, to affect the Group's revenues.
Market risk - instability in the sale market for building materials, characterized by a significant drop in demand, a prevent risk through market research and marketing policies. The risk of price volatility in

electricity, gas, metals, diesel was prevented by finding new suppliers or renegotiating the contracts with the traditional suppliers.

Exposure to interest rate risk
The Group's exposure to the risk of interest rate changes refers mainly to loans bearing variable interest that the Group has for long-term. For our company, the loans are contracted with fixed interest, the variable component being EURIBOR and ROBOR.

Interest rate risk management
In order to manage the interest rate risk, the Group's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.
The sensitivity analysis below was determined based on the exposure to interest rates on the date of financial statements. For the liabilities with variable rates, the analysis is prepared assuming the amount outstanding on the date of the financial statements was outstanding throughout the year. An increase or decrease of 1% is the management's assessment related to a possible reasonable changes of interest rates (the other variables remaining constant).

Analysis for change in interest rate risk:

Variable rate loans	**Effect of 1% change in interest rate**			
	2016	**2015**	**2016**	**2015**
Short term loans	29.299.869	32.339.387	292.998,69	323.393,87
Long term loans	18.824.053	16.636.184	188.240,53	166.361,84

Currency risk

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

The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.
The foreign exchange rate variations risk generally was prevented by an appropriate management, in the conditions of this economic crisis.
Since the Group has operations in various currencies, are analyzed the industry specific activities and the corresponding exchange risks. The group is mainly exposed to the exchange rate of the euro and US dollar against the Romanian leu. Other currencies have only a limited effect on cash flow and profit before interest and tax.

Foreign currency sensitivity analysis
The carrying amounts of the Group's assets and liabilities denominated in foreign currencies at the reporting date are as follows:

	Assets		**Liabilities**	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
EUR	10.108	38.811	868.988	2.296.621
USD	1.637	1.727	0	0

The following table details the company's sensitivity to a 10% increase or decrease in the exchange rate of EUR and USD. The sensitivity analysis includes only monetary items denominated in foreign currencies outstanding at the reporting date and adjusts their translation at the end of period for a 10% change in foreign exchange rates. A positive amount in the table below shows an increase in profit generated by a variation in exchange rates of 10% and a negative number indicates a decrease in profit by the same amount.

+10% increase in the exchange rate of foreign currencies

	Impact of EUR (i)		Impact of USD (ii)	
	2016	**2015**	**2016**	**2015**
Profit /loss	(85.886)	(225.756)	164	173

-10% decrease in the exchange rate of foreign currencies

	Impact of EUR (i)		Impact of USD (ii)	
	2016	**2015**	**2016**	**2015**
Profit /loss	85.886	225.756	(164)	(173)

(i) This impact is mainly attributable to the exposure to the EURO of the money available in bank, of the letters of credit, receivables, payables and bank loans, outstanding at the end of year.
(ii) This impact is mainly attributable to the exposure to the USD of the money available in bank, outstanding at the end of year.

The sensitivity analysis of currency risk inherent presented above shows the translation risk exposure at the end of year; nevertheless, the exposure during the year is permanently monitored and managed by the Group.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Group and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The Group is exposed to the risk of disasters too. In these conditions, the Group acted towards concluding insurance policies to protect against disasters the company assets.
The operational risks come from all the Group's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Group's development of general standards of operational risk management in the following areas:
• Requirements sof separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures
• Requirements for periodic review of operational risk to which the Group is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them

• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate

Risk related to balancing cost

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

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Group had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation, including the application of IFRS.
The Group has implemented these changes, but the way of their implementation remains open to tax audit for 5 years or even 7 years, starting with the financial year 2009.
The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk that in some cases, the tax authorities could take a different position from that of the Group. It is possible that the Group continue to be subject to tax audits in so far as new tax rules are issued.

1.1.9. Elements of perspective regarding the company's activity

a. presenting and analyzing the trends, elements, events or factors of uncertainty which affect or may affect the liquidity of the company compared to the same period of the last year.

The immediate liquidity for the parent company decreased from 0.77 in 2015 to 0.833 in 2016. The recommended acceptable value is around 2, this giving the guarantee to cover the current liabilities from the current assets.

b. presenting and analyzing the effects of capital expenditures, current or anticipated on the financial statement of the company compared to the same period of the last year.

Changing of the balance sheet fixed assets during 2016: there is an increase of 0.05%, an increase being due to the investment realized within the company for the branches AAC, Tubes and Cogeneration Plant, continuing the process of modernization of the production activity. The sources of funding for this investment were own sources.

The investment program proposed for 2017 stands at a value of 3.010.649 lei. Among the major investments planned to be built, we include:

- osmosis enlarge capacity by purchasing a complete kit for converting the existing demineralisation plant RO 01-15 IN installation type ro 03-18.
- introduction of branch Ballast in the energy circuit of the cogeneration plant.
- purchase of a drum with motor for the mobile mixer and a braid anchor
- replace the computers from dosing station and control room autoclaving, by changing the PLC and PC communication system.

- repair works on own to the concrete station PREMO and SENTAB.
- production of metal molds for projects to be carried out in the ward.
- purchase a used bulldozer for ballast maneuvers to shore.
- purchase of two trucks with crane and trailer
- replacement of 6 KV cable for supply AAC - Compressors and Precasts.
- upgrading the facilities and equipment from Branches AAC, Tubes and Precast etc.

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

The basic activity is still affected by the low levels of construction materials market for civil and industrial construction and by the lack of investment in national infrastructure.

2. Tangible assets of the Group

2.1. Specification of the location and characteristics of the main production capacities owned by the company

The assets and the production capacities belong to the parent company, PREFAB, are located on land in the company's patrimony and operates in the following structure:

1. PREMO tubes:
   - PREMO - IPREROM production technology;
   - production capacity: 210 km equivalent ∅600
2. SENTAB tubes:
   - production capacity: 122 km equivalent ∅600;
3. Autoclaved aerated concrete:
   - production technology is based on HEBEL license;
   - production capacity: 500 000 m³;
4. Various precast elements:
   - production technology - type STAND;
   - projected capacity: 50 000 m³;
5. Mineral aggregates:
   - extraction technology from the Danube with the repressed - absorbance dredger;
   - raw material processing in sorting - ranking stations;
   - production capacity: 700 000 m³;
6. Power: the high-efficiency cogeneration plant equipped with a generator of 5,4 MW, that produces electricity and steam.

The affiliated companies have not production capacities.

2.2. Description and analysis of the group properties rate of wear

- Buildings = 39.53 %
- Equipments = 46.11 %

2.3. Specification of potential issues related to the ownership of tangible assets of the company

The parent company and its affiliates are the owners of their assets and there are no disputes about the ownership.

3. Market of securities issued by the company

3.1. Since July 5, 2010, the shares issued by PREFAB S.A. are traded on the regulated market administrated by Bucharest Stock Exchange, in the Sector Equity, Standard Category.

3.2.

Dividends	**2008** - lei -	**2009** - lei -	**2010** - lei -	**2011** - lei -	**2012** - lei -	**2013** - lei	**2014** - lei	**2015** - lei	**2016** - lei
due	4.479.634,5737	-	-	-	-	-	-	-	-
paid	-	2.682.556	1.690.048	1.221	329	30	92	123	28

Dividends paid in the year 2009, of the profit distributed in the year 2008, were in the amount of 2.682.556 lei.
Dividends paid in the year 2010, of the profit distributed in the year 2008, were in the amount of 1.690.048 lei.
Dividends paid in the year 2011, of the profit distributed in the year 2008, were in the amount of 1.221 lei.
Dividends paid in the year 2012, of the profit distributed in the year 2008, were in the amount of 329 lei.
Dividends paid in the year 2013, of the profit distributed in the year 2008, were in the amount of 30 lei.
Dividends paid in the year 2014, of the profit distributed in the year 2008, were in the amount of 60 lei.
Dividends paid in the year 2015, of the profit distributed in the year 2008, were in the amount of 123 lei.
Dividends paid in the year 2016, of the profit distributed in the year 2008, were in the amount of 28 lei.

Proposal for sharing the current profit on year 2015 for the parent company:

Net profit on 2015 :	1.081.334,00 lei
Dividends to be distributed to shareholders	648.891,81 lei
Other reserves :	432.442,19 lei

The equivalent amount of dividends due to shareholders worth 648.891,81 lei was transferred entirely on the Central Depository on 01.06.2016, for payment to shareholders according to the agreement.

Dividends	**2015** - lei -	**2016** - lei -
due	648.891,81	-
paid	-	648.891,81

On 31.12.2016, Prefab S.A. - the company registered a net profit worth 1.171.965 lei which is to be assigned based on the Board of Directors decision of 19.04.2017, according to legal regulations, as follows:

Proposal for profit distribution for the current year 2016 for the parent company:

Net income 2016:	1.171.965,00 lei
Legal reserve:	70.822,00 lei
Dividends to be distributed to shareholders	564.414,33 lei
Other reserves	539.728,67 lei

The affiliated companies were not constituted and paid dividends and the shares/ holdings issued by them are not traded on a regulated market.

3.3. The parent company and its affiliates have not acquired their own shares.

3.4. PREFAB SA has holdings in these companies with a total value of 9.439.668,9 lei as follows:

- 99.9% of PREFAB INVEST SA Bucuresti capital
- 100% of PREFAB BG EOOD SA Bulgaria capital
- 99.8707% of FOTBAL CLUB PREFAB 05 SA MODELU capital

Wishing to establish an association to promote activities related to the production of precast concrete industry, PREFAB SA with 8 other leading companies in this branch, they agreed to constitute «Asociatia Producatorilor de Prefabricate din Beton PREFBETON». The purpose of the Association is to promote precast concrete products, to represent, support and defend technical, economic and legal interests on trade and precast concrete industry, to develop and encourage cooperation in scientific, technical and standardization area, and to stimulate contacts between experts in the country. The initial patrimony of the Association was 1800 Ron, the contribution of Prefab SA being of 200 Ron.

3.5. The parent company and its affiliates have not issued bonds or other debt securities.

4. Management of the company

4.1. Starting from 24.06.2013, according to Decision of Ordinary General Meeting of Shareholders. no. 1/19.06.2013 until 29.09.2016, the Board of Directors of PREFAB S.A., had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of Board of Directors	Engineer
2.	Ionescu MarianValentin	member	Jurist
3.	Negrau Relu Dorin	member	Jurist

Starting from 29.09.2016, according to Decision of Ordinary General Meeting of Shareholders. no. 9/29.09.2016, the Board of Directors of PREFAB S.A., had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of Board of Directors	Engineer
2.	Momanu Radu	member	Engineer
3.	Negrau Relu Dorin	member	Jurist

a. 1) Name: Milut
Surname: Marian Petre
Age: 60 years
Qualification: engineer
Professional experience:

1980 - 1981	- engineer at IAMSAT Bucharest
1981 - 1982	- engineer at Sistem Hewlett Packard Romania
1982 - 1993	- IRUC Workshop Head of territory
1993 - present	- Chairman of S.C. Romerica International SRL Bucharest
1998 - present	- Chairman of Board of Directors of PREFAB S.A.

2) Name: Ionescu
Surname: Marian Valentin
Age: 54 years
Qualification: jurist
Professional experience:

1991 - 1993	
1992 - 1993	- legal adviser - S.C. Grantmetal S.A.
1994 - 1997	- legal adviser - S.C. Bursa Romana de Marfuri S.A.
1997 - 1998	- parliamentary expert - Romanian Senate
1998 - 1999	- Minister for Privatization - Ministry of Privatization
2001 - 2003	- legal adviser - Herzfeld &Rubin S.R.L.
2003 - 2004	- policy officer for Local Agenda 21 - National Center for Sustainable Development
2005 - 2014	- senior policy reform specialist - Development Alternatives Inc - Suc. Bucharest
2005-2014	- General manager and sole shareholder - Unic Management Consulting S.R.L.
2010 - 29.09.2016	- member of the Board of Directors of PREFAB S.A.

3) Name: Negrau
Surname: Relu Dorin
Age: 53 years
Qualification: jurist
Professional experience:

1990 - present	- Chairman of Trade Union Unity League of Bucharest
2002 - 2005	- Chairman of the Board of Directors of S.C. NETINVEST S.A. Bucharest
2000 - 2014	- MAN and MAI Social Dialogue Commission member
2000 - present	- member of Advisory Board of municipal employment agency of Bucharest
2013 - present	- Advisory board member of I.T.M. Bucharest
2004 - present	- member of Union Colleges of Legal Advisers from Romania
2005 - present	- member of the Board of Directors of EGNATIA SECURITES S.A. Bucharest (currently EGNATIA INVEST)
2005 - present	- member of the Board of Directors of PREFAB S.A
2015 -	representative of the Confederation of Democratic Trade Unions in the Commission for rights and freedoms, equality of opportunity and treatment od Social Economic Council from Romania

Since 29.09.2016, Mr. Ionescu Marian Valentin, Member of the Board of Directors, was replaced with Mr. Momanu Radu, according to Decision of Ordinary General Meeting of Shareholders. no. 9/29.09.2016.

Name: Momanu
Surname: Radu
Age: 49 years

Qualification: engineer
Professional experience:

1992-1994	- engineer - Institute of Microtechnology Bucharest
1995-1996	- engineer - Bucharest Investment Group Bucharest
September 1996 - March 1998	- investment officer - Romanian Post Privatision Fund Bucharest
September 1996 - April 2000	- senior project manager - CA IB Financial Advisers Bucharest
April 2000 - October 2004	- corporate finance and treasury manager - Carpat Cement Romania
November 2004 - August 2005	- investment manager - Global Finance Bucharest
September 2005 - present	- director - Capital Invest Bucharest
September 2016 - present	- Member of PREFAB S.A. Board of Directors

b. We specify that there are no litigation or administrative proceedings in which to be involved members of the Board of Directors.

c. On 31.12.2016, the administrators from point a) hold on PREFAB S.A. a number of shares, as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Momanu Radu	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

d. Not applicable.

4.2. Until 27.04.2016, the executive management of the parent company, was made up of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic Director, with responsibilities of Deputy General Manager	Economist
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer

Starting from 28.04.2016, the executive management was made up of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic manager, with	Economist

		responsibilities of Deputy General Manager	
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer
4.	Cocoranu Tudor	Energy Manager	Engineer
5.	Macovei Olimpian	Commercial Director	Jurist

From 6.12.2016, after retirement, Mr. Zotescu Marian has not served as Production Manager with responsibilities of Deputy General Manager.

a. The term for which the person is part of the executive management;
Standing term.
b. Any agreement, understanding or family connection between a person and another person because of that the person has been appointed as a member of the executive management;
It's not necessary.

c. On 31.12.2016 the Executive Board members held at PREFAB S.A. a number of shares as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0%
2.	Boitan Daniela	9.240	0,0190%
3.	Cocoranu Tudor	0	0
4.	Macovei Olimpian	800	0.00164%

d. It's not necessary.
4.3. In the last 5 years people in paragraphs 4.1 and 4.2. were not involved in litigation or administrative proceedings.

Affiliates:
- **PREFAB INVEST SA** - has a registered capital worth 150.000 lei structured in 4000 shares with a nominal value of 37,5. On 31.12.2016 the subscribed and paid capital situation is as follows:

Item no.	Shareholder	Number of shares	Nominal value	Share capital	% of the share capital
1	Prefab SA Bucuresti	3.996	37.5	149.850	99.9
2	Other shareholders	4	37.5	150	0.01
	Total	4000		150.000	100

PREFAB INVEST SA directorate in 2016:
Chairman of the Board of Directors - Eng. Milut Petre Marian
General manager - Ec. Nistor Carmen
Economic manager - Ec. Tancu Razvan

- PREFAB BG EOOD SRL Bulgaria - has a registered capital worth 18.918,90 lei which belongs in percentage of 100% to PREFAB SA BUCURESTI.

Directorate in 2016 - Administrator: jr. Macovei Olimpian

- FOTBAL CLUB PREFAB 05 S.A. - has a registered capital worth 9.282.900 lei, structurated in 30.943 shares with a nominal value of 300 lei/share. On 31.12.2016 the subscribed and paid capital situation is as follows:

Item no.	Shareholder	Number of shares	Nominal value	Share capital	% of the share capital
1	Prefab SA Bucureşti	30.903	300	9.270.900	99,87
2	Miluţ Petre Marian	40	300	12.000	0.13
	Total	30.943		9.282.900	100

FOTBAL CLUB PREFAB 05 S.A. directorate in 2016:
Chairman of the Board of Directors - Dumitru Dumitriu
Dragomir Constantin - CA member
Nuta Domnica - CA member
The activity of FOTBAL CLUB PREFAB 05 S.A. was suspended since 2013.

During 2016 there were no restrictions related to the transfer of securities.
There are no holders of securities with special control rights and there are no restrictions on voting rights of shareholders in the sense of limiting the voting rights of holders of a fixed percentage or number of votes, deadlines for exercising the right to vote etc.
There are no agreements between the shareholders which are known to the entity and which may have as result the restrictions related to the transfer of securities and/or to the voting rights.
The appointment of the sole administrator is made of Ordinary General Meeting of Shareholders in accordance with the provisions of Law 31/90 republished amended to date.
The sole administrator has no right to issue or buy back the own shares. This is attribution of General Meeting of Shareholders.

According to the applicable legal provisions, the group profit is not distributed, it being only an economic indicator for information of shareholders

The profit/loss conducted individually by each company within the group is subject to distribution in the general meetings of each entity.

Annexed to this report:
1. the consolidated annual financial statements concluded on 31.12.2016.

7. Signatures

Chairman of the Board of Directors,

Eng. Milut Petre Marian

Statement of the Board of Directors of S.C. PREFAB S.A.

The Board of Directors of PREFAB S.A. hereby declares that assumes responsibility for preparing the Consolidated Annual Financial Statements on December 31, 2016.

The Board of Directors of PREFAB S.A., in terms of the Consolidated Annual Financial Statements on December 31, 2016, confirms as follows:

a) The Consolidated Annual Financial Statements are prepared in accordance with International Financial Reporting Standards, as adopted by the European Union.

b) The accounting policies used in preparation of the Consolidated Annual Financial Statements are in accordance with the applicable accounting regulations.

c) The Consolidated Annual Financial Statements provides an accurate picture of the financial position, financial performance and of other information related to the activity developed.

d) The Group operates in conditions of continuity.

This statement is in accordance with the provisions of Art. 30 of Accounting Law no. 82/1991, republished.

Chairman of the Board of Directors,

Eng. Milut Petre Marian

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2016	December 31, 2015
Intangible assets	5	219.631.488	219.439.356
Tangible assets	4	338.850	430.987
Investment property	6	2.929.980	2.928.503
Investments in affiliates	7	300	100
Biological assets		12.263	13.298
TOTAL FIXED ASSETS		**222.912.881**	**222.812.244**
Stocks	9	7.333.702	9.611.541
Trade receivables and other receivables	8	39.359.533	40.552.926
Cash and cash equivalents	10	619.650	524.921
Other assets (Prepayments)		750.940	770.680
TOTAL CURRENT ASSETS		**48.063.825**	**51.460.068**
1.TOTAL ASSETS		**270.976.706**	**274.272.312**
Share capital	11	24.278.859	24.278.859
Adjustments of share capital		0	0
Other components of share capital		(367.391)	(675.164)
Share premium	12	14.305.342	14.305.342
Revaluation reserves	12	123.230.103	123.429.629
Reserves	12	38.686.427	38.092.112
Retained earnings except that from the adoption for the first time of IAS 29	12	3.658	3.067
Profit at the end of the reporting period	13	656.945	519.218
Distribution of profit	14	1.126.700	1.108.757
2. TOTAL EQUITY	14	70.822	0
Long-term loans	19	18.824.053	16.636.184
Deferred income tax liability	21	367.392	675.165
TOTAL LONG-TERM LIABILITIES		**19.191.445**	**17.311.349**
Trade payables and other payables	20	12.716.506	15.583.088
Short term loans	18	29.299.869	32.339.387
Other liabilities	20	1.404.116	946.811
TOTAL SHORT-TERM LIABILITIES		**43.420.491**	**48.869.286**
Subsidies for investment, of which:	22	**6.523.394**	**7.038.311**
- current party		504.795	514.916
- more than one year		6.018.599	6.523.395
3. TOTAL LIABILITIES		**270.985.151**	**274.280.766**
4. MINORITY INTEREST		**(8.445)**	**(8.454)**

Explanatory notes at the financial statements from 1 to 33 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Daniela

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF GLOBAL RESULT
For the year ended on 31.12.2016

		Note	December 31, 2016	December 31, 2015
1.	Revenue from sales	23	70.516.304	76.902.540
2.	Cost of sales	24	63.640.964	67.328.175
3.	**Gross margin**		**6.875.340**	**9.574.365**
4.	Other operating incomes	23	11.337.589	14.030.310
5.	Distribution expenses	-	1.848.127	2.627.781
6.	Administrative expenses	-	4.312.817	6.131.491
7.	Other operating expenses	24	9.164.477	13.141.644
8.	**Operating result**		**2.887.508**	**1.703.759**
9.	Financial income	25	234.939	1.582.422
10	Financial expenses	26	1.691.741	1.903.799
11.	**Financial result**		**(1.456.802)**	**(321.377)**
12.	**PROFIT FROM CURRENT ACTIVITY**		1.430.706	1.382.382
13.	Income tax expense	27	303.996	273.533
14.	**Net profit for the period**	**27**	**1.126.710**	**1.108.849**
15.	**Items that will not be reclassified in the statement of profit and loss, total, of which**		**0**	**0**
16.	- increases/decreases in tangible assets revaluation reserve		0	0
17.	- Tax on other items of global result			
18.	**Items that will be reclassified in the statement of profit and loss, total, of which**	12	591	(462)
18.	- increases/decreases in conversion reserves		591	(462)
19.	**Total of global result for the period**		**1.127.301**	**1.108.387**

Explanatory notes at the financial statements from 1 to 33 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Daniela

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Adjustments of share capital (acct. 1028)	Other own capital items (acct. 1034)	Share premium	Own shares	Reserves	Retained and current earnings	Reserves of conversion	Total
January 01, 2015	**24.278.859**	**0**	**(760.578)**	**14.305.342**	**0**	**162.206.174**	**1.519.219**	**3.529**	**201.552.545**
Current global result							1.108.757		1.108.757
Allocations legal reserve						0	0		-
Allocations other reserves						1.097.887	(1.097.887)		-
Reserve increase from assets revaluation			85.414			22.320			107.734
Transfer reserve from revaluation to retained earnings						(1.804.639)	1.628.095		- (176.544)
Increases/ discounts reserves of conversion								(462)	(462)
Increases/ discounts							3.115		3.115
Minority interests							(1.533.324)		(1.533.324)
December 31, 2015	**24.278.859**	**0**	**(675.164)**	**14.305.342**	**0**	**161.521.742**	**1.627.975**	**3.067**	**201.061.820**

	Share capital	Adjustments of share capital (acct. 1028)	Other own capital items (acct. 1034)	Share premium	Own shares	Reserves	Retained and current earnings	Reserves of conversion	Total

January 01, 2016	**24.278.859**	**0**	**(675.164)**	**14.305.342**	**0**	**161.521.742**	**1.627.975**	**3.067**	**201.061.820**
Current global result							1.126.700		1.126.700
Allocations legal reserve						70.822	(70.822)		-
Allocations other reserves						523.492	(523.584)		-
Increases of reserves from assets revaluation			307.773			0	0		307.773
Dividends distribution							(648.892)		(648.892)
Transfer reserve from revaluation to retained earnings						(199.526)	201.446		1.920
Increases/ discounts reserves of conversion								591	591
Increases/ discounts Minority interests									(92)
Dividend distribution									
December 31, 2016	**24.278.859**	**0**	**(367.391)**	**14.305.342**	**0**	**161.916.530**	**1.712.823**	**3.658**	**201.849.821**

Explanatory notes at the financial statements from 1 to 33 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

Chairman of the Board of Directors,
Eng. Milut Petre Marian

Economic Director,
Ec. Boitan Dani

CONSOLIDATED STATEMENT OF CASH FLOW - PARENT COMPANY
Indirect method

Item name	31.12.2016	31.12.2015
Cash flows from operating activities:		
Net profit before tax	1.416.448	1.313.294
Adjustments for:		
Depreciation and value adjustments related to tangible assets	6.135.761	8.782.021
Value adjustments reversed during the year	0	28.919
Subsidies - variation	514.916	523.934
Expenses interest and other financial expenses	1.689.445	1.901.527
Interest income and other financial income	-234.580	-1.581.980
Loss/ (profit) from sale of tangible assets	-1.286.993	-472.909
Income tax paid	-241.483	-231.960
Operating profit before changes in working capital	**1.857.753**	**10.262.846**
Decrease/ increase of trade receivables and otherwise	2.182.711	-2.866.065
Decrease/ increase of stocks	2.178.769	6.523.675
Decrease/ increase commercial debts and otherwise	-3.494.890	-6.109.100
Net cash from operating activities	**2.724.343**	**7.811.356**
Cash flows from investing activities:		
Payments for acquisition of tangible and intangible assets	-833.102	-1.415.026
Proceeds from sale of tangible and intangible assets	1.286.993	472.909
Interests received	234.580	1.581.980
Net cash from investing activities	**688.471**	**639.863**
Cash flows from financing activities:		
Loans received	67.475.953	32.107.518
Repayments of loans	-68.327.604	-38.661.595
Interests paid	-1.689.445	-1.901.527
Dividends payments	-648.892	0
Net cash from financing activities	**-3.189.988**	**-8.455.604**
Increase /Decrease of net cash and cash equivalents	**222.826**	**-4.385**
Cash and cash equivalents at the beginning of financial year	**365.202**	**369.587**
Cash and cash equivalents at the end of financial year	**588.028**	**365.202**

Explanatory notes at the financial statements from 1 to 33 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

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

1. Information about the Group

S.C. PREFAB S.A. as parent company, is a company limited by shares founded in 1990, the head office being registered in Bucharest, address: Str. Dr. Iacob Felix, nr. 17-19, sector 1, Bucuresti, Romania. The company is registered at Trade Registry Office under no. J40/9212/04.07.2003. Company shares are listed on the Bucharest Stock Exchange starting on July 05, 2010, Standard category.

The main activity of the Group

The main activity of PREFAB SA, implicitly of the group, is the production and sale of precast concrete for the building materials industry: typed and untyped precast elements, pressure pipes of reinforced concrete prestressed of different diameters, autoclaved aerated concrete; secondary activity: execution of metallic fabrications, execution of construction works, production of electricity and heat in high efficiency cogeneration, execution of carpentry in wood and P.V.C., goods transport activity, Mining and sorting mineral aggregates from Danube river bed.

General view of the entities to which PREFAB SA holds shares or holdings:

PREFAB S.A. has holdings in these companies with a total value of 9.439.668,90 lei as follows:

- 99.9% of SC PREFAB INVEST SA Bucuresti capital
- 100% of SC PREFAB BG EOOD SA Bulgaria capital
- 99.8707% of SC FOTBAL CLUB PREFAB 05 SA MODELU capital

The consolidated annual financial statements are presented by PREFAB S.A. Bucuresti as parent company for the financial year ended on 31.12.2016. These consolidated financial statements incorporate the results of PREFAB S.A. and its subsidiaries, called together Group, namely:

- PREFAB INVEST S.A., company founded on 10.05.2000, with registered office in Bucuresti, Str. Dr. Iacob Felix, nr. 17-19, sector 1, Bucuresti, Romania. The share capital of PREFAB INVEST S.A. worth 150.000 lei consisting in a number of 4.000 shares having the nominal value of 37.5 lei/share and the percentage held by PREFAB S.A. from this is for 99.9%.
  PREFAB INVEST S.A. is the most important client, through which is made the sale, mainly for the autoclaved aerated concrete by a distribution network to different clients nationwide.
- PREFAB BG EOOD Bulgaria, company founded on 06.02.2004, with registered office in Bulgaria, Silistra, Dobrich Street, no. 15. The share capital of PREFAB BG EOOD S.A. worth 18.918,9 lei, equivalent to 10.000 leva, structured in holdings and the percentage held by PREFAB S.A. from this is for 100%.
  Through PREFAB BG EOOD Bulgaria is made the sale for the autoclaved aerated concrete in Bulgaria, to various clients.
- FOTBAL CLUB 05 S.A., company founded in 2005, with registered office in Calarasi, com. Modelu. The share capital of FOTBAL CLUB PREFAB 05 S.A. worth 9.282.900 lei, is structured in 30.943 shares having the nominal value of 300 lei/share and the percentage held by PREFAB .S.A. is for 99.8707% .
  The activity of FOTBAL CLUB 05 S.A. was suspended since 2013.

PREFAB S.A. holds shares worth 149.850 lei and a share of 99.9% in the share capital of PREFAB INVEST S.A. Bucuresti. This holding is materialized in a number of 3.996 shares having the nominal value of 37.5 lei per share and gives control over it, considering the percentage held in the share capital of this company. The shareholdings were recorded at actual cost.

The Company holds shareholdings - holdings, at PREFAB BG EOOD, a company founded in 2003, with sole shareholder 100% PREFAB S.A. and a share capital of 18.918,90 lei.

It also holds shareholdings - shares worth 9.270.900 lei at Fotbal Club Prefab 05, a company founded in 2005, representing 99.8707% of the share capital. These shareholdings are materialized in 30.903 shares with nominal value of 300 lei per share.

We note that the actions of these companies are not traded on the capital market.

The company has not issued bonds or other debt securities.

On 31.12.2016, PREFAB S.A. - the parent company - has the following premises:

1. Premises in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi

2. Premises in Statiunea Jupiter, sat vacanta Zodiac, lot nr.3, Mangalia, jud. Constanta

PREFAB S.A. - parent company ownership structure on 31.12.2016:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDER - LEGAL PERSONS	422.298	0.8701
OTHER SHAREHOLDER - NATURAL PERSONS	1.536.617	3.1661
TOTAL	**48.533.419**	**100**

2. BASIS OF PREPARATION

2.1. Declaration of conformity

PREFAB S.A. BUCURESTI, as parent company, as defined in IAS 27 ”Consolidated and Separate Financial Statements”, performs the consolidation of annual financial statements, provision included in art. 9. para. 3 of Accounting Law no. 82/1991, republished.
Also, being an entity whose securities are admitted to trading on a regulated market, PREFAB S.A. BUCURESTI, holder of a position of control in several branches, in accordance with the provisions of Regulation no. 31/2006 on completion of certain regulations of National Securities Commission, to implement certain provisions of European directives, is obliged to release to the public by sending to National Securities Commission and to the regulated market operator of the consolidated financial statements for the year ended on 31.12.2016.
The Ministry of Finance Order no. 1121/2006 requires to Romanian companies listed on stock exchanges to prepare consolidated financial statements in accordance with IFRS, adopted by EU.

The Group consolidated financial statements have been prepared in accordance with the OMPF 2844/2016 provisions which are in accordance with International Financial Reporting Standards adopted by the European Union („IFRS") effective on the date of the annual reporting, respectively December 31, 2016.

The consolidated financial statements include the consolidated statement of financial position, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of

changes in equity, the consolidated statement of cash flows and notes to the consolidated financial statements.

The Group presented the consolidated financial statements prepared in accordance with IFRS approved by the European Union since the financial year 2011.
The consolidated financial statements prepared for the financial year 2012 included adjustments to the consolidated financial statements of the financial year 2011 (for 31.12.2011 and 01.01.2011) primarily determined from the change in the presentation of financial statements components, from reclassification of some items, and from the application of IAS 29 ”Financial reporting in hyperinflationary economies”.
The presentation of adjustments to consolidated financial statements of fiscal year 2011 was required as a result of applying in the individual financial statements of S.C. PREFAB S.A. of the Ordinance of the Public Finances Ministry no. 881/2012 provisions on the application by companies whose values are admitted to trading on a regulated market of the International Financial Reporting Standards and of Minister of Finance Order no. 1286/2012 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market.

In accordance with the Ordinance of the Public Finances Ministry no. 881/2012 provisions on the application by companies whose values are admitted to trading on a regulated market of the International Financial Reporting Standards and of Minister of Finance Order no. 1286/2012 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, **the companies whose securities are admitted to trading on a regulated market are required**, starting with the fiscal year 2012, to apply the International Financial Reporting Standards (IFRS) for the preparation of the individual annual financial statements. Because Prefab SA adopts IFRS as the new basis of accounting for the year 2012, the company has applied including the provisions of IFRS 1 “First-time Adoption of International Financial Reporting Standards” in the individual financial statements.
For the fiscal year 2012, the individual annual financial statements of PREFAB S.A., on the basis of IFRS were prepared by the accounting restatement organized under Accounting Regulations in accordance with the Directive IV of the European Economic Community, approved by Minister of Finance Order no. 3.055/2009, for the approval of accounting regulations compliant with European directives, including subsequent amendments and additions.
From 01.01.2016 the parent company implemented a new system for recording financial transactions in accounting records, preparing reports under the Accounting Law no.82/1991 and other accounting regulations applicable to the entity.

Consolidation of subsidiaries
The financial statements of subsidiaries are prepared on December 31, 2016, the same reporting date as the parent company. The consolidated financial statements include the financial statements of Prefab S.A. and of its subsidiaries (“Group“) on December 31, 2016, and are prepared based on uniform accounting and valuation principles.
The financial statements of subsidiaries are prepared on December 31, 2016, the same reporting date as the parent company.
The valuation of assets and liabilities from subsidiaries is based on the fair value at the acquisition date. The goodwill arising on acquisition date is recognized as an asset, representing the excess of the cost of the business combination over the Group's interest in the fair value of assets, liabilities and contingent liabilities recognized. If the Group's interest in the net fair value of assets, liabilities and contingent liabilities recognized exceeds the cost of the business combination, the excess is recognized in the profit and loss account. The minority interest, which entitle the holders to a proportionate share of net assets in case of liquidation of the company, may be initially measured at a fair value or at a value that reflects minority 'proportion of the fair value of the identifiable recognized net assets.

The choice of the recognition method is made separately for each transaction. The goodwill is recognized as an asset and it is tested for impairment at least annually. Impairment losses of goodwill are recognized immediately in profit or loss of the period and are not reversed in subsequent periods.
The minority interest is that part of the profit or loss and of the net assets of a subsidiary which is not owned by the Group and it is presented separately in the consolidated statement of comprehensive income and within equity, in the consolidated statement of financial position, separately from the equity of the parent company shareholders. The results of subsidiaries acquired or disposed during the year are included in the consolidated statement of the profit or loss and of the other comprehensive income from the effective date of acquisition or up to the effective date of disposal. Where applicable, the financial statements of subsidiaries are adjusted to align their accounting policies with those of the Group. All the transactions, balances, income and expenses are eliminated in full within the Group on consolidation. All subsidiaries of the parent company have been consolidated. The Group does not hold any securities in associates and interests in joint ventures.

2.2. Basis of assessment

The consolidated financial statements are presented in RON ("Romanian leu"), have been prepared under the historical cost, except for the revaluation of certain fixed assets and financial instruments that are measured at fair value.
The consolidated financial statements have been prepared using the principles for business continuity.

2.3. Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the economic environment in which the entity operates („functional currency"), meaning "RON". The financial statements are presented in RON, which is the functional and presentation currency of the parent company, the amounts being rounded to the nearest thousand.
According to the Minister of Finance Order no. 2844/2016 for the approval of Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, Chapter I pt. 4 "**Accounting is kept in Romanian language and currency**. Accounting of transactions in foreign currency is kept both in national currency and in foreign currency. The currency means a currency other than RON. The annual consolidated financial statements are prepared in Romanian and in national currency."
The operations denominated in foreign currencies are recorded in RON at the official rate of exchange on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are expressed in RON at the exchange rate of the day. The gains or losses from their settlement and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate from the end of financial year, are recognized in the result of exercise. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are recorded in RON at the exchange rate from the transaction date.
For the evaluation of the foreign currency items at the end of each reporting period, is used the exchange rate of the currency market, communicated by Banca Naţională a României in the last banking day of the month in question.

The exchange rates of main currencies were the following:

CURRENCY	Rate December 31, 2016	Rate December 31, 2015
EUR	4.5411	4.5245

USD	4.3033	4.1477

For the preparation of the consolidated financial statements, the financial statements of the subsidiary SC Prefab BG, denominated in leva were converted to the functional currency of the parent company (RON), according to IAS 21 ”The effects of changes in foreign exchange rates”, using the exchange rate from the end of the fiscal year 2016 of 2,3218 lei/leva and the average exchange rate for the year 2016 of 2,2961 lei/leva.

2.4. Use of estimates and professional judgment

Preparation of financial statements in accordance with IFRS adopted by European Union requires by the management the use of estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. The estimates and judgments associated to this are based on historical data and other factors considered to be eloquent in this circumstances and the result of these factors forms the basis of the judgments used in determining the carrying amounts of assets and liabilities for which there are no other evaluation sources available. The actual results could differ from these estimates.
The estimates and judgments are reviewed periodically. The revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the current and in future periods, if the revision affects both the current period, and the future periods. The effect of change related to the current period is recognized as income or expense in the current period. If there is, the effect on future periods is recognized as income or expense in those future periods.
The management of the company believes that any deviations from these estimates will not have a material impact on the consolidated financial statements in the near future.
The estimates and assumptions are used mainly to impairment of fixed assets, of securities held and valued at cost, estimating the useful life of a depreciable asset, for adjustment of impairment of receivables, for provisions, for recognition of deferred income tax assets.
According to IAS 36, both tangible and intangible assets are analyzed to identify any indications of impairment at the balance sheet date, if any impairment loss is recognized to reduce the net carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in subsequent periods, the net carrying amount of the asset is increased until the net book value that would have been determined if no impairment loss had been recognized. The rating for doubtful debts is made individually and is based on the best estimate of the management regarding the present value of cash flows which is expected to be received. The company reviews its trade receivables and for other nature at each financial position date, to assess whether must register in profit and loss account an impairment of value. In particular, the professional judgment of the management it is necessary to estimate the amount and to coordinate the future cash flows when is determined the impairment loss. These estimates are based on assumptions about many factors and the actual results may differ resulting in future changes of the adjustments.
The deferred tax assets are recognized for the tax losses, to the extent that it is probable that a taxable profit will exist in order to be covered the losses. It is necessary to exercise the professional judgment to determine the value of assets regarding the deferred tax recognizable based on probability in terms of period and the level of the future taxable profit and the future tax planning strategies.

3. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

According to IFRS - International Accounting Standard 8 ”Accounting policies, changes in accounting estimates and errors”, the *accounting policies* represent the principles, bases, conventions, rules and the specific practices applied by this entity in preparing and presenting the financial statements.
The Group has selected and applied consistently the accounting policies for transactions, other events and similar conditions, unless a standard or an interpretation specifically requires or permits the classification

of items that might be appropriate for the application of different accounting policies. If a standard or an interpretation requires or permits such a classification, it must be consistently selected and applied for each category an appropriate accounting policy.
The Group change an accounting policy only if the change:
- is required by a standard or an interpretation; or
- results in financial statements providing reliable and more relevant information about the effects of transactions, of other events or conditions on the financial position, financial performance or cash flows of the entity.

We present a summary of the significant accounting policies which have been applied consistently to all periods presented in the financial statements:

3.1. Intangible assets and tangible assets; property investments;

3.1.1. The intangible assets acquired by the Group are measured at the cost less the accumulated amortization and the impairment losses.
The Group chose as its accounting policy for evaluating the intangible assets after the initial recognition, the cost model.
The Group has opted to use for the amortization of intangible assets the straight line depreciation formula.
To determine whether an intangible asset is measured at a depreciated cost, the Group applies IAS 36 ”Impairment of assets”. An impairment loss is recognized immediately in profit or loss.
For the purpose of presenting the profit and loss account, the gains or the losses arising with the cessation of the use or leaving an intangible asset, is determined as the difference between revenues by the output of asset and its unamortized value, including the expenses incurred in removing it from record and must be presented as a net amount in the profit and loss account, according to IAS 38 ”Tangible assets”.

Goodwill
The goodwill acquired in a business combination is initially measured at cost, representing the excess of the cost of the business combination over the Company's interest in the net fair value of assets, liabilities and contingent liabilities recognized.
The goodwill is not amortized but it is tested for impairment at least once a year. The goodwill impairment losses are recognized immediately against income and are not reversed in subsequent periods.

3.1.2. The tangible assets are initially recognized at the acquisition or construction cost and are presented net of accumulated amortization and accumulated impairment losses.
The cost of purchased tangible assets is represented by the value of the consideration given to acquire the assets and the amount of other costs directly attributable to bringing the asset to the location and condition necessary so that they can operate in the manner intended by the management.
The cost of self-constructed assets includes the wage costs, the material costs, the indirect production costs and other costs directly attributable to bringing the asset to the current location and condition.
The company opted to use to assess after the initial recognition of tangible assets, the **revaluation model**.
Under the revaluation model, an item of tangible asset whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.
The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the end of the reporting period.
The fair value of land and buildings is generally determined based on market evidence, through an evaluation carried out by professionally qualified valuers.
The fair value of tangible asset elements is generally determined by the market value assessment.
Frequency of revaluations depends on changes in fair value of tangible assets revalued. If the fair value of an asset differs significantly from the carrying value, it is required a new revaluation.

When a tangible asset element is revalued, any accumulated depreciation at the revaluation date is treated by the company as follows: it is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.
Consequently, frequency of revaluations depends on changes in the fair value of tangible assets. If the fair value of an item of tangible assets revalued at the balance sheet date is significantly different from its carrying amount, is necessary another revaluation. If the fair values are volatile, as can be for land and buildings, are necessary frequent revaluations. If the fair values are stable over a long period of time, as can be the case with installations and equipment, the assessments may be needed less frequently. IAS 16 suggests that the annual reassessments may be needed if there are significant and volatile changes in values.
The Group opted for revaluation of buildings and lands at least once every three years, and for the other categories of assets at least once every five years.
If a tangible asset item is revalued, then the entire class of tangible assets of which that asset belongs shall be revalued.
The last revaluation was performed on December 31, 2014 according to the regulations in force at that time, in order to determine their fair value, taking into account the inflation, the utility of goods, their condition and the market value. The results were recorded on the basis of the Report of technical expertise rating prepared by a certified valuation company. The decrease in book value resulting from these revaluations was debited to revaluation reserve in the limit of the existing amounts from its revaluation. The residual value and the useful life of the asset shall be reviewed at least at the end of financial year.
The depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for operate in the manner intended by the management.
The depreciation of an asset ceases at the first date between the date when the asset is classified as held for sale (or included in a disposal group which is classified as held for sale), in accordance with IFRS 5 and the date when the asset is recognized. Therefore, the depreciation does not cease when the asset is not used or is out of service, unless it is fully depreciated.
The lands and the buildings are separable assets and are separately accounted even when they are acquired together.
The owned lands are not depreciated.
If the cost of land includes the costs of disassembly, removal, restoration, these costs are amortized over the period when it is obtained benefits as a result of performing these costs.
The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by unit. At the end of each financial year is reviewed the method of depreciation and if is noticed a significant change of the expected pattern of consumption of future economic benefits, this is changed to reflect the changed pattern.
The Group has opted to use straight line depreciation method for all fixed assets.
The residual value, the life and the depreciation method are reviewed on the date of the financial statements.
The useful life of tangible assets on the date of these financial statements are within the limits set on the Government Decision no. 2139/2004 and they are estimated by management as fair.
The depreciation calculated are the following useful lives for different categories of property:

Tangible assets	**Duration (years)**
Constructions	8-60
Technological equipment	3-24
Devices and systems of measurement, control and adjustment	4-24
Means of conveyance	4-18
Furniture, office equipment, human and material values protection equipment	3-18

Depreciation policy applied by the company

According to IAS 36 ”Impairment of assets”, both tangible and intangible assets are investigated to identify if present any indications of impairment at the balance sheet date. For the intangible assets with indefinite useful life, the impairment test are performed annually, even if there is no indication of impairment. If the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased until the net book value, that would have been determined if no impairment loss had been recognized. The difference is presented as other operating income.
The carrying amount of an item of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal. The revaluation surplus included in equity related to an item of a tangible asset is transferred directly to the retained earnings when the asset is derecognised on disposal or scrapping.
Any gain or loss arising on derecognition of an item of a tangible asset must be included in the profit or loss when the item is derecognised.
If are repeatedly sold the items of the tangible assets that have been held for rental to others, these assets will be transferred in stocks at the carrying value on the date when they cease to be rented and they are held for sale. The proceeds from the sale of these assets are recognized as income in accordance with IAS 18 ”Incomes”.
The assets classified as “held for sale” are presented at the lower value of net book value and fair value less the costs for sale. The fixed assets (or the groups of fixed assets) are classified as ”held for sale” if their carrying amount will be recovered principally through a sales operation, and not through their continued use. This classification is based on assumptions that the sale of those assets have a high probability and that the assets are available for the immediate sale and in the form in which they are in that moment.

3.1.3. Property investments

According to IAS 40 “**Property investments**”, an investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows which are largely independent from the other assets held by the company. Thus, the property investments are different from the real estate property used by the owner. The production of goods or the provision of services (or the use of property for administrative purposes) generate cash flows which can not be attributed only to the real estate property, but also to other assets used in the production process or in that of supply of goods or services.
The evaluation of real estate investments at the initial recognition is made at cost. The cost of a real estate investment consists of the purchase price plus any directly attributable expenditure (professional fees for legal services, property transfer taxes etc.). The property investments are presented later in the financial statements at the fair value.
After the initial recognition, an entity that chooses the fair value model must evaluate all of its investment property at fair value, unless it can not be reliably determined.
A gain or loss generated by a change in fair value of investment property is recognized in the profit or the loss from the period in which it arises. An entity measures the fair value without deducting the transaction costs it may incur for the sale or for other type of disposal.

The Group has elected the fair value model for the evaluation after recognition and the presentation of real estate investments in the financial statements. The fair value is determined annually by an authorized assessor. The fair value of the investment property reflects the market conditions at the end of the reporting period.

From an accounting perspective, is no longer recorded the amortization but is recorded the depreciation/appreciation according to the annual evaluation at the fair value through the profit or loss account, depending on the outcome of the evaluation.

3.2. Leasing

The tangible assets may include too the assets held under a finance lease. Since the Group benefits from the advantages associated with the ownership right, the assets must be capitalized to the lowest value of the present value of minimum lease payments and their fair value, and then depreciated over the useful life or the lease term, if it is less than the useful life. Simultaneously it is recognized a liability equal to the amount capitalized and the future lease payments are split into the finance charges and principal (reduction of the outstanding debt).
All the lease agreements that are not classified as finance leases are treated as operating leases and the payments are included in the expenses of the period.
On 31.12.2016, The Group has no ongoing leasing contracts.

3.3. Biological assets

In the meaning of IAS 41 "Agriculture", an agricultural activity represents the administration by a company of the biological transformation and harvesting biological assets for sale or for conversion into agricultural products or in additional biological assets.
A biological asset is an animal or a plant. On the initial recognition of a biological asset is possible to be not available the prices or the values determined on the market and the alternative estimates of fair value may be unreliable.
In this case, according to pt. 30 from IAS 41, that asset must be measured at cost less any accumulated depreciation and any accumulated impairment loss.
PREFAB has established an agricultural sector, and the production obtained is destined to the domestic consumption directed to the company canteen.
By the SAPARD program were upgraded two of the three existing vegetable greenhouses. The entire production is consumed internally.
The free spaces inside PREFAB were planted with vegetables and culture of the vine for grapes and the production will be destined for domestic consumption.
The Group recognized as biological assets the vineyard valued at cost less the depreciation, under the provisions above, following that once the fair value can be measured reliably to be presented at this value less the costs of sale.
The length of depreciation is 24 years. All the difference in revaluation of assets reclassified in this category was transferred to retained earnings originated from the transition to IFRS.

3.4. Financial assets

The investments for which there is no price list or an active market are presented at cost or at a smaller value where there is a permanent impairment. Interest-bearing loans are shown at nominal value and that with interest-free and low interest, are shown at their present value.
The securities available for sale are presented at their fair value. Temporary decreases in value and increases in fair value are not recognized in the profit and loss account, but in equity. Temporary decreases in fair value are recognized in the profit and loss account.
Investments held until maturity are presented at amortized cost (reduced accordingly if it is found a temporary impairment).
Securities designated as financial assets at fair value through profit and loss account are reflected at fair value including gains and losses in profit and loss account. Equity and other financial assets for which

there is no active market trading or market values, whose fair value can not be estimated in a credible way, are stated at cost less the impairment losses.
Financial instruments at fair value through profit and loss are measured at the fair value and the subsequent changes are recognized in other comprehensive income.
Classification:
IAS 39, pt. 9 and 45 classify the financial instruments held by entities in the following categories:
Financial assets or liabilities evaluated at fair value through profit and loss account
This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss account at the moment of initial recognition. An asset or a financial liability is classified in this category if it was acquired mainly with speculative purpose or if it was designated in this category by the management of the Company. The company has no assets or financial liabilities held for trading classified at fair value through profit and loss account on December 31, 2015.
Investments held until maturity
Investments held until maturity are those non-derivative financial assets with fixed or determinable parts and fixed maturities, which the Company has the firm intention and the ability to hold them until maturity. Investments held until maturity are measured at amortized cost by effective interest method minus impairment losses. The Company has no investments held until maturity on December 31, 2015.
Loans and receivables
The loans and the receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near future.
Financial assets available for sale
The financial assets available for sale are the financial assets not classified as loans and receivables, investments held until maturity or financial assets at fair value through profit and loss account.
The estimated fair value at the date of the financial statements normally is based on available market information. When such quotes or prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c).
In preparing the consolidated financial statements, the financial statements of the parent company and its subsidiaries are combined item by item, by adding similar items of assets, liabilities, equity, income and expenses. If the consolidated financial statements present financial information about the group as single entity, will be followed the next steps:

(a) the carrying amount of the investment made by the parent company in each subsidiary and its share in the capital of each subsidiary are eliminated;
(b) non-controlling interests in the profit or loss of consolidated subsidiaries for the reporting period are identified; and
(c) non-controlling interests in the net assets of consolidated subsidiaries are identified separately by the equity of the participants in the equity of the parent company. Non-controlling interests in the net assets consist of:
    - the amount of those non-controlling interests at the date of initial combination;
    - the non-controlling interests part from the changes in equity of the date of the combination.

Balances, transactions, sales and expenses intragroup must be eliminated in full.

3.5. Interest on loans

The loans costs that are directly attributable to the acquisition, construction or production of a qualifying asset production are capitalized until the asset is ready for use or for sale. All other costs of borrowing are recognized as an expense in the profit and loss account for the period in which they arise.

3.6. Government grants

In accordance with IAS 20, the government grants are recognized only when there is sufficient certainty that the conditions attaching to them will be met and that the grants will be received. The grants that meet these criteria are presented as other liabilities and are recognized systematically in the profit and loss account over the useful life of the asset to which it relates.

3.7. Stocks

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

- held for resale in the ordinary course of business
- under production for such a sale or
- in the form of materials and other consumables which will be used in the production process or for the provision of services

The stocks are stated at the lower value between the cost and the net realizable value. The net realizable value is the estimated on the basis of the selling price related to normal course of activity, less the estimated costs of completion and sale. For damaged or slow moving stocks, there are formed provisions on the basis of the management estimates. The evaluation for impairment of the stocks is performed individually and is based on the best estimate of the management regarding the present value of the cash flows which is expected to be received. To estimate these flows, the management makes certain estimates on the utility value of stock, given the expiry date, the possibility of use in the current activity of the company and other factors specific to each category of stock.
Setting and adjustment resumption for impairment of costs is done based on the profit and loss account.
To determine the cost of materials supplied, the Group uses the **weighted medium cost method determined at the end of each month**.

3.8. Receivables and other similar assets

With the exception of derivative financial instruments recognized at fair value and of items denominated in a foreign currency, which are converted at the closing rate, the receivables and the other similar assets are presented at amortized cost. This value can be considered a reasonable estimate of the fair value, given that in most of cases, the maturity is less than one year. Long-term receivables are updated using the effective interest method.
In order to present in the annual financial statements, the receivables are measured at the likely amount receivable.
When it is estimated that a receivable will not be fully collected, in accounting are recorded adjustments for depreciation, on the amount that can not be recovered. The objective evidence indicating that the financial assets are impaired may include: failure to meet payment obligations by a debtor, restructuring of an amount due to the company according to terms that in other conditions the company would not accept, indications that a debtor will enter in bankruptcy, disappearance of an active market for an instrument. All the receivables that individually are significant, are tested for impairment at each asset. Losses are recognized in profit or loss account and reflected in an adjustment account of receivables. The impairment losses recognized in prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed if there were no changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount of the asset which could have determined if no impairment had been recognized. Deregistration of receivables occurs as a result of them cashing or disposal to a third party. Current receivables can be deducted from records by mutual compensation between the third parties of the receivables and liabilities,

under the law. The deduction from records of the receivables whose terms of collection are prescribed, is performed after the company obtained documents showing that all legal steps have been undertaken for their settlement with the approval of the Board of Directors. The receivables deducted from records are recorded in the statement of order and records out of balance sheet and they are aimed for collection.

3.9. Cash and cash equivalents

In terms of the Statement of Cash Flows, it is considered that cash is cash in hand and from current bank accounts. Cash equivalents represent deposits and investments with a highly degree of liquidity, with maturities of less than three months.

3.10. Liabilities

A liability is a present obligation of the Group arising from past events and the settlement of which is expected to result in an outflow of resources which incorporates economic benefits.
A liability is recognized in accounting and presented in the financial statements when it is probable that an outflow of resources bearing economic benefits will result from the settlement of a present obligation (probability) and when the amount at which the settlement will be achieved can be measured reliably (credibility).
It must be made distinction between the short-term debts and the long-term debts.

Current liabilities are those debts to be paid over a period of up to one year.
A liability shall be classified as short-term debt, also called current debt, when:

a) is expected to be settled during the normal operating cycle of the Company; or
b) is held primarily for trading;
c) is payable within 12 months of the balance sheet date;
d) the company has no unconditional right to defer the payment of debt for at least 12 months after the balance sheet date.

All the other liabilities shall be classified as ***long-term liabilities****, even in situations where they must be settled within 12 months of the balance sheet date, if:*

- *the initial term was for a period longer than 12 months;*
- *the Group intends to refinance the obligation on long term; and*

the intention is supported by an agreement to refinance or reschedule of payments, which is completed before the financial statements are approved for publication.
The liabilities are carried at amortized cost, except for financial derivative instruments which are stated at fair value.
Long-term liabilities are updated using the effective interest method. The discount rate used for this purpose is the rate ruling at the end of the year for instruments that represent debts with similar maturities.
The carrying amount of other liabilities is the fair value, because they are predominantly short-term maturities. The Group derecognizes a liability when the contractual obligations are paid or are canceled or expired.
If the goods and services supplied in connection with the activities have not yet been invoiced, but if the delivery has been made and their value is available, that obligation is recorded as a liability (not as a provision).
The amounts representing dividends payable are recorded in earnings following that, after approval by the general meeting of shareholders of this destination, to be reflected in the account 457 "Dividends to be paid".

3.11. Income tax including the deferred tax

The income tax for the period includes the current tax and the deferred tax.

Income tax is recognized in the statement of comprehensive income or in other comprehensive income items if it relates to items recognized in the own equity.

3.11.1. Current income tax

The current tax payment is based on taxable profit for the year. The taxable profit differs from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Group's liability for the current tax is calculated using tax rates that have been provided by law or in a draft law at the end of the year. Currently the tax rate is 16%.

3.11.2. Deferred tax

Deferred tax is provided using the balance sheet method for the temporary differences of assets and liabilities (differences between the carrying amounts shown in the balance sheet of the company and their tax base). The tax loss reported is included in the calculation of the debt regarding the deferred income tax. The debt regarding the deferred income tax is recognized only to the extent that is likely to be obtainde a future taxable profit, after compensation with the tax loss of previous years and with the income tax to be recovered.
Receivables and liabilities regarding the deferred income tax are compensated when there is a right and when they relate to the income taxes charged by the same taxation authority. If the probability of making the receivable regarding the deferred income tax is greater than 50%, then the debt is taken into account. Otherwise, it is recorded a value adjustment for the receivable regarding the deferred income tax.

3.12. Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced accordant with the estimated value of the goods returned by the clients, rebates and other similar items.

Sale of goods

The revenues from sale of goods are recognized when all the following conditions are met:

- the Group has transferred to the buyers the significant risks and advantages arising from the ownership of goods;
- the Group no longer manages the goods sold at the level it should be done in case of holding their own and no longer have effective control over them;
- amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- transaction costs can be measured reliably.

A primary issue in accounting of revenues is determining the moment when to recognize such an income. Income from ordinary activities is recognized when it is probable that the Group will flow to the future economic benefits and when these benefits can be measured reliably.
The amount of the revenues arising from a transaction is usually determined by the agreement between the entity and the buyer or user of the asset. The revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and quantity discounts granted.

Provision of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the revenue associated with the transaction must be recognized according to the stage of completion of the transaction at the closing date of the reporting period.
The outcome of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- stage of completion of the transaction at the balance sheet date can be measured reliably; and
- costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue recognition according to the stage of completion of the transaction is „percentage of completion method". According to this method, revenue is recognized in the accounting periods in which services are provided. The recognition of revenue on this basis provides useful information on the activity proportion of services performance and of its results during a period.
Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. When an uncertainty arises about the collectability of an amount already included in revenue, the amount that can not be collected or the amount of which recovery has ceased to be probable is rather recognized as an expense, than as an adjustment of the amount of revenue initially recognized. When the outcome of a transaction involving the rendering of services can not be estimated reliably, the revenue shall be recognized only to the extent of the expenses recognized that are recoverable.
Income from rents related to the real estate investments are linearly recognized in profit and loss account, on the duration of the lease.

Dividends and interests

Dividend income is recognized when it is established the shareholder's right to receive the payment. Dividend income is recorded at the gross amount including tax on dividends, which is recognized as a current income tax expense.
Interest income is recognized on an accrual accounting basis, by reference to the principal outstanding and the effective interest rate, the rate that exactly discounts the estimated future cash flow of the receipts.

3.13. Provisions - IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Provision is made for current obligations to third parties when it is probable that the obligation will be honored, and the amount required for the remittal of the obligations can be estimated reliably. Provision for individual obligations are set at an amount equal to the best estimate of the amount required to settle the obligation.
According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision must be recognized if:

a) the Group has a current obligation (legal or default) generated by a past event;
b) It is likely to be required to settle the obligation an outflow of resources embodying economic benefits; and
c) It can be made an estimate of the amount of the obligation.

If these conditions are not met, any provision will be recognized.
The provisions are grouped by category in accounting and are constituted for:

a) litigation;
b) guarantees granted to customers;
c) decommissioning of tangible assets and other actions related thereto;
d) restructuring;
e) employees benefits;
f) other provisions.

When, on the basis of the analysis made by management together with the Legal Department on the chances of loss of process by the company, it is concluded that the estimated chances of loss are higher of 51%, it is constituted a provision at the credible estimated value.

Provisions for guarantees granted to customers are based on management and sales department estimates on the level of expenses with the repairs under warranty. The level of expenditure with repairs during the warranty period is determined as a percentage of the turnover of the reporting year.

Provisions for restructuring
The restructuring obligation arises where a company:
- has a detailed formal plan for restructuring in which to be pointed: the activity or the part of activity to which referred, the main locations affected, the location, the function and the approximate number of employees who will be compensated for termination of their activity, the expenses involved, the date on which it will be implemented the restructuring plan
- generated a justified expectation to those affected that the restructuring will be achieved by implementation start of that restructuring plan or by communicating its main characteristics of those who will be affected by restructuring
The restructuring provision includes only direct costs related to restructuring.

Provisions for employees benefits
For the remaining outstanding annual leave, for other long-term benefits granted to employees, (if they are stipulated in the labour contract), and those granted upon termination of employment are recorded during the financial year as provisions. At the time of their recognition as liabilities towards employees, the amount of provisions will be resumed by the appropriate revenue accounts.

Other provisions
If there are identified timing debts or debts with uncertain value that are qualified for the recognition of provisions pursuant to IAS 37 but they are not found in any of the categories identified above, other provisions are recorded.
At the end of each reporting period, the provision shall be reviewed and adjusted to reflect the best current estimate. When it is found from the analysis that is not likely to be required outflow of resources which incorporates economic benefits to settle the obligation, the provision should be annulled.

The Group does not recognize the provision for operating losses. The preview of the operating losses indicate that certain operating assets may be impaired in this case are tested these assets pursuant to IAS 36 “Impairment of assets”.

3.14. Employees benefits - IAS 19 “Employees benefits”

Short-term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the statement of comprehensive income as the services are provided.
Short-term benefits granted to employees include salaries, bonuses and social insurance contributions. Short-term benefits are recognized as expense when the services are rendered. It is recognized a provision for the amounts expected to be paid as short-term cash bonuses or staff participation schemes to profit given that the company currently has a legal or constructive obligation to pay those amounts as a result of past service provided by employees and whether the obligation can be estimated reliably.

Benefits after conclusion of labor agreement

Both the Group and its employees have a legal obligation to contribute to social security established to National Pension Fund managed by the National House of Pensions (contribution plan founded on the principle "you will pay over time").
Therefore the Group has no legal or default obligation to pay future contributions. Its only obligation is to pay the contributions when they fall due. If the Group ceases to employ people who are contributors to the financing plan of the National House of Pensions, shall have no obligation to pay the benefits earned by its own employees in the previous years. The contributions of Group to the plan of contributions are presented as expenses in the year to which it relates.

Defined contribution plans

The Group makes payments on behalf of their employees to the Romanian state pensions system, health insurance and unemployment fund, in the normal course of business.
All employees of the Group are members and have the obligation to contribute to the Romanian state pensions system. All related contributions are recognized in profit or loss account of the period when performed. The Group is not engaged in any other post employment benefit system. The Group has no obligation to provide further services to current or former employees.
The parent company has a voluntary pension program from the month of April 2008 for employees who have at least one year seniority in the company and aged between 18 and 52 years. The contribution is paid by the employer up to the limit of 200 euro/year. The contracts of employees are for the voluntary pension fund ING Optim managed by ING Asigurari de viaţa SA.
The Group does not currently grant benefits as employees participating in profits.
The Group may grant benefits in form of the entity's own shares with the approval of the General Meeting of Shareholders of each consolidated units.

3.15. Earnings for the year

In accounting, the cumulative gain or loss is determined at the beginning of the financial year.
The result for the year is calculated as the difference between the revenues and expenses of the year.
The final result for the financial year is fixed at its closure and represents the final balance of profit and loss account.
The profit distribution is carried out in accordance with the legal provisions in force. The amounts representing gross reserves from the current financial year, based on legal provisions, for example, legal reserve established under the provisions of Law 31/1990 is recorded at the end of the current year. The accounting profit remained after this allocation, is taken at the beginning of the financial year following that for which are prepared the annual financial statements in the account 1171 "Retained earnings representing the undistributed profit or the uncovered losses", where they are distributed to other destinations decided by the General Meeting of Shareholders, under the law. In accounting, the highlights of the destinations of accounting profit shall be made after the general meeting of shareholders approved the distribution of profit by recording the amounts of dividends due to shareholders, reserves and other destinations, according to the law.

3.16. Earnings per share. Diluted earnings.

IAS 33 "Earnings per share" requires that if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is drawn only on the basis of consolidated information. If it chooses to disclose earnings per share based on its separate financial statements, it must present such earnings per share information only on the statement of comprehensive income. In this case it should not disclose earnings per share in the consolidated financial statements.

An entity shall calculate the values of the diluted earnings per share at the profit or loss attributable to the ordinary shareholders of the parent company and, if recognized, at the profit or loss which derive from continuing operations attributable to those shareholders.
For the purpose of calculating the diluted earnings per share, an entity shall adjust the profit or loss attributable to the ordinary shareholders of the parent company and the weighted average number of shares outstanding with the effects of all the ordinary shares potentially diluted.
The objective of this indicator is to assess the participation of each ordinary share in the performance of an entity, taking into account the influence of all the ordinary shares potentially diluted in circulation at that moment.
Dilution is a reduction in earnings per share or an increase in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
Antidilution is an increase in earnings per share or a reduction in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
An ordinary share is an equity instrument which is subordinate to all other classes of equity instruments.
A potential ordinary share is a financial instrument or another contract which may entitle its holder to ordinary shares.
The Company has elected to present earnings per share and diluted earnings in these individual financial statements.
The Company presents the ***basic earnings per share („CPA")*** for its ordinary shares. The basic CPA is calculated by dividing the earnings or loss attributable to the holders of ordinary shares of the Company to the weighted average of the ordinary shares in circulation during the period.
The weighted average of the ordinary shares in circulation during the period = the number of shares in circulation at the beginning of the period adjusted with the number of shares repurchased or issued during that period multiplied by a weighting factor of time.
The weighting factor of time is the number of days that the shares were in circulation, as a proportion of the total number of days in the period.

3.17. Dividends

The quote of profit that is paid, under the law, to each shareholder of the entities constitute a dividend. The dividends distributed to shareholders, proposed or declared after the balance sheet date, and the other similar distributions conducted from profits, are not recognized as a liability at the balance sheet date, but when it is established the right of a shareholder to collect them.
Accounting profit remaining after allocation of the share of legal reserve made, limited to 20 % of the share capital, is taken within the earnings from the beginning of the next financial year to the one for which annual financial statements are prepared, and will be assigned to other legal destinations, according to Board of Directors decision of each entity.
The highlighting in accounting of the destinations of the accounting profit is carried out in the next year after the General Meeting of Shareholders which approved the distribution of profit, by recording the amounts representing dividends due to shareholders or associates, reserves and other destinations, under the law for each entity. No return can be made on recordings of the distribution of profit.
For the accounting of dividends are considered the IAS 10 provisions.

3.18. Capital and reserves

Capital and reserves (equity) is the right of shareholders to the assets of an entity, after deducting all liabilities. The equity contain: capital contributions, capital premiums, reserves, earnings, outcome of the financial year.

The ***share capital*** consisting of common shares, is recorded at the value established based on the constitution documents. In the first set of financial statements prepared in accordance with IFRS, the Group has applied IAS 29 «Financial reporting in hyperinflationary economies » for the contributions of shareholders obtained prior 01.01.2004, respectively they were properly adjusted with the inflation index.
The own shares repurchased, under the law, are presented in the balance as a correction to equity.
Gains or losses relating to the issuance, redemption, sale, transfer free of charge or cancel the entity's equity instruments (shares, holdings) are recognized directly in the equity in the rows „Gains or Losses related to equity instruments".
The Group recognizes the changes in share capital in accordance with the legislation in force and only after their approval in the Extraordinary General Meeting of Shareholders and their registration in the Trade Register, for each entity.
Revaluation reserves. After the recognition as an asset, an item of tangible assets whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.
If the carrying amount of an asset is increased as a result of a revaluation, this increase should be recorded directly in equity in the item - row "revaluation reserves". Nevertheless, the increase shall be recognized in profit or loss to the extent that it offsets a decrease from revaluation of the same asset previously recognized in profit or loss.
If the carrying amount of an asset is impaired as a result of a revaluation, this decrease should be recognized in profit or loss. Nevertheless, the decrease shall be debited directly to equity in the item - row "revaluation reserves", to the extent that there is a credit balance in the revaluation surplus for that asset.
The revaluation surplus included in equity related to an item of tangible assets can be transferred directly to retained earnings when the asset is derecognised.
Starting on May 1, 2009, the reserves from fixed assets revaluation, including the lands, performed after January 1, 2004, which are deducted from taxable income through tax depreciation or expenditures on assets sold and/or scrapped, are taxed simultaneously with the deduction of tax depreciation, respectively in the moment of the decrease from the management of these fixed assets, where appropiate, in accordance with the Tax Code.
The reserves from fixed assets revaluation, including the lands, performed until December 31, 2003 plus the portion of revaluation performed after January 1, 2004 of the period up to April 30, 2009, will not be taxed in the moment of the transfer to retained earnings (acct. 1175) but when the destination is changed.
The reserves from fixed assets revaluation are transferred to retained earnings in the moment of the decrease from the management of the revalued fixed assets.
The reserves made are taxable in future, in case of changes in reserves destination in any form, in case of liquidation, merger of entities, including its use to cover the accounting losses, except the transfer, after the date of May 1, 2009, of the reserves related to the assessments made after January 1, 2004.

Legal reserves
In accordance with the legislation of Romania, the companies must assign a value equal to at least 5% from the profit before tax, in the legal reserves, until this reach 20% of the share capital. When this level has been reached, the Company may make additional allocations of net profits only. The legal reserve is deductible in limit of the quote of 5% applied to the accounting profit, before determining the profit tax.
The entities from Romania were founded according to Law no. 31/1990 on companies.
In the financial statements prepared in accordance IFRS, the company has applied IAS 29 - "Financial reporting in hyperinflationary economies", corrected the historical cost of the share capital, of the legal reserves and other reserves, with the effect of inflation, until December 31, 2003. These adjustments were recorded in different analytical accounts.

3.19. Segment reporting

An operating segment is a distinct component of the Group which engage in activities following which could get revenues and record charges, including revenues and expenses related to transactions with any of the other components of the Group and which is subject to risks and rewards that are different from those of other segments. The main format of segment reporting of the Company is represented by the segmentation on activities.
Given that the shares of Prefab SA are traded in the BUCHAREST STOCK EXCHANGE, and the Company applied IFRS, it shows in the annual financial statements and in the interim reports made under ***IAS 34 Interim Financial Reporting***, information about the business segments, about its products and services, about the geographic areas in which it operates and about the major customers.
In accordance with ***IFRS 8 "Segments of activity***", a segment of activity is a component of an entity:

- that engages in business activities which can get revenues and from which can incur expenditure (including income related to transactions with other components of the same entity)
- whose results from activity are periodically reviewed by the main factor of the entity's operational decision-maker in order to take decisions on the allocation of resources by segment and its performance evaluation, and
- for which separate financial information is available.

Considering the criteria for identifying the business segments and quantitative thresholds described in IFRS 8, Prefab SA identified as a business segment for which is presenting the information separately, the AAC segment.

3.20. Affiliated parties

A person or a person's immediate family member is considered affiliated to a Company if that person:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the staff - key management.

The staff - key management are those persons having authority and responsibility to plan, lead and control the Company's activities directly or indirectly, including any director (executive or otherwise) of the entity. The transactions with key personnel include only salary benefits granted to them as presented in Notes.

An entity is affiliated to the Company if it meets any of the following conditions:

- The Entity and the Company are members of the same group (which means that each parent company, branch and subsidiary of the same group is linked to the other)
- An entity is associate or joint venture of the other entity (or associate or joint venture of a member of the group of which is the other entity)
- Both entities are joint ventures of the same third
- An entity is a joint venture of a third party and the other is an associate of the third entity
- The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or of the affiliated entities of the reporting entity. If the reporting entity is itself such a plan, the sponsors employers are also, the affiliates of the reporting entity.
- The entity is controlled or jointly controlled by a person affiliated
- An affiliated person having the control significantly influence the entity or a member of the key personnel from the entity management (or of the entity parent company).

Information on relationships with the affiliated parties, subsidiaries and associates entities are presented in the note 29.

3.21. Consolidation procedures used

To consolidate the financial statements, the Group:

a) combine the similar items of assets, liabilities, own capitals, revenues, expenses and cash flows of the parent company with that of its subsidiaries
b) offsets (eliminates) the carrying amount of the investment made by the parent company in each subsidiary and the part of the parent company from the own capital of each subsidiary
c) completely eliminates the assets and the liabilities, the own capitals, the revenues, the expenses and the cash flows of the Group which are related to the transactions between the Group entities (profits or losses resulting from intra-Group transactions which are recognized as assets, such as inventory and fixed assets, or completely eliminated). Intra-group losses may indicate an impairment which requires the recognition in the consolidated financial statements. It is applied IAS 12 - Income tax - to the temporary differences arising from the elimination of profits and losses resulting from intragroup transactions.
The interests that are not controlling in subsidiaries are presented in a consolidated statement of the financial position in equity, separately from the equity of the owners of the parent company.

Uniform accounting policies
The Group prepares consolidated financial statements using uniform accounting policies for transactions and events in similar circumstances.
If a subsidiary, member of the group, uses accounting policies other than those adopted in the consolidated financial statements, for transactions and events in similar circumstances (different depreciation methods, different evaluation methods etc.) it is proceed to adjust the financial statements because the financial statements of that subsidiary can be used in preparing the consolidated financial statements and to ensure the compliance with the group accounting policies.
The group includes in the consolidated financial statements the incomes and expenses of a subsidiary from the date on which it obtained the control and up to the date the entity ceases to control.
Interests that are not controlling - the earnings (profit or loss) and each component of the comprehensive income, are attributed to the owners of the parent company and to the non-controlling interests.

Reporting date
The financial statements of the parent company and its subsidiaries use in preparing the consolidated financial statements the same reporting date, respectively on December 31, 2015 for these financial statements.
The Group does not have joint commitments covered by IFRS 11 - Joint commitments, no interests in other entities, in subsidiaries that are not consolidated or unconsolidated structured units.
Application of IFRS 10, 11 and 12, starting with January 01, 2014 determined a significant exercise judgment from management to determine which entities are controlled and which must be consolidated by the parent company in relation to the requirements which have been contained previously to this date in IAS 27. The management has evaluated the authority owned on the entities in which invested derived of the voting rights conferred on equity instruments (shares, holdings). The parent company has rights to variable incomes based on its participation in the investee affiliates, rights that are consistent with the performance of the investee entities. The management concluded that not only has authority over the group entities, but also the ability to use his authority to influence the revenues as a result of its participation in the investee entities.
The management has reviewed the degree of control held on investments in other entities under IFRS 10 and concluded that there is no effect on classification to any of the investments held in the reporting period or on comparative periods covered by these financial statements.

3.22. Changes in accounting policies
Application of the new and revised International Financial Reporting Standards

New or revised Standards and interpretations mandatory for the company applicable to the accounting periods starting with January 01, 2016.

- IFRS 14 "Deferral accounts related to regulated activities", issued on January 30, 2014 (effective for annual periods beginning on or after January 1, 2016). IFRS 14 permites to entities adopting for the first time IFRS that, on the date of adoption of standards, to continue to recognize the amounts of regulated tariffs as required by accounting practices with national standards, to continue this treatment at the date of transition too.
  This standard was not applicable to the company because the company is not applying for first time IFRS.
- Amendments to IFRS 10 - Consolidated financial statements, IFRS 12 - Presentation of existing interests in other entities and IAS 28 – Investments in associates and joint ventures – investment companies: applying the exception from consolidation (effective for periods beginning on or after January 1, 2016). Amendments were issued by IASB on December 18, 2014. These amendments of IFRS 10, IFRS 12 and IAS 28, have a precise destination and introduce clarifications to the requirements of accounting for investments in entities. The amendments relate to three aspects related to the exception from consolidation for investment entities:
  - that the exception applies to an entity that is a subsidiary of an investment entity, when the entity shall measure all investment entities at fair value;
  - that only a subsidiary which is not an investment entity but provides support services for such entities, is consolidated and all the other subsidiaries of an entity of investments are measured at fair value;
  - changes to IAS 28 allow investors that at the application of the equity method, to keep the fair value applied by the associate or joint venture entity's investment for its interests in subsidiaries.
  These amendments had no impact on the financial statements of the Company.
- **Amendments to IAS 1** - Presentation of Financial Statements - Initiative of presentation – adopted by EU on December 18, 2015 (effective for periods beginning on or after January 1, 2016 or after this date) and issued by IASB on December 18, 2014. Amendments to IAS 1 aimed to encouraging companies in the application of professional judgment to determine what information to disclose in their financial statements. For example, the amendments specify that the materiality is applied to the financial statements in their entirety and that the inclusion of insignificant information could affect the usefulness of financial presentations. In addition, the amendments clarify that entities should use professional judgment in determining the place and the order in which information is presented in the financial statements.
  These amendment had no impact on the financial statements of the Company.
- **Amendments to IAS 27** Equity method in the individual financial statements.
  Amendments reactivates equity method accounting as an option for investments in subsidiaries, joint ventures and associates in the separate financial statements of an entity.
  This amendment allows entities to use the equity method to account the investments in subsidiaries, the joint ventures and the associates in the separate financial statements.
  This amendment had no impact on these financial statements individual because the company still reflects the investments in subsidiaries at historical cost, reduced by any allowance for impairment, if applicable.

- **Amendments to various standards - Improvements for IFRS (cycle 2012 - 2014)** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) aiming primarily to eliminate inconsistencies and other clarifications; adopted by EU on December 15, 2015. The review clarifies the accounting records for situations where interpretations were permitted. The changes include new or revised requirements regarding:
  - IFRS 5: Current assets held for sale and discontinued operations: clarify that the transition from one method of transfer to another should not be considered a new plan of disposal but a continuation of the original plan and therefore, there is no interruption in the application of IFRS 5 requirements. It is also clear that a new method of transfer does not change the date of classification.

- IFRS 7: clarify that a service contract which includes an honorarium may be a continous involvement in the financial asset
- applicability of amendments to IFRS 7 to condense the interim financial statements.
These amendments had no impact on the individual financial statements of the Company.

- **Amendments to IAS 16** - Tangible assets and IAS 38 - Intangible assets - clarifications to the acceptable methods for depreciation and amortization - adopted by EU on December 2, 2015 (effective for periods beginning on or after January 1, 2016 or after this date) and issued by IASB peon May 12, 2014. The amendments clarify that the methods that involve the depreciation calculation of an asset based on income are not recommended because the income generated by an activity that includes the use of an asset, generally reflect other factors than the economic benefits embodied in the asset. As a result the ratio of revenues and total revenues expected to be generated can be used to amortize an item of property. This amendment had no impact on these financial statements individual.
- **Amendments to IAS 16** - Tangible assets and IAS 41 - Agriculture - Biological assets - adopted by EU on November 23, 2015 (effective for periods beginning on or after January 1, 2016) and issued by IASB on June 30, 2014. The amendments bring biological assets, which are used only for generating products in order to IAS 16 so it can be accounted in the same way as the tangible assets. These amendments had no impact on the individual financial statements of the Company.

II) New or revised standards and interpretations that are not yet effective and have not been adopted early

- **Amendments to IAS 7 – Statement of Cash Flows** – initiative of presentation (effective for periods beginning on or after January 1, 2017); issued by IASB on January 29, 2016. Amendments aimed to improving the information provided to users of financial statements about the financial activities of the entity. The amendments require to an entity to disclose information to help users of financial statements to evaluate changes in liabilities arising from financial activities, including that of the cash flow and the non monetary activities.
- **IFRS 9 - Financial instruments** (effective for periods beginning on or after January 1, 2018); replaces IAS 39 - Financial instruments: recognition and measurement and include requirements for recognition, measurement, impairment, derecognition, general notions of accounting hedging.
IFRS 9 - Financial instruments issued on July 24, 2014, is the standard by which IASB replaces IAS 39 - Financial instruments: recognition and measurement". This includes requirements for recognition, measurement, impairment, derecognition, general notions of accounting hedging.
Classification and measurement - IFRS 9 introduces a new approach regarding the classification of financial assets, approach that takes into account the cash flow characteristics and the business model in which the asset is owned. This approach based on a single principle replaces the requirements of the basic rules of IAS 39. The new model also requires a single impairment model that is applied to all financial instruments.
Depreciation - IFRS 9 introduced a new model of depreciation, that of the expected loss, which will require a timely recognition of the expected credit losses. Basically, the new standard requires to the companies to record the expected losses from credit while recognizing the financial instrument and to recognize the expected losses over all the life of the instrument.
Accounting for hedging - IFRS 9 introduces a model totally changed for hedge accounting, with presentations improved in terms of risk management activity. The new model represents a significant revision of the accounting for hedging that aligns the accounting treatment with the business of risk management.
Accounting exposure to credit risk - IFRS 9 eliminate the volatility from the profit or loss that was caused by changes in the credit risk associated to the liabilities for which it was opted the presentation at the fair value. This change in accounting suppose that the earnings determinated by reducing credit risk related to these liabilities are not recognized in profit or loss.

The company analyzes the implications in the financial statements regarding the application of this standard for the first time.

- **IFRS 15 - Revenue from contracts with customers** and other future amendments (effective for periods beginning on or after January 1, 2018) was issued by IASB on May 28, 2014 (on September 11, 2015 IASB postponed the effective date to January 1, 2018). IFRS 15 specifies how and when will recognize the revenues, but also requires that the institutions provide to users of the financial statements more info. The standard replaces IAS 18 - Income, IAS 11 - Construction contracts and a number of interpretations related to incomes. Applying this standard is mandatory for all companies that apply IFRS and for almost all contracts with customers; the main exceptions are the leasing contracts, financial instruments and insurance contracts. The basic principle of this standard is that institutions recognize the revenue so they indicate exactly the consideration for the transfer of goods or services to customers (ie the payment) that the entity expects to receive. The new standard also requires enhanced presentations of income, provides guidance for transactions that previously were not addressed exhaustively (e.g., service revenue and contract changes) and for contracts with multiple objects.
- **IFRS 16 - Leasing agreements** (effective for periods beginning on or after January 1, 2019) was issued by IASB on January 13, 2016. Under IFRS 16 the lessee recognizes a right of use and a lease liability. The right to use is treated similar to other non-financial assets and depreciated accordingly. Lease debt is initially measured at the lease payments due under the lease terms, reduced to the rate of the contract, if it can be easily determined. If the interest rate can not be determined, the lessee will use his interest for loan. As with its predecessor IFRS 16, IAS 17, the parties clasify the leasing contracts as operational or financial. A leasing contract is classified as a financial lease if through this will be transfered all the risks and rewards of ownership. Otherwise, a leasing contract is classified as operating lease. For finance leases the lessor recognizes revenue over the contract period based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognizes the payments related to the operational leasing contract as a linear income or, if it is deemed more representative, depending on how the benefits of the asset diminishes.
- Amendments to IAS 7 The initiative of presenting information, effective for annual periods beginning on January 2017. Amendment oblige institutions to provide information that will allow investors to assess changes in liabilities arising from financial activities, including cash flow and those without monetary nature.
- Amendments to IAS 12 Recognition of deferred tax assets, effective for annual periods beginning on January 2017. Clear recognition of these assets for unrealized loss on debt instruments measured at fair value.

Regarding the adoption of these new standards and amendments to existing standards the company anticipates that will not have a significant impact on the financial statements of the Company at the initial application.

4. INTANGIBLE ASSETS

The intangible assets of the Group include software, licenses and various software and are accounted in the account 208 ”Other intangible assets”; They are depreciated on a straight-line; They are presented at historical cost, less the depreciation and any value adjustments. For the periods presented were not recorded value adjustments.
The Group has no internally generated intangible assets or acquired through a government grant and also, does not hold intangible assets with indefinite useful life.
The Group has no intangible assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5.
For the intangibles assets, the useful lives were estimated at 3 years.

The situation of the Group intangible assets on 31.12.2016 is as follows:

Cost

	Other intangible assets	Total
Balance on January 01, 2016	**1.565.917**	**1.565.917**
Entrances	105.860	105.860
Cessions	0	0
Balance on December 31, 2016	**1.671.777**	**1.671.777**

Accumulated amortization

	Other intangible assets	Total
Balance on January 01, 2016	**1.134.930**	**1.134.930**
Cost of the period	197.997	197.997
Cessions	0	0
Balance on December 31, 2016	**1.332.927**	**1.332.927**
Net book value January 01, 2016	**430.987**	**430.987**
Net book value December 31, 2016	**338.850**	**338.850**

5. TANGIBLE ASSETS

On 31.12.2014, the Group has reassessed with authorized independent experts in the field, buildings, land and equipment assets existing in its heritage at that time. The depreciation was restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.

Tangible assets of PREFAB SA - the parent company	Lands	Buildings	Plant and machinery	Other systems, equipment and furniture	Tangible assets in progress	Total
COST						
01.01.2016	**117.335.543**	**66.174.537**	**101.982.887**	**1.827.286**	**3.928.258**	**291.248.511**
Increases	0	1.198.020	5.703.430		4.195.749	11.097.199
Discounts	0	(598.697)	(508.434)	0	(4.765.103)	(5.872.234)
31 12. 2016	**117.335.543**	**66.773.860**	**107.177.883**	**1.827.286**	**3.358.904**	**296.473.476**
AMORTIZATION						
01.01.2016	**511.871**	**24.780.520**	**45.304.605**	**1.423.933**	**0**	**72.020.929**
Cost of the period	64.746	1.687.906	4.111.361	53.857	0	5.917.870
Outputs		(156.796)	(508.123)	0	0	(664.919)
31.12.2016	**576.617**	**26.311.630**	**48.907.843**	**1.477.790**	**0**	**77.273.880**
NET VALUES						
01.01.2016	**116.823.672**	**41.394.017**	**56.678.282**	**403.353**	**3.928.258**	**219.227.582**
31.12. 2016	**116.758.926**	**40.462.230**	**58.270.040**	**349.496**	**3.358.904**	**219.199.596**

Tangible assets of PREFAB INVEST SA	**Lands**	**Buildings**	**Plant and machinery**	**Other systems, equipment and furniture**	**Tangible assets in progress**	**Total**
COST						
01.01.2016	**0**	**25.362**	**57.013**	**6.781**	**0**	**89.155**
Increases	0	0	0	0	0	0
Discounts	0	(25.362)	0	0	0	(25.362)
31 12. 2016	**0**	**0**	**57.013**	**6.781**	**0**	**63.794**
AMORTIZATION						
01.01.2016	**0**	**0**	**57.013**	**6.781**	**0**	**63.794**
Cost of the period	0	1.059	0	0	0	1.059
Outputs		(1.059)	0	0	0	(1.059)
31.12.2016	**0**	**0**	**57.013**	**6.781**	**0**	**63.794**
NET VALUES						
01.01.2016	**0**	**25.362**	**0**	**0**	**0**	**25.362**
31.12. 2016	**0**	**0**	**0**	**0**	**0**	**0**

Tangible assets of FOTBAL CLUB PREFAB SA	**Lands**	**Buildings**	**Plant and machinery**	**Other systems, equipment and furniture**	**Tangible assets in progress**	**Total**
COST						
01.01.2016	**0**	**0**	**26.351**	**2.759**	**0**	**29.110**
Increases	0	0	0	0	0	0
Discounts	0	0	0	0	0	0
31.12.2016	**0**	**0**	**26.351**	**2.759**	**0**	**29.110**
AMORTIZATION						

01.01.2016	**0**	**0**	**1.921**	**402**	**0**	**2.323**
Cost of the period	0	0	0	0	0	0
Outputs		0	0	0	0	0
31.12.2016	**0**	**0**	**1.921**	**402**	**0**	**2.323**
NET VALUES						
01.01.2016	**0**	**0**	**24.430**	**2.357**	**0**	**26.787**
31.12. 2016	**0**	**0**	**24.430**	**2.357**	**0**	**26.787**

Tangible assets of PREFAB BG EOOD	**Lands**	**Buildings**	**Plant and machinery**	**Other systems, equipment and furniture**	**Tangible assets in progress**	**Total**
COST						
01.01.2016	**0**	**182.474**	0	**17.422**	0	**199.896**
Increases	0	948	0	0	0	948
Discounts		0	**0**	(1.170)	**0**	(1.170)
31.12.2016	**0**	**183.422**		**16.252**	0	**199.674**
AMORTIZATION						
01.01.2016	**0**	**32.103**	0	**8.168**	0	**40.271**
Cost of the period	0	2.724	0	1.119	0	3.843
Outputs		0	**0**	0	**0**	0
31.12.2016	**0**	**34.827**		**9.287**		**44.114**
NET VALUES						
01.01.2016	**0**	**150.371**	**0**	**9.254**	**0**	**159.625**
31.12.2016	**0**	**148.595**	**0**	**6.965**	**0**	**155.560**

5.1. Tangible assets entered and put into operation

In 2016 the parent company made investments consisting in modernization and retechnologization of the technological installations and equipment worth 11.097.199 lei.

5.2. Outgoing tangible assets

The parent company in 2016 alienated these ancillary assets:

- Apartment no. 25 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti
- Apartment no. 31 located in Cuza Voda Str., no. 132, Sector 4, Bucuresti

Also the parent company have scrapped fixed assets worth 508.434 lei, consisting in means of conveyance and equipment fully depreciated and which can no longer be used in the company's activities.
The affiliated company, Prefab Invest alienated constructions worth 25.362 lei.
There were not alienated assets that influence the execution of the object of activity of the company or that may affect the achievement of expected economic benefits.

5.3. Pledged fixed assets

For guarantee of the guarantee agreements and credit contracts signed with the financing banks, the parent company mortgaged these assets in favor of that banks, as follows:

For all the credit facilities contracted with Veneto Banca, the parent company constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 (Premo) located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2 .
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors

For all the credit facilities contracted with CEC Bank, listed above, the parent company constituted these guarantees in favor of the bank:

- Warranty on building land with cadastral no. /top 22567(surface 1209 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on building land with cadastral no. /top 22575(surface 735 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Administrative building and annexes**, (land of 15.979 m²) with cadastral no. 22574 - C1-C6, 22574, located in Calarasi, str. Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Large tubes and decanter**, (land of 11815,08 m²) with cadastral no. 22566 - C1-C2, 22566, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Precasts**, (land of 56.635 m²) with cadastral no. 22721 - C1-C6, 22721, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on residential estate - **Block housing P+3-Prefab House**, (land of 940.81 m²) with cadastral no. 23596 - C1, 23596, located in Calarasi, str. Ing. Victor Orlovski, nr. 2.
- Warranty on residential estate - **Accommodation Villa P+1 E+M**, (land of 4000,08 m²) with cadastral no. 107450-C1-C2, 107450, located in Mangalia, localitatea Jupiter, str. Aldea, nr. 14.
- Mortgage on company present and future claims arising from the commercial contract no. 50/09.11.2016 concluded with Arcocim SRL, and the commercial contract no. 51/09.11.2016

concluded with Oyl Company Logistic and the commercial contract no. 49/02.11.2016 concluded with Metale International and on current accounts opened at CEC Bank.

- Material warranty on the following equipment:
  - AAC pallet wrapping and turning machine
  - a plant shape armature
  - slurry pumps
  - autoclave for autoclaved aerated concrete production
  - an automatic lathe

For all the credit facilities contracted with BRD Groupe Societe Generale, for achieving the cogeneration plant, the parent company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipality of Calarasi, in area of 83.928,74 m², located within the company PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.
- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/ Municipality of Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of S.C. PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

5.4. Assets in progress

On 31.12.2016, the parent company records in the account of assets in progress the amount of 3.358.904 lei, representing modernization and upgrading of the technological facilities and equipment.
On 31.12.2016, the affiliated parties do not hold assets in progress.

6. PROPERTY INVESTMENTS

The land and the building owned by the parent company in the resort Jupiter, are considered as Property investments, are not used by the company for conducting the operational activity and have not a destination established.

	Land and land improvements	**Constructions**	**Property investments in progress**	**Total**
Balance on December 31, 2014	**1.415.240**	**1.513.262**	**0**	**2.928.502**
Increases:	0	0	0	0
Discounts:	0	0	0	0
Balance on December 31, 2015	**1.415.240**	**1.513.262**	**0**	**2.928.502**

	Land and land improvements	**Constructions**	**Property investments in progress**	**Total**
Balance on December 31, 2015	**1.415.240**	**1.513.262**	**0**	**2.928.502**
Increases:	419	1.059	0	1.478
Discounts:	0	0	0	0
Balance on December 31, 2016	**1.415.659**	**1.514.321**	**0**	**2.929.980**

7. INVESTMENTS IN AFFILIATED ENTITIES

At the date of transition to IFRS and respectively on 31.12.2016, the parent Company has classified, in its separate financial statements, the investments held in affiliated companies amounted to 9.439.669 lei in financial assets available for sale in accordance with IAS 39. None of the companies where these investments are made is not rated on securities market.
The estimates of fair value at the balance sheet date are normally based on available market information. When such quotes and prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c)
Participation situation of SC PREFAB SA at the share capital of other companies (unquoted) during the year 2016, compared to the year 2015, is as follows:

Company name	**Balance on 31.12.2016**			**Balance on 31.12.2015**		
	Value	No. shares	%	Value	No. shares	%
PREFAB INVEST S.A.	149.850	3.996	99.9	149.850	3.996	99.9
PREFAB BG EOOD Silistra	18.919	100	100	18.919	100	100
Fotbal Club S.A. Modelu	9.270.900	30.903	99.8707	9.270.900	30.903	99.8707
TOTAL	**9.439.669**			**9.439.669**		

These companies are included in the financial consolidation statements prepared in accordance with IFRS 10 "Consolidated and Separate Financial Statements". The financial consolidation statements are the financial statements of a group, presented as if it were a single economic entity.
The financial assets available for sale listed and whose fair value can not be determined reliably are recorded at the acquisition cost less the impairment losses and are tested annually for impairment. To fix this, the management uses a series of judgments and envisages, in addition to other factors, the duration and extent to which the value of the investment at the reporting date is less than the cost of its; the financial health and the short-term perspective of the issuer, including the factors such as industry performance and the industry in which it operates, technological changes and operating cash flows and for financing. On 31.12.2016, the management has not identified factors leading to record an impairment of investments held in subsidiaries.

Wishing to establish an association to promote activities related to the production of precast concrete industry, PREFAB SA with 8 other leading companies in this branch, they agreed to constitute «Asociatia Producatorilor de Prefabricate din Beton PREFBETON». The purpose of the Association is to promote precast concrete products, to represent, support and defend technical, economic and legal interests on trade and precast concrete industry, to develop and encourage cooperation in scientific, technical and standardization area, and to stimulate contacts between experts in the country. The initial patrimony of the Association was 1800 Ron, the contribution of Prefab SA being of 200 Ron. This association was not included in consolidation being considered with a minor importance for the Group.

On 31.12.2016, the branch PREFAB INVEST S.A. has a holding worth 100 lei in the initial heritage of the Association "Society for Concrete and Precast of Romania" - a non-profit, apolitical and nongovernmental association, the total heritage of the association being worth 560 lei. The purpose of the association is to promote the scientific and technical progress in the field of the concrete elements and structures. This association was not included in consolidation being considered with a minor importance for the Group.

8. RECEIVABLES AND OTHER ASSETS

The receivables are recorded at nominal value and are pointed in the analytical accounting for each person or entity. Foreign currency receivables have been assessed based on exchange rate in force at the end of the exercise, and the rate differences were recognized as incomes or expenses of the period.

a) The trade receivables are presented below.

Receivables	Balance on December 31, 2016	Balance on December 31, 2015
Trade receivables	39.786.229	40.481.192
Adjustments for impairment of trade receivables	(659.263)	(659.263)
Trade receivables, net	**39.126.966**	**39.821.929**

The trade receivables mainly refer to internal and external clients in balance on 31.12.2016. Among the main customers for Prefab SA – the parent company, we remember: Metale International Focsani, Oyl Company Slobozia, Arcocim Calarasi, Mucaba Constanta and for Prefab Invest – affiliated party: Noua Tei Buzau, Figran Galati, Crismih Vaslui, T. O. Pitricica Galati.
The doubtful clients or in litigation had on 31.12.2016 the gross value of 1.482.041 lei keeping in balance, much of that registered at the beginning of the year which were not collected.
For these doubtful clients, the process started in the previous years have continued.
For some of them, for which the management has estimated that there is a risk of non-recovery, there are made adjustments for doubtful debts worth 659.263 lei. Also they were undertaken legal action to recover the debts.

Term liquidity analysis Trade receivables	Balance on December 31, 2016	Balance on December 31, 2015
Under a year	39.126.966	39.821.929
More than a year	0	0

Other assets	Balance on December 31, 2016	Balance on December 31, 2015
b) Other assets, of which:		
Debtors	1.337	9.595
Prepayments	750.940	770.680
VAT to be recovered	0	476.614
VAT not do in	33.513	16.271
Suppliers debtors	850	19
Other receivables	196.867	228.498
Total	**983.507**	**1.501.677**

Term liquidity analysis Other assets	Balance on December 31, 2016	Balance on December 31, 2015
Under a year	**983.507**	**1.501.677**
	0	0
More than a year		

Suppliers debtors
The suppliers debtors in the amount of 850 lei represent advances for the suppliers.

c) Adjustments of depreciation for trade receivables and other receivables
The evolution of adjustments of depreciation is as follows:

	December 31, 2016	December 31, 2015
At the beginning of the period	**659.263**	**757.919**
Increase/ (reversals)	0	0
Decreases	0	98.656
At the end of the period	**659.263**	**659.263**

On 31.12.2016, the affiliated parties have not established allowance for impairment for trade receivables and other receivables.

9. STOCKS

December 31, 2015	Cost	Adjustments	Net value
1. Raw materials and consumables	3.526.566	0	3.526.566
2. Production in progress	295.259	0	295.259
3. Finished products and goods	5.793.276	3.560	5.789.716
4. Fixed assets held for sale	0	0	0
Total	**9.615.101**	**3.560**	**9.611.541**

December 31, 2016	Cost	Adjustments	Net value
1. Raw materials and consumables	3.383.077	0	3.383.077
2. Production in progress	768.859	0	768.859
3. Finished products and goods	2.934.234	3.560	2.930.674
4. Advances for stocks	251.092	0	251.092
Total	**7.337.262**	**3.560**	**7.333.702**

The main categories of stocks are the raw materials and and the consumables, the production in progress, the finished products and goods, the advances for purchases of stocks.
The cost of stocks includes all costs of acquisition and processing and other costs incurred in bringing the stocks to the form and in the place where there are.
The cost of finished products and of production in progress includes the direct costs related to production, namely: direct materials, energy consumption for technological purposes, direct labor and other direct costs of production and the quote of indirect production costs rationally allocated as related to their manufacturing.
On leaving the management, the stocks are evaluated based on the weighted average cost method.

This method involves the calculation of the cost of each element on the basis of the weighted average of the similar cost items being in stock at beginning of period and of the cost of similar items purchased or produced by the company during that period. The average is are calculated monthly, at the end of each month.
On the date of financial statements, the stocks are valued at the lower value between the cost and the net realizable value.
The net realizable value is the estimated selling price to be obtained in the ordinary course of business, less the estimated costs of property completion, when appropriate, and the estimated costs necessary for sale.
Where appropriate it is constitute provision for the outdated, slow moving or defective stocks.
On 31.12.2016, they are maintained the stocks impairment of finished products in the amount of 3.560 lei constituted by the parent company.
Advances for stocks represent the amounts paid in advance to the lime provider Celco Constanta by the parent company.

10. CASH AND CASH EQUIVALENTS

On 31.12.2016 the cash and cash equivalents are in amount of 619.650 lei, lower than the values recorded on 31.12.2015 of 524.921 lei and shall consist of:

	Balance on December 31, 2016	**Balance on December 31, 2015**
Cash	775	2.909
Deposits and available money in banks	618.875	520.450
Other values	0	1.562
Total	**619.650**	**524.921**

Of the total of cash accounts and cash equivalents, the restricted amounts on 31.12.2016 and on 31.12.2015 consisted of:

	Balance on December 31, 2016	**Balance on December 31, 2015**
Performance guarantees	158.831	256.692
Managers guarantees	50.160	2.023
Other guarantees	91.300	9.655
Total	**300.291**	**268.370**

In all accounts of cash and cash equivalents at the date of 31.12.2016, the parent company has a share of 95%.

Because of the Group procedures to minimize the credit risk, was increased the transaction volume which involved the guarantee of collections by checks and bills of exchange. The cash equivalents represent checks and bills of exchange submitted to the bank for collection.

11. EQUITY

In the group formed, the shares issued by **PREFAB S.A.** - parent company, starting with July 5, 2010, are traded on the regulated market administrated by Bucharest Stock Exchange, in the Sector of Equity, Category Standard, having the symbol PREH. The specific activities of independent registry for S.C.PREFAB SA were conducted by the *Central Depository.*
The share capital of PREFAB SA was not changed during the year 2016.
The **subscribed and paid capital** is worth 24.266.709,5 lei, composed of 48.533.419 shares with nominal value of 0,50 lei/share.

The ownership structure on 31.12.2016 is:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.279.504	82.9934
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDERS - LEGAL PERSONS	422.298	0.8701
OTHER SHAREHOLDERS - NATURAL PERSONS	1.536.617	3.1661
TOTAL	**48.533.419**	**100**

The shares are nominative, are issued in dematerialized form, each share having a nominal value of 0.50 lei/share. During the financial year 2016, the nominal value of a share did not change.
We note that the actions Prefab S.A. are traded on the Bucharest Stock Exchange, Category Standard, starting with 05.07.2010. The prices of the company shares had a oscillating trend manifested in terms of number of shares traded, a trend primarily due to cash shortage and to the general reduction of transactions on the Bucharest Stock Exchange.
The last trading price of the Company's shares PREFAB SA Bucuresti, available on 20.02.2017 was for 1.1450 lei/share.
The specific activities of independent registry for PREFAB SA were conducted by the *Central Depository.*

- **PREFAB INVEST SA** has a share capital worth 150.000 lei structured in 4000 shares with a nominal value of 37,5 lei/share. On 31.12.2016, the situation of subscribed and paid share capital is as follows:

Item no.	Shareholder	No. of shares held	Nominal value	Share capital	% of the share capital
1	Prefab SA Bucuresti	3.996	37.5	149.850	99.9
2	Other shareholders	4	37.5	150	0.01
	Total	**4000**		**150.000**	**100**

- **PREFAB BG EOOD Bulgaria** has a share capital worth 18.918,90 lei which belongs in percentage of 100% to PREFAB SA BUCURESTI.

- FOTBAL CLUB PREFAB 05 S.A. has a share capital worth 9.282.900 lei, structured in 30.943 shares with a nominal value of 300 lei/share. On 31.12.2016 the situation of subscribed and paid share capital is as follows:

According to IAS 29 „Financial reporting in hyperinflationary economies", the Group adjusted the historical cost of the share capital by the effect of inflation until December 31, 2003.

12. RESERVES

Item no.	Shareholder	No. of shares held	Nominal value	Share capital	% of the share capital
1	Prefab SA Bucureşti	30.903	300	9.270.900	99,87
2	Miluţ Petre Marian	40	300	12.000	0.13
	Total	**30.943**		**9.282.900**	**100**

The reserves include the following components:

	Balance on December 31, 2016	Balance on December 31, 2015
Legal reserves	4.293.304	4.222.481
Other reserves	34.393.123	33.869.631
Revaluation reserves	123.230.103	123.429.629
Total	**161.916.530**	**161.521.741**

The Group recorded at the end of the year 2016 "**Legal reserves**" in the account 1061 the amount of 4.293.304 lei of which 1.483.092 lei represents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the Group correcting the historical cost of the legal reserves with the effect of inflation until December 31, 2003.

The Group recorded at the end of the year 2016 "**Other reserves**" in the account 1068 the amount of 34.393.123 lei of which 2.676.474 lei represents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the Group correcting the historical cost of the other reserves with the effect of inflation until December 31, 2003.

The **revaluation reserves** are in the amount of 123.230.103 lei on 31.12.2016. The last revaluation was performed on December 31, 2014 for land, buildings and equipment from records according to the regulations in force based on Report of technical expertise rating prepared by an evaluation firm, member of ANEVAR, in order to determine their fair value, taking into account the inflation, the utility goods, their condition and the market value. The decrease or increase in book value resulting from these revaluations was debited to the revaluation reserve.
The following describes the nature and the purpose of each reserve within the equity:

Reserve	Description and purpose
Legal reserves	According to Law no. 31/1990, every year it is taken at least 5% of profit for the formation of reserve fund, until it reaches a minimum of one fifth of share capital.
Other reserves	Other reserves include on December 31, 2015 the reserves constituted on the net profit distribution.
Revaluation reserve fixed assets	If the carrying value of a tangible assets is increased as a result of revaluation, then the increase should be recognized in other comprehensive income items and accumulated in equity, with title of revaluation surplus. The revaluation reserves can not be distributed and can not be used to increase the share capital.

Conversion reserves

According to IAS 21 ”The effects of changes in foreign exchange rates” an entity may present its financial statements in any currency. If the presentation currency differs from the functional currency of the entity, it converts its results and financial position into the presentation currency. When a group contains individual entities with different functional currencies, the results and financial position of each entity are expressed in a common currency, so as to allow the presentation of consolidated financial statements. The results and the financial position of an entity whose functional currency is not the currency of a hyperinflationary economy, it must be converted into a different presentation currency, using the following procedures:

a) Assets and liabilities for each statement of financial position presented shall be converted at the closing rate at the date of that statement of financial position.
b) Income and expenses for each income statement shall be converted at the exchange rates from the dates of transactions; and
c) All resulting exchange differences should be recognized in other comprehensive income items.

For practical reasons, a rate that approximates the exchange rates at the dates of transactions, for example an average rate for that period, is often used to convert the items of income and expenses.
According to IAS 21, the Group formed reserves conversion resulting from the conversion of results and the financial position of the subsidiary abroad, Prefab BG Eood, in the group's presentation currency, namely from leva in Ron, as follows:

	December 31, 2016	December 31, 2015
At the beginning of the period	**3.067**	**3.529**
Increase/ (reversals)	0	0
Decreases	591	462
At the end of the period	**3.658**	**3.067**

13. RETAINED EARNINGS

The retained earnings include the following components:

	Balance on December 31, 2016	Balance on December 31, 2015
Retained earnings, except the retained earnings due to the adoption for the first time of IAS 29 (acct. 117)	656.945	519.218
Total	**656.945**	**519.218**

14. DISTRIBUTION OF PROFIT

On 31.12.2015, Prefab S.A. – the parent company recorded a net profit worth 1.081.334 lei which was distributed based on the decision Board of Directors of 28.04.2016 according to the legal regulations, as follows:

Distribution of profit	December 31, 2015
Net profit to be distributed	**1.081.334**
- legal reserve	0
- dividends to be distributed to shareholders	648.891,81
- other reserves	432.442,19

On 31.12.2016, Prefab S.A. recorded a net profit worth 1.171.965 lei which was distributed based on the decision Board of Directors of 19.04.2017, according to the legal regulations, as follows:

Distribution of profit	December 31, 2016
Net profit to be distributed	**1.171.965**
- legal reserve	70.822
- dividends to be distributed to shareholders	564.414,33
- other reserves	539.728,67

The legal framework for setting up its own financing sources and other distributions from profit consists of the following legislation:

- Law no. 571/2003 on the Fiscal Code subsequently amended
- Law no. 31/1990 republished, on companies

On 31.12.2015, Prefab Invest recorded a net profit worth 91.142 lei which was distributed based on the Board of Directors decision the other reserves, according to legal regulations.
On 31.12.2016, Prefab Invest recorded a net profit worth 9.147 lei which shall be distributed based on the Board of Directors decision, according to legal regulations.

On 31.12.2015, Prefab BG EOOD recorded a loss worth 63.627 lei which was covered by retained earnings, according to legal regulations.

On 31.12.2016, Prefab BG EOOD recorded a loss worth 57.403 lei which shall be covered by retained earnings, according to legal regulations.

In 2016, the activity of Fotbal Club Prefab was suspended.

On 31.12.2016, the Group recorded a net profit worth 1.126.710 lei.

According to the applicable legal provisions, the group profit is not distributed, it is just an economic indicator to inform the shareholders.
The profit/ loss conducted individually by each company within the group is subject to the distribution in general meetings of each entity.

15. EARNINGS PER SHARE. DILUTED EARNINGS. (for the parent company).
IAS 33 "Earnings per share" requires that if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is drawn only on the basis of consolidated information. If it chooses to disclose the earnings per share based on its separate financial statements, must present such informations related to the earnings per share only for the statement of comprehensive income. In this case it should not disclose the earnings per share in the consolidated financial statements.
Earnings per share and diluted earnings were presented in individual annual statements of the parent company.
The company presents the ***basic earnings per share („CPA")*** for its ordinary shares. The basic CPA is calculated by dividing the earnings or loss attributable to ordinary shareholders of the Company to the weighted average number of ordinary shares outstanding during the period.
Weighted average number of ordinary shares outstanding during the period = the number of shares in circulation at the beginning of the period adjusted with the number of shares repurchased or issued during that period multiplied by a weighting factor of time.
The time-weighting factor is the number of days in which that shares have been in circulation, as a proportion of the total number of days of the period.

	2016	**2015**
Basic earnings per share	**0.024209**	**0.022280**
Diluted earnings	**0.024209**	**0.022280**

The earnings per basic share and that diluted for the parent company have the same value because there are no financial instruments with diluted effect on earnings. The earnings per basic share and that diluted have the same value because there are no financial instruments with diluted effect on earnings. At the Board of Directors meeting of 14.03.2017 it was proposed the distribution of the net profit for the year 2016 as follows:

- the amount of 70.822,00 for the legal reserve
- the amount of 564.414,33 lei for the dividends to be distributed to shareholders
- the amount of 539.728,67 lei for other reserves,

the General Meeting of Shareholders of April 19, 2017 shall rule on this decision.

16. PROVISIONS

The Group not constituted at the closure of the financial year 2016 provisions for risks and expenses, considering that the future uncertainty does not justify the creation of provisions or the deliberate evaluation of future obligations.

17. LOANS AND OTHER LIABILITIES

The liabilities are recorded at the nominal value and are recognized in the accounting for each person or entity. Foreign currency liabilities were valued based on exchange rate in force at the end of the exercise, and foreign exchange differences are recognized as income or expense for the period.

The liabilities situation is as follows:

Liabilities	Balance on December 31, 2016	Balance on December 31, 2015
Amounts owed to credit institutions	48.123.922	48.975.571
Advances collected for orders	1.502.781	318.579
Trade payables	11.213.725	15.264.509
Other liabilities including tax and social security debts	1.404.116	946.811
Deferred income tax	367.392	675.165
Total liabilities	**62.611.936**	**66.180.635**

Analysis of chargeability term	Balance on December 31, 2016	Balance on December 31, 2015
Under a year	43.420.491	48.869.286
More than a year	19.191.445	17.311.349
Total	**62.611.936**	**66.180.635**

In the total of the liabilities on 31.12.2016, the parent company has a share of 98%.

The amounts due to credit institutions have the following composition:

Amounts due to credit institutions	Balance on December 31, 2016	Balance on December 31, 2015
Short term loans	29.299.869	32.339.387
Long term loans	18.824.053	16.636.184
Of which, the current part of the long-term loans		
Total	**48.123.922**	**48.975.571**

18. SHORT-TERM LOANS

The Group benefited during the year 2016 of short-term loans granted by commercial banks, as follows:

Bank	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2016
CEC Bank	Credit line	Contract credit line facility RQ15126299791350/25.01.2016	28.01.2018	ron	19.000.000	17.135.000 lei
Veneto Banca	Credit line	Convention credit line no. 8929/10.10.2013	2017	ron	9.000.000	8.835.000 lei
Veneto Banca	Credit line	Convention credit line no. 10040/12.08.2014	2017	ron	4.500.000	3.329.869 lei
Total						**29.299.869 lei**

19. LONG-TERM LOANS

The Group benefited during the year 2016 of long-term loans granted by commercial banks, as follows:

Description	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2016
BRD Groupe Societe General	Long-term credit	Contract no. 77/29.09.2011	20.10.2018	eur	4.778.750	3.509.143 lei
Veneto Banca	Credit line	Credit convention 10614/12.08.2014, addendum no. 2/14.08.2015	31.07.2020	ron	7.500.000	5.250.000 lei
CEC Bank	Long-term credit	Contract no. RQ15126299791362/ 25.01.2016	28.01.2020	ron	7.700.000	6.611.905 lei
CEC Bank	Credit for investment	Contract no. RQ15126299791319/ 25.01.2016	28.01.2023	ron	4.300.000	3.453.005 lei
Total						**18.824.053 lei**

During the year 2016, the Group benefited from these loans, opened to Veneto-Banca:

- a credit line worth 7.500.000 lei, under the convention of credit line no. 10614 of 12.08.2014 and addendum no. 2 of 14.08.2015. Repayment is made in 60 monthly installments, each of 125.000 lei until 31.07.2020. The balance on 31.12.2016 is 5.250.000 lei.
- a credit line worth 4.500.000 lei, under the convention of credit line for factored bills no. 10040/12.08.2014. The balance on 31.12.2016 is 3.329.869 lei.
- a credit line to support the current activity worth 9.000.000 lei, under the convention of credit line no. 8929/10.10.2013 maturing on 31.07.2017. The balance on 31.12.2016 is 8.835.000 lei.

For all contracted credit facilities with Veneto Banca, the Group constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 (Premo) located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2.
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors

During the year 2016, the Group benefited from these loans, opened to CEC Bank, after taking the financial position of Raiffeisen Bank, as decided by the general meeting of shareholders:

- Credit line for current activity - worth 19.000.000 lei, representing the credit facility agreement no. RQ15126299791350/ 25.01.2016. The balance on 31.12.2016 is 17.135.000 ron.
- Investment loan worth 4.300.000 lei on the basis of the credit agreement no. RQ15126299791319/25.01.2016. The amount used in 2016 worth 3.875.242,62 ron and the repayment will be made in 84 monthly installments, the first installment being due in February 2016, and the last in 28.01.2023. The balance on 31.12.2016 is 3.453.005 ron.
- Credit for financing the current activity worth 7.700.000 lei on the basis of the credit agreement no. RQ15126299791362/25.01.2016. The repayment will be made in 47 monthly installments of 108.809,52 ron and the last payment, the 48th will be in the amount of 2.585.952,56 ron, the first installment being due in February 2016, and the last in 28.01.2020. The balance on 31.12.2016 is 6.611.904,80 ron.

For all credit facilities contracted with CEC Bank, listed above, the Company constituted these guarantees in favor of the bank:

- Warranty on building land with cadastral no. /top 22567(surface 1209 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on building land with cadastral no. /top 22575(surface 735 m²), located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Administrative building and annexes**, (land of 15.979 m²) with cadastral no. 22574 - C1-C6, 22574, located in Calarasi, str. Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Large tubes and decanter**, (land of 11815,08 m²) with cadastral no. 22566 - C1-C2, 22566, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on industrial estate - **Section Precasts**, (land of 56.635 m²) with cadastral no. 22721 - C1-C6, 22721, located in Calarasi, str Bucuresti, nr. 396.
- Warranty on residential estate - **Block housing P+3-Prefab House**, (land of 940.81 m²) with cadastral no. 23596 - C1, 23596, located in Calarasi, str. Ing. Victor Orlovski, nr. 2.
- Warranty on residential estate - **Accommodation Villa P+1 E+M**, (land of 4000,08 m²) with cadastral no. 107450-C1-C2, 107450, located in Mangalia, localitatea Jupiter, str. Aldea, nr. 14.
- Mortgage on company present and future claims arising from the commercial contract no. 50/09.11.2016 concluded with Arcocim SRL, and the commercial contract no. 51/09.11.2016 concluded with Oyl Company Logistic and the commercial contract no. 49/02.11.2016 concluded with Metale International and on current accounts opened at CEC Bank.
- Material warranty on the following equipment:
    - AAC pallet wrapping and turning machine
    - a plant shape armature
    - slurry pumps
    - autoclave for autoclaved aerated concrete production

- an automatic lathe

The company benefited from a long-term loan concluded with BRD - Groupe Societe Generale worth 4.778.750 euro, its balance on 31.12.2016 being of 3.509.143 ron, respectively 772.752 eur.

For the credit facility contracted with BRD Groupe Societe Generale, the Company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipiul Calarasi, in area of 83.928,74 m², located within the enterprise PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.
- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/Municipiul Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

20. OTHER LIABILITIES

These mainly consist of:

Other liabilities	**Balance on December 31, 2016**	**Balance on December 31, 2015**
Liabilities for the staff and assimilated	529.921	422.234
Liabilities for the social security budget	269.681	221.179
Liabilities for the state budget	482.256	187.362
Liabilities to shareholders	119.786	105.248
Other liabilities	2.472	10.788
Total liabilities	**1.404.116**	**946.811**

21. DEFFERED TAX

Variation of deferred tax liabilities is presented in the following table:

Description	**December 31, 2016**	**December 31, 2015**
Initial balance	675.165	760.578
Deferred tax revaluation differences	(307.773)	(85.414)
Final balance	**367.392**	**675.164**

22. SUBSIDIES FOR INVESTMENTS

Variation in subsidies for investments is presented in the following table:

Description	**December 31, 2016**	**December 31, 2015**

Initial balance	7.038.311	7.562.242
Received during the year	0	0
Reversed during the year	0	0
Resumed at income	(514.917)	(523.931)
Final balance	**6.523.394**	**7.038.311**

The amounts represents subsidies recorded for the assets (co-financing) acquired within the projects developed by the parent company, namely:

- the modernization of the vegetable glasshouse by the Program SAPARD (2005)
- the Project 'Plan of rational energy use - Energy Efficiency Project at Prefab S.A.', worth 1.200.000 euro which was developed in partnership with BERD, where was obtained funding for 15 % of the investments made, respectively the amount of 812.124 lei (equivalent to 180.000 eur).
- the Project 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity', partially funded from European Funds under the Priority Axis 4 of the Sectoral Operational Programme: Increasing Economic Competitiveness, the Company concluding in this purpose the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment. The grant amount approved by contract was 10.199.768,65 lei, of which in 2013 was collected the amount of 6.140.662,41 lei and in 2014 was collected the amount of 1.503.822,08 lei.

23. OPERATING INCOME

Income	**December 31, 2016**	**December 31, 2015**	**Difference (2016-2015)**
Production sold	70.516.304	76.902.540	(6.386.236)
Income related to product stocks costs	3.019.989	5.777.472	(2.757.483)
Income from production assets and real estate investments	5.796.374	4.039.009	1.757.365
Other operating income	1.478	0	1.478
Total	2.519.748	4.213.829	(1.694.081)

In the total of operating income recorded by the Group on 31.12.2016, Prefab SA – the parent company, has a share of 83.24%.

Revenues from sold production are divided into the following product categories:

Name of products	2012	2013	2014	2015	2016
	%	%	%	%	%
A.A.C.	78.27%	77.53%	80.59%	73.43%	71.80%
Tubes	6.13%	3.79%	3.80%	5.64%	6.14%
Precasts	12.94%	5.90%	8.17%	6.45%	9.5%

Electrical power	0	9.28%	4.15%	13.23%	11.62%
Other products	2.66%	3.50%	3.29%	1.25%	0.94%

The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. with the largest share in the Group's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity started in February and between 01.05-22.05, it was stopped due to maintenance and repairs operations carried out at the AAC Branch and at the Cogeneration Plant.

In 2016, Prefab SA sold approximately 428.000 m³ of AAC, maintaining its position taken in the previous years on this market for this product.
Regarding the market of precast and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes, there were no significant changes, it being in the same setback due primarily to financial bottlenecks in the investments area.

In 2016, the total volume of precasts produced and marketed was 4.463,10 m³ plus concrete goods 77.90 m³, a very small volume for the existing production capacity.
Regarding the sewage pipes PREMO-SENTAB, the volume was 2.167,65 m³.
Regarding the work of the cogeneration plant, the amount of electricity produced in 2016 was: 27.407,90 MWh of which was delivered in SEN the cantity of 21.741,935MWh, the cantity of 5.665,965 MWh being used for domestic consumption. For the cantity of electricity delivered in SEN, the company is qualified to obtain the bonus of cogeneration in the aid scheme to promote high-efficiency cogeneration. In 2016 this was in the amount of 211,36 lei/ MWh delivered in SEN.

The amount of heat produced in 2016 was 48.274,47 MWh, being fully used for domestic consumption.

24. OPERATING EXPENSES

Expenses	December 31, 2016	December 31, 2015	Difference (2016 -2015)
Expenses for materials and supplies	**34.424.858**	**38.166.647**	**(3.741.789)**
Energy and water expenses	12.819.288	17.242.409	(4.423.121)
Other production expenses	2.964.677	3.293.465	(328.788)
Trade discounts received			(91.483)
	379.009	470.492	
Total cost materials	**49.829.814**	**58.232.029**	**(8.402.215)**
Wages and allowances	9.529.613	8.470.163	1.059.450
Social security and welfare expenses	2.399.969	2.170.751	229.218
Total expenses on staff	**11.929.582**	**10.640.914**	**1.288.668**
Amortization	6.143.019	8.789.118	(2.646.099)
Adjustments for impairment	0	28.919	(28.919)
Total amortization and	**6.143.019**	**8.818.037**	**(2.675.018)**
depreciation	8.697.411	6.112.807	2.584.604

Expenses on external supply			
Other taxes, duties and similar	1.783.051	2.016.216	(233.165)
Other expenses	583.508	3.409.088	(2.825.580)
Total other operating expenses	**11.063.970**	**11.538.111**	**(474.141)**
Total	**78.966.385**	**89.229.091**	**(10.262.706)**

In the total of operating expenses recorded by the Group on 31.12.2016, Prefab SA - the parent company has a share of 95.33%.
The prices of raw material supply and materials recorded generally an evolution similar to those recorded in the previous year, being mainly affected by the national currency rate against the European currency and US dollar. Increased costs for raw materials and auxiliary materials are due to the achieving of a greater volume of products in 2016 compared to 2015.
Generally, the sources of supply are safe, aiming to maintain a minimum number of 2 suppliers/assortment.
Water and energy costs decreased by 4.423.121 lei, from 17.242.409 lei (2016) to 12.819.288 lei (2016), mainly due to the decreased production of electricity and heat compared to a year earlier, but also to obtain a higher price from the suppliers of natural gas, the company fitting in the category of large consumers.

Of the expenses for external services we remember the amounts paid to statutory auditor that in 2016 were for 72.000 lei (without VAT) and expenses for the recorded insurances that were in the amount of 263.639 lei.

25. FINANCIAL INCOME

Incomes	December 31, 2016	December 31, 2015	Difference (2016-2015)
Income from rate differences	234.487	50.168	184.319
Interest income	452	463	(11)
Other financial income	0	1.531.791	(1.531.791)
Total	**234.939**	**1.582.422**	**(1.347.483)**

In the total of financial income recorded by the Group on 31.12.2016, Prefab SA - the parent company has a share of 99,85%.

Other financial income on 31.12.2015 **represents income from shares in subsidiaries** or amounts received by the parent Company as dividends (based on Decision no. 4 dated 26.03.2015), from the affiliated Company Prefab Invest by net profit distribution which it has registered in the financial year 2014.

26. FINANCIAL EXPENSES

Expenses	December 31, 2016	December 31, 2015	Difference (2016-2015)
Interest expenses	1.407.533	1.780.372	(372.839)
Other financial expenses	284.208	123.427	160.781
Total	**1.691.741**	**1.903.799**	**(212.058)**

In the total of financial expenses recorded by the Group on 31.12.2016, Prefab SA - the parent company has a share of 99,86%.

Interest expenses decreased by 372.839 lei, from 1.780.372 lei (2015) to 1.407.533 lei (2016) because of the reimbursements and of the conversion into local currency of the bank loans. (see the situation of short-term loans and long-term loans).
Other financial expenses mainly refer to expenses with exchange rate differences and increased by 160.781 lei, from 123.427 lei (2015) to 284.208 lei (2016) due to the devaluation of the national currency versus the European currency and the US dollar, with negative influence on the financial result of the company.

27. CORPORATION TAX

Information about the corporation tax of PREFAB S.A. - parent company (pursuant to declaration 101):

Indicators	Amounts 31.12.2016	Amounts 31.12.2015
Operating income	79.229.735	89.247.242
Operating expenses	76.599.905	87.846.361
Operating earnings	**2.629.830**	**1.400.881**
Financial income	234.580	1.581.980
Financial expenses	1.689.445	1.901.527
Financial earnings	(1.454.865)	(319.547)
Gross profit	**1.174.965**	**1.081.334**
Items similar to incomes, of which:	**246.680**	**1.706.591**
- items similar to incomes from other restatements	**246.680**	**1.706.591**
Items similar to expenses from other restatements	**39.823**	**39.823**
Fiscal depreciation	6.099.156	8.741.708
Deductible legal reserve	70.822	0
Other deductible amounts	0	0
Total deductions	**6.169.978**	**8.741.708**
Dividend income, of which:	**0**	**1.531.791**
Dividend income received from a Romanian legal entity, as provided by law	0	1.531.791
Other non-taxable income	0	2.800
Total of non-taxable income	**0**	**1.534.591**
Income tax expenses	241.483	231.960

Non-deductible fines, penalties	2.256	9.649
Non-deductible entertainment expenses	88.816	99.920
Sponsorships expenses	36.154	99.008
Accounting depreciation expenses	6.135.761	8.782.021
Other non-deductible expenses	18.916	117.832
Total non-deductible expenses	**6.523.386**	**9.340.390**
Total taxable profits	**1.735.230**	**1.812.193**
Total income tax	**277.637**	**289.950**
Amounts representing sponsorship in the limits prescribed by law	**36.154**	**57.990**
Tax incom, of which:	**241.483**	**231.960**
Net profit	**1.174.965**	**1.081.334**

The Group obtained in 2016 a gross profit worth 1.430.706 lei, the related income tax being of 303.996 Lei and was fully transferred to the general consolidated budget.

	Financial year ended on December 31, 2016	**Financial year ended on December 31, 2015**
Gross profit	1.430.706	1.382.382
Corporation tax	303.996	273.533
Net profit	1.126.710	1.108.849

28. MEDIUM NUMBER OF EMPLOYEES

a) Employees

The medium number of employees developed as follows:

	Financial year ended on December 31, 2016	**Financial year ended on December 31, 2015**
Management staff	9	8
Administrative staff	52	42
Production staff	335	292
TOTAL	**396**	**342**

b) Evolution of employees structure by level of training is shown below:

Year	**2016**	**2015**
Personal with higher studies	21%	22%
Personal with secondary studies	11%	10%
Personal with professional studies and studies for qualification	64%	64%
Non qualified personal	4%	4%

d) The expenses for wages and related taxes registered in the years 2016 and 2015 are the following:

	December 31, 2016	**December 31, 2015**
Wages expenses	9.529.613	8.470.163
Social security and welfare expenses	2.385.669	2.153.951
Voluntary pension expenses	14.300	16.800
Total	**11.929.582**	**10.640.914**

PREFAB S.A. contribute to the national pension program under the laws in force and it has a voluntary pension program since April 2008 for the employees who have at least one year seniority in the company and aged 18 - 52 years. The contribution is paid by the employer, up to the limit of 200 euro/year, according to the Tax Code. The contracts concluded for employees are for the voluntary pension fund ING Optim administred by ING Asigurari de viaţa SA. The Group has no other post-employment obligations relating to such insurance.
The expenses for wages and taxes increased in 2016 compared to 2015 mainly due to the growth of the average number of employees from 342 (2015) to 396 (2016) and retaining the workforce in the company during the winter for maintenance works.

29. TRANSACTIONS WITH AFFILIATES PARTIES

Until 28/09/2016 the Board of Directors of the parent company had the following composition:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of the Board of Directors	Engineer
2.	Ionescu Valentin	member	Jurist
3.	Negrau Dorin	member	Jurist

From 29.09.2016 the Board of Directors of the parent company has the following composition

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of the Board of Directors	Engineer
2.	Momanu Radu	member	Engineer
3.	Negrau Dorin	member	Jurist

On 29.09.2016, Mr. Ionescu Marian Valentin, Member of the Board of Directors, was replaced with Mr. Momanu Radu, according to the decision of the Ordinary General Meeting of Shareholders no. 9/29.09.2016.

On 31.12.2016 the members of the Board of Directors owned shares in the share capital of PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Momanu Radu	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

Until 27.04.2016, the executive management of the parent company consisted of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General director	Engineer
2.	Boitan Daniela	Economic director, with responsibilities of deputy general director	Economist
3.	Zotescu Marian	Production director, with responsibilities of deputy general director	Engineer

Starting from 28.04.2016, the executive management of the parent company consisted of:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	General manager	Engineer
2.	Boitan Daniela	Economic manager, with responsibilities of Deputy General Manager	Economist
3.	Zotescu Marian	Production Director, with responsibilities of Deputy General Manager	Engineer
4.	Cocoranu Tudor	Energy Manager	Engineer
5.	Macovei Olimpian	Commercial Director	Jurist

From 06.12.2016, after retirement, Mr. Zotescu Marian has not served as Production Manager with responsibilities of Deputy General Manager.

Participation in the share capital of the executive management of PREFAB S.A. – the parent company

On 31.12.2016 the members of the executive management owned shares of the share capital of PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Boitan Daniela	9.240	0,0190%
3.	Cocoranu Tudor	0	0
4.	Macovei Olimpian	800	0,00164%

The gross allowance of the members of the parent Company Board of Directors during the financial year 2016 was 143.848 lei.
The gross allowance of the members of the parent Company executive management during the financial year 2016 was 678.438 lei.
The parent company has no contractual obligations to former managers and administrators and not granted advances or loans to current managers and administrators.
The parent company did not assumed future bind of nature of guarantees on behalf of administrators.

The management of PREFAB INVEST in the year 2016 was as follows:

1. Chairman of the Board of Directors - Eng. Milut Petre Marian
2. General director - Ec. Nistor Carmen
3. Economic director - Ec. Tancu Razvan

The gross allowance of the members of the Board of Directors of PREFAB INVEST S.A. during the financial year 2016 was 174.276 lei.
The gross allowance of the members of executive management of PREFAB INVEST S.A. during the financial year 2016 was 225.197 lei.

The management of PREFAB BG EOOD in 2016 was provided by jr. Macovei Olimpian - Administrator.
The management of FOTBAL CLUB PREFAB 05 S.A. in 2016 was as follows:

1. Chairman of the Board of Directors - Dumitru Dumitriu
2. Dragomir Constantin
3. Nuta Domnica

The Group has no obligations to former managers and administrators and no advances or loans were granted to current directors and administrators.
The Group has no further obligations assumed by the nature of guarantees on behalf of directors.

Information on relationships with affiliated parties, subsidiaries and associates

Details of affiliated parties are as follows:

Name of entity	Name of operations with the Group	Country of origin	Type of transactions
o PREFAB S.A.	Parent company	Romania	commercial
o PREFAB INVEST S.A.	Branch of the parent company (99.9%)	Romania	commercial
o PREFAB BG EOOD	Branch of the parent company (100%)	Bulgaria	commercial
o FOTBAL CLUB PREFAB 05	Branch of the parent company (99.8707%)	Romania	commercial

Wishing to establish an association to promote activities related to the production of precast concrete industry, PREFAB SA with 8 other leading companies in this branch, they agreed to constitute «Asociatia Producatorilor de Prefabricate din Beton PREFBETON». The purpose of the Association is to promote precast concrete products, to represent, support and defend technical, economic and legal interests on trade and precast concrete industry, to develop and encourage cooperation in scientific, technical and standardization area, and to stimulate contacts between experts in the country. The initial patrimony of the Association was 1800 Ron, the contribution of Prefab SA being of 200 Ron.

On 31.12.2016, the branch PREFAB INVEST S.A. has a holding worth 100 lei in the initial heritage of the Association "Society for Concrete and Precast of Romania" - a non-profit, apolitical and nongovernmental association, the total heritage of the association being worth 560 lei. The purpose of the association is to promote the scientific and technical progress in the field of the concrete elements and structures. This association was not included in consolidation being considered with a minor importance for the Group.
The management of association is ensured by a board of directors composed of:
Noica Nicolae - chairman

Popaescu Gheorghe Augustin - member
Luca Brun - member
Kiss Zoltan Iosif - member
No transactions were registered with this association.

The situation of PREFAB SA transactions with the affiliated companies on 31.12.2016 compared with 31.12.2015, is as follows:

Receivables from the affiliated parties are as follows:

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	31.625.713	33.372.920
ROMERICA INTERNATIONAL	393.839	392.811
PREFAB BG EOOD	13.610	0
FOTBAL CLUB PREFAB 05	0	0
Total	**32.033.162**	**33.765.731**

Payables to the affiliated parties are as follows:

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	0	0
ROMERICA INTERNATIONAL	0	0
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	0
Total	**0**	**0**

Sales of goods and services and /or fixed assets (values expressed in lei without VAT):

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	11.096.338	14.302.843
ROMERICA INTERNATIONAL	1.026	0
PREFAB BG EOOD	79.131	179.668
FOTBAL CLUB PREFAB 05	0	0
Total	**11.176.495**	**14.482.511**

Acquisitions of goods and services (values expressed in lei without VAT):

	December 31, 2016	December 31, 2015
PREFAB INVEST S.A.	1.080.140	649.234
ROMERICA INTERNATIONAL	529.750	997.761
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	0
Total	**1.609.890**	**1.646.995**

30. INFORMATIONS PER SEGMENTS OF ACTIVITY

The information on segments are reported according to the Group's activities. The transactions between the business segments are performed under normal market conditions.
Segment assets and liabilities include the items directly attributable to those segments and items that can be allocated using a reasonable basis.

PREFAB SA - the parent company is one of the major manufacturers in Romania of:

a. AAC (autoclaved aerated concrete) with a capacity of 500.000 m³ per year
b. Typified Precast
c. Concrete pipes for water and sewage networks (Premo and Sentab technology)
d. Untypified Precast

And one of the important suppliers of the local market for:

e. Aggregates
f. Concrete Goods
g. PVC Joinery
h. Electrical energy (since April 2013).

PREFAB SA has identified a segment of activity for which is presenting the information separately, namely **AAC Branch -** which earned revenues exceeding 71.80 % of sold production, for the product AAC.

The autoclaved aerated concrete (AAC) is the masonry material produced by PREFAB S.A. with the largest share in the Group's turnover. In 2016 the production of AAC realized was for 412.730 m³ with a monthly average of 41.273 m³, given that the production activity started in February and between 01.05-22.05, it was stopped due to maintenance and repairs operations carried out at the AAC Branch and at the Cogeneration Plant.
PREFAB applies an unitary policy of prices and discounts granted to customers, depending on the volume and date of payment (due date).

The structure of revenues and expenses for this business segment is as follows:

Revenues	**December 31, 2016**	**December 31, 2015**
Production sold	**48.805.010**	**55.300.355**
Other operating income	-406.402	0
Total revenues	**48.398.608**	**55.300.355**

Expenses	**December 31, 2016**	**December 31, 2015**
Expenses for raw materials and supplies	**27.291.020**	**32.651.241**
Energy and water expenses	11.084.300	11.601.161
Other production expenses	0	0
Total cost of materials	**38.375.320**	**44.252.402**
Salaries and compensations	2.386.078	2.348.254

Expenses on social security and welfare	558.864	711.820
Total expenses on staff	**2.944.942**	**3.060.074**
Amortization	1.630.076	3.093.674
Adjustments for depreciation	0	0
Total amortization and depreciation	**1.630.076**	**3.093.674**
Expenses for external supply	550.686	1.907.775
Other taxes, duties and similar	111.684	257.877
Other expenses	**3.157.755**	**2.165.652**
Total other operating expenses		
Total expenses	**46.770.463**	**52.571.802**
Result of activity	**1.628.145**	**2.728.553**

For the business segment AAC, we report the following elements:

Tangible assets:

	Book value	**Amortization**	**Net value**
Land - 33.392,80 m²	9.412.738	0	9.412.738
Buildings	7.858.487	3.742.644	4.115.843
Machinery	38.092.208	13.146.260	24.945.948
Means of conveyance	2.669.145	861.947	1.807.198
Other systems and equipment	801.068	793.919	7.149
Total	**58.833.646**	**18.544.770**	**40.288.876**

Long-term liabilities: 13.778.933 lei
Short-term liabilities: 30.413.392 lei

PREFAB SA is one of the major national manufacturers of building materials, with a diverse portfolio of marketed products.
The main markets are in: Romania, Bulgaria and Republic of Moldova
In Romania the sales market structure is:

a. for AAC: Muntenia, Transilvania, Moldova
b. for Precast: over Romania
c. for Aggregates, Concrete Goods, PVC Joinery: local market

It works as a policy of selling differentiated depending on the specificity of each product.

a. AAC is sold through Distributors or DIY chains (Do It Yourself)
b. Precast are sold by auction method or negotiation on project.

AAC sales by geographic areas:

Geographic area	**Sales in 2016**	**Sales in 2015**	**Sales in 2014**
1. Muntenia	81.03%	87.52%	92.26%
2. Transilvania	0.27%	0.22%	0.12%
3. Moldova	17.97%	10.97%	6.91%
4. Bulgaria	0.18%	0.35%	0.54%
5. Moldova (country)	0.55%	0.94%	0.17%
	100%	100%	100%

ELECTRICITY PRODUCTION ACTIVITY

PREFAB SA performed during the period 2011-2013 a major investment project, namely: the project: 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity' - a project worth 22.400.846,58 lei (5.247.575 euro). This project was submitted on July 20, 2011 at the Intermediate Body for Energy for EU funding under the Priority Axis 4 of the Sectoral Operational Programme 'Increasing Economic Competitiveness' and it was declared eligible for funding, for this purpose being concluded the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment for the grant maximum amount of 10.199.768,65 lei. The **main objective of the project** was the increase of energy use efficiency in the industrial activities of SC Prefab SA, by installing a high-efficiency cogeneration plant. The project was completed with the commissioning on 15.04.2013 of the new production capacities in cogeneration of the electricity and heat.

On 24.04.2013, PREFAB SA obtained under Decision of ANRE no. 1038/24.04.2013, the «License no. 1222 to produce electricity for the commercial exploitation of the cogeneration plant with turbine with gas of 5,4 MW». The electricity produced is delivered SEN, a part being used for domestic consumption.

In the turnover recorded in the year 2016, the electricity accounts for 11.62%.
The amount of electricity produced in year 2016 was 27.407,9 MWh of which was delivered to the SEN the amount of 21.741,935 MWh and that remaining 5.665,965 MWh being used internally (self-consumption). For the amount of electricity delivered to SEN, the parent company got qualified for cogeneration bonus in the Support scheme to promote the high-efficiency cogeneration. For 2016 this was in amount of 211.36 lei/ MWh delivered to SEN.
The amount of thermal energy produced in the year 2016 was 48.274,47 MWh, used entirely for domestic consumption.

31. COMMITMENTS AND CONTINGENTS

Court actions

The Group is subject to a number of court actions results in the normal course of carrying out the activity. The Group's management believes that besides the amounts already recorded in these financial statements as provisions or adjustments for impairment and described in the notes to these financial statements, other legal actions will have not significant adverse effects for the economic results and the financial position of the Group.

Insurances

In 2016, the parent Company has signed several insurance contracts with the insurance companies which mainly refer to:

- Ensuring buildings and supplies (mainly pledged or mortgaged to banks)
- Insurance for vehicle fleet (RCA, CASCO)

Transfer price

In accordance with relevant tax law, the evaluation of transactions with related parties is based on the market price concept for the respective transaction. In this context, the transfer prices must be adjusted to reflect the market prices which would be made between entities that there is no affiliate relationship and that are acting independently based on normal market conditions.

It is likely that the checks transfer pricing to be achieved in future by the tax authorities, to determine whether these prices comply with the principle of "normal market conditions"and that the tax base is not distorted. The management of the parent company believes that the transactions with the related parties respect the principle of market price for each transaction.

32. RISK MANAGEMENT

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

This note presents information about the Group's exposure towards each risk mentioned above, the Group targets, the policies and the processes for measuring and managing the risk and the procedures for managing the capital.

Background about risk management

The Boards of Directors of the entities have overall responsibility for the establishment and oversight of the risk management framework in each entity.
The activity is governed by the following principles:
a) principle of delegation;
b) principle of decisional autonomy;
c) principle of objectivity;
d) principle of investor protection;
e) principle of stock market development promotion;
f) principle of active role.
The Board of Directors is also responsible to examine and approve the strategic, operational and financial plan of entities and of corporate structure of the Group.
Group risk management policies are defined to ensure the identification and analysis of risks faced by the Group, to establish appropriate limits and controls and to monitorize the risk and to comply the limits set. Policies and risk management systems are reviewed regularly to reflect the changes occurred in the market conditions and in the Group's activities. The Group, through its standards and its procedures of training and management aims to develop an orderly and constructive control environment during which all employees understand their roles and obligations.

Credit risk

The credit risk is the risk that the Group incurs a financial loss due to a non-fulfillment of contractual obligations by a customer or counterparty to a financial instrument and this risk mainly result from the trade receivables of the Group.
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country in which it operates. Most clients of Group operates in Romania.
The ***main financial instruments*** used by the Group of which arise risks relating to financial instruments, are:

- Trade receivables and other receivables
- Cash and cash equivalents

- Trade liabilities and other liabilities

Below is provided a summary of financial instruments obtained by category:

ASSETS	December 31, 2016	December 31, 2015
Trade receivables and similar	39.359.533	40.552.926
Cash and cash equivalents	619.650	524.921
Total	**39.979.183**	**41.077.847**

LIABILITIES	December 31, 2016	December 31, 2015
Trade liabilities and assimilated	12.716.506	15.583.088
Other liabilities (including tax)	1.404.116	946.811
Total	**14.120.622**	**12.627.505**

The Group monitors the credit risk exposure by analyzing the seniority of receivables that it records and works permanently for the recovery of that past due date or outdated.

Liquidity risk

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

Market risk

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

Exposure to interest rate risk
The Group's exposure to the risk of interest rate changes refers mainly to variable interest bearing loans that the Group has for long-term. For our company, the loans are contracted with fixed interest, the variable component being EURIBOR and ROBOR.

Interest rate risk management
In order to manage the interest rate risk, the Group's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.
The sensitivity analysis below was determined based on the exposure to interest rates on the date of financial statements. For the liabilities with variable rates, the analysis is prepared assuming the amount outstanding on the date of the financial statements was outstanding throughout the year. An increase or decrease of 1% is the management's assessment related to a possible reasonable changes of interest rates (the other variables remaining constant).

Analysis for change in interest rate risk:

Variable rate loans	**Effect of 1% change in interest rate**			
	2016	**2015**	**2016**	**2015**
Short term loans	29.299.869	32.339.387	292.998,69	323.393,87
Long term loans	18.824.053	16.636.184	188.240,53	166.361,84

Currency risk

The Group has transactions and loans in other currency than the functional currency (RON).
The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.
The foreign exchange rate variations risk generally was prevented by an appropriate management, in the conditions of this economic crisis.
Since the Group has operations in various currencies, are analyzed the industry specific activities and the corresponding exchange risks. The group is mainly exposed to the exchange rate of the euro and US dollar against the Romanian leu. Other currencies have only a limited effect on cash flow and profit before interest and tax.

Foreign currency sensitivity analysis
The carrying amounts of the Group's assets and liabilities denominated in foreign currencies at the reporting date are as follows:

	Assets		**Liabilities**	
	31.12.2016	**31.12.2015**	**31.12.2016**	**31.12.2015**
EUR	10.108	38.811	868.988	2.296.621
USD	1.637	1.727	0	0

The following table details the Company's sensitivity to a 10% increase or decrease in the exchange rate of EUR and USD. The sensitivity analysis includes only monetary items denominated in foreign currencies outstanding at the reporting date and adjusts their translation at the end of period for a 10% change in foreign exchange rates. A positive amount in the table below shows an increase in profit generated by a variation in exchange rates of 10% and a negative number indicates a decrease in profit by the same amount.

+10% increase in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2016	**2015**	**2016**	**2015**
Profit /loss	(85.886)	(225.756)	164	173

-10% decrease in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2015	**2014**	**2015**	**2014**
Profit /loss	225.756	376.045	(173)	(519)

(i) This impact is mainly attributable to the exposure to the EURO of the money available in bank, of the letters of credit, receivables, payables and bank loans, outstanding at the end of year.
(ii) This impact is mainly attributable to the exposure to the USD of the money available in bank, outstanding at the end of year.

The sensitivity analysis of currency risk inherent presented above shows the translation risk exposure at the end of year; nevertheless, the exposure during the year is permanently monitored and managed by the Group.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Group and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The Group is exposed to the risk of disasters too. In these conditions, the Group acted towards concluding insurance policies to protect against disasters the company assets.

The operational risks come from all the Group's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Group's development of general standards of operational risk management in the following areas:

• Requirements sof separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures

• Requirements for periodic review of operational risk to which the Group is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them
• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate

Risk related to balancing cost

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

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Group had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation, including the application of IFRS.
The Group has implemented these changes, but the way of their implementation remains open to tax audit for 5 years or even 7 years, starting with the financial year 2009.
The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk that in some cases, the tax authorities could take a different position from that of the Group. It is possible that the Group continue to be subject to tax audits in so far as new tax rules are issued.

33. EVENTS SUBSEQUENT TO REPORTING DATE

There are no subsequent events that may influence these financial statements**.**

Explanatory notes at the financial statements from 1 to 33 are an integral part of these financial statements.
The financial statements were approved by the Board of Directors on 14.03.2017 and were signed by:

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

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Chamber of Financial Auditors of Romania certificate no. 50/ 2001

INDEPENDENT AUDITORS' REPORT

To the shareholders of
PREFAB S.A. Bucharest

In the attention of,
Mr. Chairman
Ing. Peter Marian Milut

Opinion

1. We have audited the accompanying consolidated financial statements of **PREFAB S.A. BUCHAREST and its subsidiaries** („the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flow and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

The financial statements mentioned refer to:

- Total Equity: 201.849.821 lei;
- Net result of the financial year (Profit): 1.126.710 lei.

2. In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as at 31 December 2016, and their consolidated financial performance and their consolidated cash flows for the year then ended, in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards.

3. We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under these standards are described in detail in Section "Auditor's responsibilities" in our report. We are independent of the Group under the Code of Ethics for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and we met other ethical responsibilities according IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

The key audit matters are those matters that, in our professional judgment, were the most significance in our audit of financial statements of the current period. These matters were addressed in the context of the audit of consolidated financial statements as a whole, and in forming our opinion thereon, and do not provide a separate opinion on these matters.

4.1. Implementation of a new IT system starting on 01.01.2016

- **Aspects considered**

As mentioned in Note 2.1. on the consolidated financial statements "Basis of preparation", the company implemented in fiscal year 2016 a new IT system for financial accounting, which required significant attention from the statutory auditor, both in terms of setting overall audit strategy, as in ongoing mission. There is a risk in implementation of any new IT system, in not fully provide of data processing accounted for in accordance with applicable accounting standards and deviations may appear in controlling, preservation and archiving of documents on technical supports.

- **The approach during the audit**

Our audit procedures included testing the design and implementation of the new IT system and we considered these:

- the new IT system contains the regulations in place and has the possibility of updating these procedures, according to the changes in legislation;
- adequate knowledge of the functions of automatic data processing system by staff involved and compliance with these functions;
- ensuring the protection of IT software and data from unauthorized access, achieving the confidentiality of the information system through passwords, ID for access to information, backup programs and information;
- random checking on the operation of processing procedures provided by the IT system;
- tests of control checking, random inspections of economic and financial operations accounted, noting whether they are conducted in strict compliance with currently applicable regulations. Data recorded in the accounts must be found in a document, which can be access both by beneficiaries and by other authorized persons. We tested the possibilities of information system regarding consolidation adjustments related to intra-group transactions;
- the IT system generates clear listings, understandable and complete, containing identification data on the unit name; document or situation type; period to which it relates; and they respect the compliance with the minimum information required in financial accounting forms, accuracy of accounting notes prepared by the new IT system etc.
- the system provides data retention for a period of time in compliance with Law no. 82/1991, published; provides archiving software products, data inputs, financial statements or other documents.

We noticed that the new system meets the requirements to identify and report financial data accounting both for management and for other authorized users.
The responsibilities of the company personnel when using the new system for automatic data processing, for database management and archiving, will be detailed in their own internal control procedures, distributed and processed by those responsible and will be monitored by company management.
We have not identified other issues that require highlighting.

4.2. Revenue recognition - discounts granting

- **Aspects considered**

As described in note 30 to the consolidated financial statements, the Company applies a uniform policy of prices and discounts, depending on sales volume and the due date of the payments.
Also, the Company has agreements with customers under which they are eligible for various bonuses, discounts and other commercial or financial discounts depending on the volume of purchases, advance payment, promotion or marketing of products, etc.
Therefore, the Company recognizes a reduction in revenue generated by such operations. Under IFRS, revenue from a transaction are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and volume rebates allowed by the entity.

In determining the conditions for granting discounts and the period which is attributed the reduction in income, there is an argument used by responsible persons from entity, involving both detailed understanding of contractual clauses and the use of sources with complete and accurate data, relating to the sales volume and relevant period for calculating the reductions that may be granted.

Due to accounting errors that may appear in this field, we paid significant attention to the design and implementation of internal controls related to Group business revenue recognition.

- **The approach during the audit**

During our mission, we have gained a detailed understanding of the activities conducted by the Group in connection with commercial revenue recognition.

Our audit approach included testing of completeness and accuracy of data entry into the system, the Group control keys, such as sales volume data. Our substantive procedures regarding the operations of the Group sales included the following tests:
• We tested whether the recognized amounts are correct and properly charged to the corresponding period, based on confrontation with a sample of contracts with different customers.
• We used analytical procedures to verify the commercial income registered and the discounts given. Detailed tests were conducted on income recognition of the entity.

The results of the tests carried out by us have been satisfactory. We have not identified issues requiring highlighting.

4.3. Estimates and judgments use in preparing and presenting of the financial statements

- **Aspects considered**

As described in Note 2.4. "Use of estimates and judgments" from the Group financial statements, estimates and assumptions are used mainly for presentation at fair value of tangible and intangible assets, of securities held and valued at cost, estimating the useful life of a depreciable asset for allowance for impairment of receivables and inventories for different categories of provisions; to recognize deferred income tax assets. Use of estimates and judgments by the management, is resulting from the need to comply with the requirements of the applicable financial reporting regarding the fair presentation of the financial position and performance of the company in the financial

Estimates and judgments are periodically reviewed. Actual results may differ from the estimated values. Company management stated in the financial statements that any deviation from these estimates will not have a significant influence on the financial statements in the near future.

Management's estimates are based on information available at the time the financial statements are closed, and on assumptions, sometimes subjective, related to transactions, future events, or on some estimation. There is a risk in the degree of subjectivity to influence significantly the values and presentations on items subject to estimates and judgments of management in the financial statements.

- **The approach during the audit**

In carrying out our mission we obtain audit evidence, by performing specific audit procedures, evidence on the consistent presentation of financial statements related to accounting estimates in accordance with the requirements applicable to. We have ensured that the management assumptions in establishing the estimates were adequate, and we have assured that the accounting estimates and the related disclosures made by management in the financial statements were reasonable. Examples:

- We have taken care in understanding the conditions for the accounting estimates recognition generated by responsible persons, information which formed the basis of assumptions;
- We have discussed with the management and we reviewed the assumptions that formed the basis of accounting estimates in order to determine if they were properly applied;
- We looked for new types of transactions that could cause the necessity of accounting estimates; if they have changed the terms of transactions previously carried out and these can involve new estimates; if there were new conditions and events that may lead to a need for new or revised accounting estimates; if they changed the accounting policies related to estimates or professional judgment
- We tested the effectiveness of controls related to the existence, integrity and usefulness of tangible assets and inventories by analysing a sample of inventory' assets.
- We obtained from the entity lawyer a list of litigations involving the Group, both as a defendant, and plaintiff. Based on professional judgment we evaluated the risks involved and we reviewed the estimates made by management regarding these events.

- We used analytical procedures and we reviewed the accounting estimates set previously;
- We perform confirmation of the receivables from the balance sheet;
- We reviewed ongoing contracts with customers;
- We checked a sample of stocks to confirm its recognition at the lowest level between cost and net realization value, by comparing prices with the purchase invoices and sales;
- We reviewed the minutes of board meetings and other reports, briefings and correspondence, to identify areas requiring the management attention;
- We looked if the events or transactions that occurred between the end of the period and the date of our audit report, contradict management's estimates.

The results are satisfactory and the estimates are applied in accordance with the Group policy.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

5. The management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

6. Our objectives are to obtain reasonable assurance whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.
- We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- We also provide those charged with governance with a statement that we complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- From the matters communicated those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements/ Report on Conformity of the Administrators' Consolidated Report with the Consolidated Financial Statements

7. The Administrators are responsible for the preparation and presentation of the Administrators' Consolidated Report, in accordance with the Order of the Minister of Public Finance no 2844/2016 for the approval of accounting regulations conforming to International Financial Reporting Standards, points 26-27, that does not contain material misstatements. Administrators are also responsible for such internal control as management considers necessary

to enable the preparation of the Administrators' Consolidated Report that is free from material misstatement, whether due to fraud or error.

The Administrators' Consolidated Report is presented on page 1-24 and it's not a part of the consolidated financial statements.

Our opinion on the consolidated financial statements does not include an opinion regarding the Administrators' Consolidated Report.

In connection with our audit of the consolidated financial statements, in accordance with the Order of the Minister of Public Finance no 2844/2016, points 26-27, we have read the Administrators' Consolidated Report attached to financial statements and presented on page 1-24 and we report that:

a) in the Administrators' Consolidated Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements attached;
b) the Administrators' Consolidated Report identified above include, in all material respects, the information required by Order no. 2844/2016 points 26-27;
c) based on our knowledge and understanding acquired during the audit of financial statements for the year ended December 31, 2016 on the Group and its environment, we have not identified any information contained in the Administrators' Consolidated Report to be significantly flawed.

Ploiesti, 24 March 2016

Financial Auditor,
Roman Ileana - registered at the Chamber of Financial Auditors of Romania with certificate no. 1199/2001

On behalf of,

S.C. AUDIT EXPERT S.R.L.
Audit Firm - registered at the Chamber of Financial Auditors of Romania with certificate no. 50/ 2001

General Director,
Constantin Maria – registered at the Chamber of Financial Auditors of Romania with certificate no. 184/ 2001