

**The Board of Directors report on the stand alone financial statements of Teraplast SA prepared
in accordance with the International Financial Reporting Standards (IFRS)**

Financial year: 2016

Name of the company: TERAPLAST S.A.

Headquarters: Bistrita, Teraplast Industrial Park, DN 15A, KM 45+500

Phone/fax: 0263 238202; Fax: 0263 231221

Sole registration number at the Trade Register Office: 3094980

Trade Register No: J06/735/1992

Regulated market on which the issued shares are traded: Bucharest Stock Exchange

Subscribed and paid share capital: 56,643,266 lei

Main features of securities issued by the trading company:

- 566,432,660 registered shares with a nominal value of 0.1 lei/share

The Board of Directors of Teraplast SA, appointed by the General Meeting of Shareholders, has drawn up for fiscal year 2016 this report on the balance sheet, profit and loss account, equity records, cash flows and accounting policy, as well as explanatory notes included in the 2016 consolidated financial statements of Teraplast Group.

These consolidated financial statements are submitted along with the Audit Report and this Directors Report and refer to:

Equity	216,923,646 lei
Turnover	398,788,273 lei
Net result – profit	39,416,171 lei
Of which, attributable to the equity holders of the parent – profit:	39,281,595 lei
Comprehensive income for the year – profit:	41,916,390 lei

The financial statements have been drawn up in accordance with:

- Accounting Law 82/1991 republished in June 2008 (“Law 82”)
- International Financial Reporting Standards as adopted by the European Union (“EU IFRS”).

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The consolidated financial statements includes the financial statements of the parent company, of the subsidiaries and of the jointly-controlled unit. Teraplast Group has been audited by KPMG Audit SRL, independent auditor. The audit results are presented in the Report of independent auditor KPMG Audit SRL.

The control is obtained when the company has the power to control the financial and operational politics of an entity in order to obtain benefits from its activity.

Where necessary, correction is made on the financial statements of the subsidiary in order to bring its accounting politics in accordance with those of the Group.

All the intragroup transactions balance, incomes and expenses are eliminated from the consolidation. Non-controlling interests in assets (excluding commercial fund) of the consolidated subsidiary are separately identified from the Group's equity owned in this. Non-Controlling interests are the amount of these interests at the initial combination of the companies and in the part owned by the non-controlling interests in the changes of the equity starting with the combination date.

The application of IAS 27(revised in 2010) had as a result changes in the accounting politics of the Group regarding modifications of ownership in subsidies.

Specifically, the revised standard affected the accounting politics of the Group regarding modifications of ownership in its subsidies, which does not have as a result the loss of control. In the previous years, in the absence of specific IFRS requests, the increments in the existing subsidies were handled in the same manner as the acquisition of subsidies, with commercial fund or with a gain recognized from an acquisition by negotiating, by case: for the decrease of the existing subsidies which not implicate a loss of control, the difference between the received price and the adjustment of non-controlling interests was recognized in the profit and loss account. According to IAS 27 (revised in 2010), all there increases and decreases are treated in the equity, without impact on the commercial fund or on the profit and loss account.

When control is lost in a subsidiary as a result of a transaction, event of circumstances, the revised Standard stipulates the Group the unrecognized all the assets, liabilities and non-controlling interests at the accounting value and to recognize the just value of the received price. Any interests retained in a subsidiary is recognized as a gain or a loss in the profit and loss account.

1. Analysis of Group's activity

These are the financial statement of Teraplast Group. The consolidation includes the following companies: Acestea sunt situatiile financiare consolidate ale Grupului Teraplast. Perimetrul de consolidare cuprinde societatile Teraplast S.A. („parent company”), Politub SA (“jointly-controlled unit”), Teraglass Bistrita SRL („subsidiary”), Teraplast Logistic SRL („subsidiary”), TeraSteel SA („subsidiary”), Teraplast Group SRL („subsidiary) and Teraplast Hungaria.

a) Description of the basic business activity of the parent company:

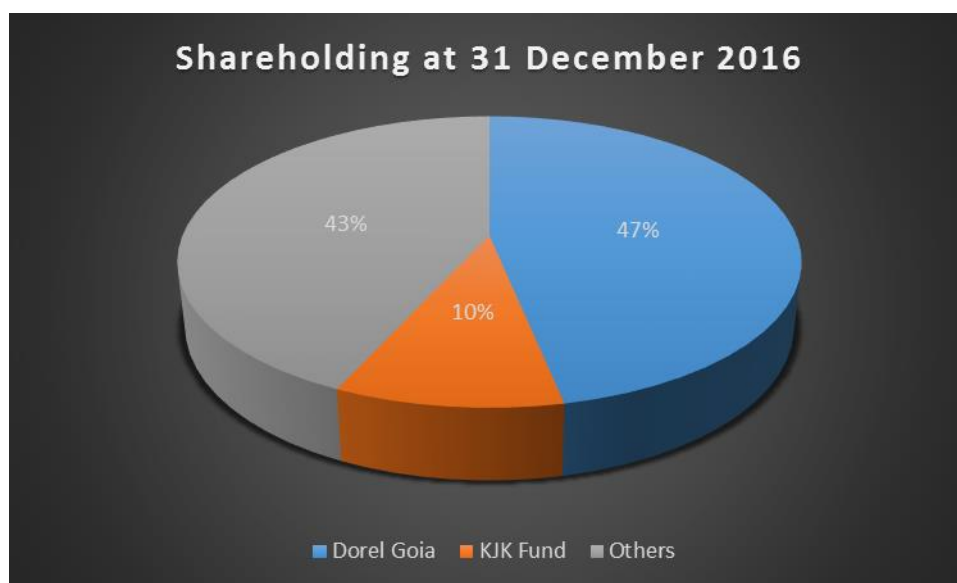
Our company is operating based on Company Law 31 / 1990 (with subsequent amendments and additions) and the Stock-market Law 297/2004. According to Item 6 of the Memorandum of Association our field of activity is: "Manufacture of plastic plates, sheets, tubes and profiles".

b) Date of establishment:

Teraplast S.A. is a joint-stock company established in Romania in 1992 by taking over the activities carried out by *Intreprinderea de Materiale de Constructii Bistrita* [Building Materials Company of Bistrita].

c) Mergers or significant reorganisation of the Company or its controlled companies during the fiscal year:

Teraplast is a company with Romanian majority capital, being listed on the Bucharest Stock Exchange since 2008. The subscribed and paid-in capital at the end of fiscal year 2016 is of 56,643,266 lei. The shareholders' structure at the end of the assessed period is the following:



Teraplast (TRP) is currently one of the leading Romanian manufacturers for the construction, fittings and arrangement market. Our company's product portfolio covers three lines of business: Fittings & Arrangement, Joinery profiles and Granules. The Thermal Insulation line of business has been transferred, as of April 2015, to a separate entity – Teraglass. Teraplast owns manufacturing facilities divided to a PVC plant (PVC pipe department, PVC panel department, PVC joinery profile department, PVC granules department) and the Polyolefin plant (PE manhole and storage tanks department, PVC & PP fittings department and PP tubes department).

The subsidiaries of the Group in which Teraplast has direct holding are: Politub SA, TeraSteel SA, Teraglass Bistrita SRL, Teraplast Group SRL, Teraplast Hungaria and Teraplast Logistic SRL.

TeraSteel is a manufacturer of polyurethane foam and zinc coated sandwich panels. At the end of 2016 Teraplast's shareholding in TeraSteel was of 97.95%, as compared to 78.71% in 2015. As of 2013, TeraSteel has been manufacturing metal zinc coated structures for constructions. The investment in the new zinc coated structures totalled 2.5 million Euros and had 50% European funding via the Sectoral Operational Programme "Increase of Economic Competitiveness". Zinc coated structures have replaced the classic metal structures in TeraSteel's portfolio.

Politub is a manufacturer of medium and high density PE tubes and pipes designed for water and natural gas transmission and distribution, but also for telecommunications, sewage and irrigations. Politub also manufactures fittings (adapting pieces) from PE pipe segments and polyethylene tubes with structured walls (corrugated pipes). Teraplast's shareholding in Politub is 50%, the other shareholder being the French company Socotub.

Limited company Teraglass Bistrita SRL was set up in 2011 and Teraplast SA is a 100% shareholder. In 2015 Teraplast decided to transfer the Thermal Insulation line of business to Teraglass Bistrita SRL. The transfer of activity implies renting the real estate where the manufacturing activity is developed (land and buildings), and the manufacturing equipment will be sold to Teraglass Bistrita. The transaction price will be established according to an evaluation report prepared by an independent expert. Teraplast will maintain ownership over the sold assets until the full payment of the price. The thermal insulation plant is located in Bistrita, was built in 2004 and was not included in the plan for relocation to Teraplast Industrial Park at Saratel.

The company Teraplast Logistic SRL was established in 2016, and Teraplast has the quality of shareholder with 99% of share capital. Teraplast Logistic SRL took over all the logistic activities (warehousing and transport). The outsourcing of the logistic activities is made in the context of which Teraplast Group intends to focus on core business activities, while the related activities are to be run to separate entities.

The company Teraplast Group SRL was established in 2015, and Teraplast has the quality of shareholder with 51% of its share capital.

d) Describing acquisitions and/or sale of assets;

The total company assets as of 31st December 2016 was 306.906.515 lei, with 5.220.703 lei less than the value recorded at the beginning of the year, out of which:

- 3.580.086 lei representing decreases of the company's circulating assets (stocks, receivables, cash);
- 1.640.617 lei representing decreases of the company's fixed assets;

e) Main results of the Group's activity appraisal;

- **Situation of the profit and loss account** - namely costs and income grouped according to their source in 2016 are as follows:

Profit and loss account (thousand lei)	2016	2015
Net turnover	398.788	393.542
Variation of stocks of finished products and underway production – balance C/(D)	3.980	3.851
Other operating income	677	1.253
Operating income – TOTAL	403.445	398.646
Costs with raw materials, used consumables and goods	(267.833)	(272.566)
Employee entitlement expenses	(34.047)	(32.555)
Provisions, adjusting entries for amortisation and depreciation	(15.235)	(15.826)
-out of which depreciation of fixed assets and amortisation	(15.638)	(15.327)
Earnings/losses from tangible and intangible assets	(38)	(195)
Earnings/losses from investment evaluation at their actual value	192	(1.242)
Other operating expenses	(39.891)	(36.258)
Operating expenses – TOTAL	(356.852)	(358.643)

Operating profit	46.593	40.003
Financial income	3.769	4.168
Financial costs	(5.979)	(7.434)
Financial result	(2.210)	(3.266)
Share of the profit or loss of the joint venture accounted for using the equity method	751	4.119
Total income	407.965	406.933
Total expenses	368.548	371.686
Gross result	45.133	40.857
Tax on profit	(5.717)	5.610
Net profit	39.416	35.247
EBITDA	61.347	58.994

- The Group has determined EBITDA as follows:

Indicators (thousand lei)	2016	2015
Net profit	39.416	35.247
Interest expense	939	1.493
Amortization expense	15.847	15.748
Fixed and current asset depreciation	(574)	896
Current tax expense and deferred tax expense	5.717	5.610
EBITDA	61.347	58.994

- The changes in assets are:

Assets (thousand lei)	2016	2015	Differences
1.1. Fixed assets, out of which:	157.570	159.211	(1.641)
1.1.1. Tangible assets	133.698	130.065	3.633
1.1.2. Real estate investment	9.755	12.115	(2.360)
1.1.3. Intangible assets	1.371	1.080	292
1.1.4. Investments in the joint venture accounted for using the equity method	12.686	15.935	(3.249)
1.1.5. Investments in subsidiaries	60	16	44
1.1.6. Other financial fixed assets	0	0	0
1.2. Current assets, out of which:	149.336	152.916	(3.580)
1.2.1. Stocks	67.059	53.356	13.703
1.2.2. Trade receivables and similar	65.919	86.616	(20.697)
1.2.3. Prepayments	326	388	(62)
1.2.4. Recoverable tax on profit		0	16.032
1.2.5. Cash and short term deposits	16.033	12.557	3.476
1.3. Assets for sale	0	0	0
Total assets	306.907	312.127	(5.220)

- The liability structure in the company balance sheet as of 31st December 2016 is:

Liabilities (thousand lei)	2016	2015	Differences
1.1.Total share capital, out of which:	56.643	28.888	27.755
1.1.1. Subscribed capital	56.643	28.888	27.755
1.2. Other elements of capital	451	951	(500)
1.3. Share premium	27.385	27.385	0
1.4. Revaluation reserve	21.742	18.566	3.176
1.5. Legal reserves	12.407	9.853	2.554
1.6. Reported result	97.961	97.591	370
Stockholders' equity	216.589	183.233	33.356
Non-controlling interests	335	200	135
Total equity	216.924	183.433	33.491
1.2. Long-term liabilities	17.313	18.186	(873)
1.2.1. Loans and finance lease liabilities	10.505	10.535	(30)
1.2.2. Other long term liabilities	-	-	
1.2.3. Liabilities for employee benefits	352	295	57
1.2.4. Investment subsidies – noncurrent portion	2.929	3.373	(444)
1.2.5. Deferred tax liabilities	3.528	3.982	(454)
1.3. Current liabilities	72.670	110.508	(37.838)
1.3.1. Trade and other payables	53.041	66.888	(13.847)
1.3.2. Loans and finance lease liabilities	15.919	38.533	(22.614)
1.3.3. Other current financial liabilities		-	
1.3.4. Income tax payable	189	1.446	(1.257)
1.3.5. Investment subsidies – current portion	463	467	(4)
1.3.6. Provisions	3.057	3.174	(117)
Total liabilities	89.983	128.694	(38.711)
Total equity and liabilities	306.907	312.127	(5.220)

Group's **Equities** decreased in fiscal year 2016 by 5,220 thousand lei.

The **legal reserve** amounts to 12,407 thousand lei and represents 22% of the share capital.

Group's **total debts** decreased by 38,711 thousand lei mainly following decrease of commercial liabilities.

The evolution of current assets and liabilities is as follows:

Assets (thousand lei)	2016	2015
Current assets	149.336	152.916
Current debts	72.670	110.508
Net current assets	76.666	42.408

The bookkeeping was made by the company's own accounting and financial service, designed to keep an accurate and updated track of accounting operations, to observe the accounting principles as well as accounting rules and methods provided by the applicable regulations. The balance sheet has been drawn up according to the checking balance and synthetic accounts, and observance of methods of regulation and rules for establishing the balance sheet was intended, balance sheet entries with bookkeeping data recordings being in agreement with the real situation of stock list-based entries.

The profit and loss account accurately reflects the 2016 income, expenses and financial results. An inventory was made for Group's total assets, the results being mentioned in the bookkeeping records and the balance sheet. The company has organized a preventive financial control activity.

The internal audit for fiscal year 2016 was conducted by General Consulting MGI.

Elements of general evaluation

a) Profit/(loss):

Indicators (thousand lei)	Actual 2016	Actual 2015
Gross profit (loss)	45.133	40.857
Net profit (loss)	39.416	35.247

In the analyzed period the Group's net profit had the value of 39.42 million lei, as compared to 35.25 million lei in 2015. The evolution of the net profit was mainly supported by the significant improvement of our operating performance, i.e. Teraplast Group achieved in 2016 an **operating result** of 46.69 million lei as compared to 40 million lei for the similar 2015 period.

b) Turnover:

Indicators (thousand lei)	Actual 2016	Budget 2016	Actual 2015	▲% vs 2015	▲% vs Budget
Turnover	398.788	473.241	393.542	1	(16)

The market segments of Teraplast Group had in 2016 a fluctuant evolution. Residential and non-residential had a good evolution, while the environment infrastructure segment had a good evolution in the first part of the year while there were still available the financing from the previous budgetary exercise (2007-2013), but starting with July the infrastructure entered a deadlock. In the new budgetary exercise 2014-2020 the environment infrastructure (water and sewage) has over 6.32 billion EUR available non-returnable financing. However, after 2 years since the launch of the new financing axis none of the 43 new environment infrastructure projects is in the working contracts signing phase, most of them being at the most in the projecting phase.

c) Export:

Indicators (thousand lei)	2016	2015	▲% vs 2015
Turnover	398.788	393.542	1%
Export/EUR	19.409	13.879	
Export/LEI	88.134	70.827	24%

The evolution of the turnover was also supported by the exports which increased by approximately 24% as compared to the similar period of last year. Teraplast Group exports in Germany, Austria, Hungary, Slovenia, Czech Republic, Slovakia, Italy, Bulgaria, Serbia or Belgium.

d) Costs:

Expenses (thousand lei)	2016	2015
Raw materials, used consumables and goods		
Costs with raw materials	218.478	228.979

Costs with consumables	14.857	16.459
Costs with goods	33.688	26.495
Used packages	810	634
TOTAL	267.833	272.566
Employee entitlement expenses		
Salaries	26.180	23.897
National insurance fund contributions	6.586	5.944
Meal vouchers	1.300	1.108
Other benefits for employees	(20)	(94)
Expenses representing the employees participation to profit as benefits based on shares	-	951
Expenses with bonuses representing the employees participation to profit	-	377
Contributions afferent to employees participation to profit	-	372
Incomes from operating subventions for employees payment	-	-
TOTAL	34.047	32.555

e) Market share:

Considering that our Group's products are diverse, a global market share cannot be determined.

f) Cash flow:

The Group had in the accounts at December 31st 2016 the amount of **16,03 million lei**.

1.1.2 Evaluation of the Group's technical level

- a)** The production facilities of the companies in the Group are located in the Teraplast Industrial Park, developed outside Bistrita, on a surface of over 21.200 sqm. During 2007-2014 Teraplast Group invested over 200 million lei in the development and the modernization of the production capacities, but also in the products portfolio extension. Teraplast Group currently holds in Saratel production capacities on an area of over 21.200 square meters, divided into: PVC Products Factory (Department of PVC pipes, Department of PVC paneling, Department of window profiles, Department of PVC compounds) and Polyolefin Factory (Department of manholes and tanks from PE, Department of PP and PVC fittings and Department of PP pipes), sandwich panels factory and PE pipes factory. The factories of galvanized profiles and PVC windows and doors are locate in the industrial area of Bistrita.

Teraplast benefits of a sales system that includes a network of own or rented warehouses, opened in cities of: Bucharest, Brasov, Galati, Deva, Iasi, and partnerships with distributors across the country. Teraplast also performs export activities, the main foreign markets in which we operate are Germany, Serbia, Hungary, Moldova, Austria, Slovenia and Bulgaria.

1.1.3 Evaluating the provision of technical and material supplies

Provision of supplies is tightly related to building a complex of good work relationships among departments inside and outside of the Group. In this context, supply operations should permanently keep active its interactions with the technical, manufacturing, economics and commercial departments. Outside the Group, the procurement department has relationships with suppliers in order to purchase material resources, establish terms of supply, enter into contracts and conduct deliveries.

The procurement process is based on the material requirements generated by the annual and monthly production programmes correlated with permanent assessment of the daily average consumption and adjusting to the minimum stock levels that ensure the best manufacturing operations. Material requirements are assessed by people in charge of buying and are supervised by the acquisitions manager, who establishes according to specific criteria the suppliers they are going to deal with.

A major part of the procurement activity is the selection of suppliers. Supplier evaluation criteria concern the quality and the extent to which their products comply with the required specifications, price, available supplier credit, payment deadline, delivery deadline, development of previous deliveries, compliance with conditions concerning the ordered quantity and requested quality that, all of them, define a supplier's delivery potential.

Teraplast Group has, for both raw materials and other materials, at least two alternative agreed suppliers, national as well as European and even Asian. Holding a complex database of alternative suppliers is a real advantage for the procurement department, which can this way obtain competitive purchase prices and can sustain a continuous flow process.

1.1.4 Evaluating the sales activity

- a) Teraplast Group has a sales system that includes its own network of rented or owned storehouses opened in: Bucharest, Brasov, Galati, Deva, Iasi, as well as partnerships with distributors countrywide. Teraplast also conducts export operations, its main external markets being Germany, Serbia, Hungary, Republic of Moldova, Austria, Slovenia, Bulgaria.
- b) Considering that Teraplast operates on construction materials market, seasonality is a major factor in the monthly evolution of sales. In these circumstances, the peak activity covers about 6 months (May to October). The distribution policy targets mainly specialist customers in the installation and construction fields, and the distribution channels are:
 - Sales through distributors and resellers (internal market and partially exports);
 - Sales by specialized networks (DIY) (internal market and exports);
 - Sales to general contractors and constructors (tenders for infrastructure projects);
 - Direct sales to cable manufacturers or other profiles (internal market and exports);
- c) Teraplast Group's trading policy does not allow exposure rates of over 6% per customer.

1.1.5. Evaluating aspects related to the Group's employees/staff

Average number of employees increased from 567 in 2015 to 589 in 2016.

According to the applicable collective agreement, Group's minimum pay rates cannot go below the national minimum wage. The collective agreement provides that the wage should include the basic pay, indemnities, premiums and other additions. The Group paid the following categories of additions: night shift increments, additions for additional hours, additions for working on Sundays and Saturdays and additions for average hours of work in a noxious environment.

The Group's spends money for partial compensation of tickets for rest and treatment. These benefits are granted to the Group's employees according to the collective agreement currently applicable. The collective agreement applicable at the company level is negotiated from time to time with workers unions.

Moreover, pursuant to the collective agreement, the Group should pay to its employees upon their retirement an amount equal to a multiplier of their gross wages, according to their period of employment, working conditions etc. Our Group has made provisions for such payments. Beside taxes paid to government funds and insurance funds, the Group has no other obligations related to post-retirement benefits.

1.1.6. Evaluating aspects related to the impact of the basic Group activity on the environment

The main activity of Teraplast has inherent effects on the environment. These effects are carefully monitored by the local authorities and Teraplast's management. A preventive approach and an intention to diminish the impact on the environment are guiding elements for the company activity, in that Teraplast has obtained for its manufacturing processes:

- ✓ water management licence no. 433/05.08.2016- revision.

The following permits and licences were in force for 2015:

- environmental permit for the manufacture of plastic plates, sheets, tubes and profiles for constructions in the manufacturing plant from Bistrita, unincorporated locality of Sarata, fn [without number]; locality of Saratel, fn, DN 15A, commune of Sieu Magherus, Bistrita-Nasaud County (Industrial Park Teraplast): environmental permit no. 169/30.12.2009, revised on 24.08.2012, valid for 10 years.
- environmental permit for the manufacture of PVC joinery elements with insulated glazing – manufacturing plant of Bistrita, Strada Tarpiului nr. 27/A – Environmental Permit no. 127/15.10.2010, valid for 10 years.

Evaluating the research and development aspects

Teraplast is registered in Potential Contractors' Register thanks to its Research Centre. Its research and development programs are financed from Group's own funds as well as national or European funds. In 2015 the Research and Development Centre conducted research activities for improving the existing products and for the manufacturing of new products.

In 2016 the Research Centre developed the following themes:

1. Compounds formulation for sewage PVC pipes with organic-based stabilizers;
2. Formulation for PVC reinforcing spire used for composite tubes with organic-based stabilizers;
3. Formulation for compounds used for profiles with organic-based stabilizers;
4. Formulation for PVC ventilation tubes and profiles with organic-based stabilizers, with normal endurance and fire action;
5. Formulation for windows PVC profiles with organic-based stabilizers;
6. Formulation for compounds used for windows PVC profiles with organic-based stabilizers.

1.1.7. Evaluating the Group's activity in terms of risk management

Credit risk

Credit risk concerns a risk incurred by a third party's failing to comply with its contract obligations, thus causing financial losses to the Group. The Group has adopted a policy of trading only with trustworthy parties and obtaining enough guarantees, where possible, as a means to reduce risk of financial loss from failure to observe terms of contracts. Group's exposure and Third Parties' credit ratings are monitored by the Group management. Trade receivables cover a large number of customers from various industries and geographical areas. Customers' creditworthiness is constantly evaluated in terms of their financial conditions and, if appropriate, credit insurance is made.

The Group has no significant exposure to credit risk towards any counterparty or group of counterparties with similar features. The Group defines *counterparties* as being entities with similar features when acting as affiliated entities.

Liquidity risk

Final responsibility for liquidity risk management belongs to executive managers, who have built an accurate management framework for liquidity risks on short, medium and long-term insurance for the Group's funds and cash management requirements.

The Group manages cash-related risk by maintaining appropriate reserves, bank facilities and reserve lending facilities, by permanently monitoring actual cash flows and by matching financial assets deadlines and debts deadlines.

Foreign exchange risk management

The Group conducts transactions in various currencies. Hence the foreign exchange risks. Exposure to foreign exchange risks is managed according to approved policies.

Our Group is mainly exposed to the EUR to RON exchange rate. The sensitivity analysis includes only the left currency expressed in elements of the money system and adjusts the conversion at the end of the period for a 10% amendment to the exchange rate. Changes will be attributed to exposure related to loans, trade receivables and debts with foreign partners in EUR at the end of the year.

Managing interest rate risk

Group's interest-bearing assets, income, as well as cash flow from operating activities are exposed to fluctuations in market interest rates. The Group's interest rate risk is apparent in its bank loans. Variable interest rate loans expose the Group to the risk of cash flow from interest. The Group has not resorted to any hedging operation in order to lower its exposure to interest rate risks.

The Group is permanently monitoring its exposure to interest rate risks. This includes simulation of various scenarios, including refinancing, updating of existing positions, funding alternatives. Based on such scenarios, the Group is estimating the potential impact upon the profit and loss account of fluctuations defined by the interest rate. The same interest fluctuation is used for each currency in each simulation. These scenarios are prepared only for debts representing the main interest-bearing positions.

The Group is exposed to interest rate risks, considering that it takes out both fixed-rate loans and variable-rate loans. The risk is managed by the Group by maintaining a favourable balance between the fixed-rate loans and the variable-rate loans.

Market risk

The Group management is permanently monitoring Group's exposure to risks. Nonetheless, this approach could not protect the Group from any unexpected loss outside predictable limits, in the event of significant market fluctuations. There is no change as compared to the previous year in exposing the Group to market risks or in the way in which the Group manages and measures its risks.

Other price-related risks

The Group is not exposed to risks related to its stock price resulting from equity investment. Equity investment is held for strategic purposes rather than trading purposes and is not significant. The Group does not actively trade such investment.

Managing credit risk

Credit risk concerns a risk incurred by a third party's failing to comply with its contract obligations, thus causing financial losses to the Group. The Group has adopted a policy of trading only with trustworthy parties and obtaining enough guarantees, where possible, as a means to reduce risk of financial loss from failure to observe terms of contracts. Group's exposure and Third Parties' credit ratings are monitored by the Group management.

Trade receivables cover a large number of customers from various industries and geographical areas. Customers' creditworthiness is constantly evaluated in terms of their financial conditions and, if appropriate, credit insurance is made.

The cash is kept in financial institutions that, at the time of deposit, are considered to have the lowest return risk. The Group's policies limit the amount of exposure for any financial institution.

The accounting value of receivables, net receivables provision plus cash and cash equivalent represent the maximum sum exposed to the credit risk. Although receivable collection could be influenced by economic factors, the Group management considers there is no significant risk of loss for the Group outside already recorded provisions.

The Group considers exposure to credit risk toward its counterparty or group of counterparties with similar features by assessing receivables individually and making depreciation adjustment along with its department of customer credit management. The Group defines *counterparties* as being entities with similar features when acting as affiliated entities.

The just value of financial instruments

Financial instruments in the accounting balance shall include trade receivables and other receivables, cash and cash equivalent, short-term loans and long-term loans as well as other debts, including debts / receivables corresponding to derived instruments. The accounting values are the maximum exposure of the Group to the credit risk related to existing receivables.

1.1.8. Elements of perspective on the Group's activity

- a) In spite of an increasing tendency for the Romanian economy, there still is a lot of uncertainty in both the political sector and the economy sector. The Group's management cannot foresee future changes in Romania and their effects on the company's financial situation, its operating results and treasury flows.

Our Group's most probable evolution is found in the development rate proposed for 2017. The project **Income and Expenses Budget for 2017** provides the following:

- Turnover: 434.600.413 lei
 - EBITDA: 63.348.223 lei
 - Net Profit: 38.096.477 lei
- b) Teraplast SA has proposed for 2017 an investment programme amounting to a total 72.000.000 lei. These investments will be directed towards: development/increase of capacity – acquisition of new production facilities, maintenance, heavy construction repair, heavy equipment repair, heavy mold repair, current repair, financial investments, quality improvement, research and laboratory.

The Group's tangible assets

- 1.2. The Group had 5 business facilities in Romania at the end of 2016, located in the following cities: Bucharest, Brasov, Deva, Galati, Iasi. In each of these locations, the company had its own or rented **storehouses** from where deliveries are made to appointed customers, in order to be as close as possible to the customers and to provide short deliveries.

Moreover, Teraplast Group had at the end of 2016 the following **manufacturing facilities**:

- **PVC Pipe, Profile and Granule Plant** – including the PVC pipe department, PVC Profile department, PVC joinery profile department and the Batching-Mixing department.
 - **Polyolefin plant** – including the Polyethylene manhole and PP, PVC, PE Fittings.
 - **PVC windows and doors plant (TeraGlass)**
 - **Sandwich panels plant (TeraSteel)**
 - **Galvanized profiles plant (TeraSteel)**
 - **PE pipes plant (Politub)**
- 1.3. All the factories at Saratel have been built starting with 2008. Machines, equipment and pipes/fittings used by Teraplast in its production activity date not earlier than 2005 and due to their permanent maintenance their degree of wear is minimal.
- 1.4. Not applicable.

2. The Company's securities market

- 2.1. As of 02 July 2008, Teraplast has been listed on Bucharest Stock Exchange. The Company's shares are ordinary, nominative, dematerialised and indivisible.

- 2.2.** The undistributed profit accumulated in 2016 will be used for: a) share capital increase by the issue of new shares with a nominal value of 0.10 lei each, to be distributed for free to all the company's shareholders registered in the Shareholders' Register at the subscription date set by the General Meeting; b) for cash payment of dividends; c) distribution to the reported result.
- 2.3.** Teraplast repurchased in 2016 a number of 2.000.000 own shares in order to implement a remuneration system to ensure compliance with the principle of long-term performance and a loyalty program for employees.
- 2.4.** As of 31 December 2016, the Company had 5 subsidiaries: TeraSteel SA, Politub SA, Teraglass Bistrita SRL, Teraplast Logistic SRL si Teraplast Hungaria. Teraplast assigned to the local partners the shares (51% of capital) owned in the company in Republic of Moldova. During 2016 Teraplast participated at the establishment of Teraplast Logistic SRL, with 99% of the capital. No changes have been recorded in the quotas controlled by Teraplast SA in the share capital of Politub SA and TeraSteel SA (ex Plastsistem).

As of 31 December 2016 the reporting Company held securities as participation in the following unlisted entities. Companies where Teraplast holds no participation hold, them too, no shares in the parent company Teraplast.

Name of investment	Activity	Location	2016
TeraSteel S.A.	Production	Bistrita, Romania	97.95%
Certind S.A.	Independent certification	Bucharest	7.50%
Partnership for Sustainable Development	Joint-venture	Bistrita, Romania	7.14%
Politub S.A.	Production	Bistrita, Romania	50%
Teraglass Bistrita SRL	Production	Bistrita, Romania	100%
Teraplast Logistic SRL	Logistics	Bistrita, Romania	99%
Societatea Tera-Tools SRL Bistrita	Production	Bistrita, Romania	24%
Asociatia Producatorilor de Panouri Metalice.	Association	Brasov, Romania	11,11%
Societatea Teraplast Group SRL Moldova	Trade	Chisinau, Moldova	51%

2.5. Not aplicable

3. Company Management

3.1 Directors presentation

- a) Teraplast is managed in a unitary system by a Board of Directors composed of five members appointed by the General Meeting of Shareholders by secret vote. The length of service of the Directors is one year and the Directors can be reappointed. At the date of this Report the structure of the Board of Directors is as follows:

Dorel Goia – Chairman

Mr. Dorel Goia is the main shareholder of Teraplast and he was elected in the in the Board of Directors in 2008. Mr. Goia is also Director in the Board of Directors of the companies Plastsistem SA, ACI Cluj and Parc SA and Chairman of the Board of Directors of the company Hermes SA.

Magda Palfi-Tirau – Independent non-executive Director

Mrs. Magda Palfi-Tirau has the profession of economist and she was elected in the Board of Directors of Teraplast in 2007. Mrs. Palfi-Tirau is Regional Corporate Director at Raiffeisen Bank and she is also member in the local Board of United Way Romania.

Petru-Raul Ciurtin – Non-executive Director

Mr. Petru-Raul Ciurtin has the profession of doctor and he was elected in the Board of Directors of Teraplast in 2016. Mr. Ciurtin is also Director in the company Policolor. Mr. Petru-Raul Ciurtin is the entrepreneur doctor from Ardeal who turned Albalact, an old bankrupt milk factory, into the leader of the Romanian dairy market. This year Mr. Raul Ciurtin marked his exit from Albalact.

Razvan Lefter - Non-executive Director

Mrs. Razvan Lefter has the profession of economist and he was elected in the Board of Directors of Teraplast in 2014, at the proposal of KJK Fund, shareholder in Teraplast with 11%. Mr. Lefter is single shareholder and Director of the company RSL Capital Advisors and he is also Director in the Board of Directors of the companies Conpet Ploiesti, KJK Caramida Bucharest and Eurohold AD Sofia.

Mircea Hotoleanu – Executive Director

Mr. Mircea Hotoleanu has the profession of engineer and he was elected in the Board of Directors of Teraplast in 2016. Mr. Mircea Hotoleanu was in the last 7 years Director of the Engineering Center of Emerson Cluj. Mr. Hotoleanu has an experience of over 20 years in the industrial field, and during 2001-2009 have had several management jobs in industrial companies from Finland. Beginning with January 2017 Mr. Hotoleanu is the Chief Executive Officer of Teraplast.

b) The members of the Board of Directors are appointed within the General Meeting based on shareholders' votes according to the legal requirements. Therefore, there is no agreement or arrangement to report in this report.

c) Equity participation of directors in the company's share capital:

Dorel Goia – director, held, as of 31 December 2016, 46.78% of Teraplast S.A. share capital

d) List of persons affiliated to our trading company

Companied consolidated in Teraplast Group as of 31 December 2016	Activity	Location
Plastsistem S.A.	Production	Bistrita, Romania
Politub S.A	Production	Bistrita, Romania
Teraglass Bistrita SRL	Production	Bistrita, Romania
Teraplast Group SRL	Trade	Chisinau, Moldova

Teraplast Logistic SRL	Logistic	Bistrita, Romania
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3.2. Members of the executive team

- a) Teraplast's executive management is appointed by the Board of Directors, and at the date of this report it is delegated to two managers, one of whom holds the position of General Manager. The managers manage the everyday activity of the company and must provide an accurate movement of corporate information.

Mircea HOTOLEANU

Chief Executive Officer, responsible of: organizing, directing and managing Teraplast's operations based on performance objectives and criteria provided by the Income and Expenses Budget and the Investment Program approved by the General Meeting of Shareholders.

Born in 1964

Graduated in 1989 the Technical University of Cluj-Napoca, Faculty of Electronics and Telecommunications. In 1996 he obtained the PhD in Engineering.

During 1991-2001 he was Lecturer at Technical University of Cluj-Napoca. During 2001-2009 had several management positions in industrial companies from Finland, and during 2009-2016 managed the Engineering Center of Emerson Cluj. Since September 2016 he is member in the Board of the Executive MBA program, organized by Babes-Bolyai University of Cluj-Napoca and Hull University (UK).

In October 2016 he was elected member in the Board of Directors of Teraplast, and stating with January 2017 he is also the Chief Executive Officer of the company.

Edit ORBAN

Chief Financial Officer, responsible of: financial and treasury management, analysis department and department.

Born in 1970

She graduated *Babes-Bolyai* University of Cluj-Napoca in 1995 as an Economist; since 2007 she has been a certified accounting expert, and a financial auditor since 2009. Mrs. Orban has joined the Teraplast team in 2008 as manager of the controlling department. In 2013, Mrs. Edit Orban was appointed Financial Manager of Teraplast and a member of our Executive Board. Currently, Ms. Orban is also occupying the roles of Financial Manager of subsidiaries TeraSteel and Teraglass.

- a) The General Manager's appointment is for 3 years, starting with 16.01.2017, whereas the Financial Manager's is valid until 14 June 2017.
- b) Senior managers are appointed by the Board of Directors and there is no agreement, arrangement or family relationship among directors and managers, that should be mentioned herein.

4.2 For all the persons mentioned at 4.1. and 4.2. above we mention that during the past five years there has been no dispute or administrative proceedings implying their activity with the Company, or any other action pertaining to their ability to meet the requirements of their roles within the company.

4.3 Corporate governance

Teraplast has voluntarily implemented recommendations of the Corporate Governance Code of Bucharest Stock Exchange, setting out governance principles and structures mainly aimed at respecting shareholders' rights as well as at providing them fair treatment. In that sense, the Board of Directors elaborated a Regulation for Organisation and Operation, consistent with the CGC principles, thus ensuring the company's transparency and sustainable development. The Regulation for Organisation and Operation also sets out the roles corresponding to the Board of Directors, competences and responsibilities of the Board, so as to ensure observance of interests of all the company's shareholders, and not least, equal access of the shareholders, and also of potential investors to relevant information pertaining to the company.

Governance structures

For continuation of the process of implementing the principles of the Code of Corporate Governance, the General Meeting of October 2014 approved the election of a new Board of Directors made up of five directors, one of whom is independent from other significant shareholders. Enough members have been this way ensured as to guarantee the Board's efficiency to supervise, analyse and evaluate the efficiency of Teraplast's executive management, the Board's main goal as a collective body being to promote and observe the interests of the company's shareholders.

The next step of the implementation process is the essential amendment of the company's Memorandum of association, endorsed by the General Meeting of Shareholders of September 2008, at which time provisions of the Memorandum were made to match regulatory documents specific to the Romanian stock market and also recommendations and principles included in Code of Corporate Governance of Bucharest Stock Exchange. One of the most important updates of the company's Charter is the amendment of chapter VI – Managers – pursuant to which the premises of a fundamental change of the company management are created, thus enabling the Board of Directors to delegate managing competencies not just to a sole manager, but to a larger number of directors, one of them being appointed general manager.

Moreover, in compliance with CGC recommendations, strict rules have been set within the company on the internal movement and disclosure to third parties of confidential documents and privileged information, a special importance being granted to data and/or information that could influence the evolution of market price of securities issued by Teraplast. In this sense specific confidentiality agreements were concluded in 2008, with the company management and executives as well as with employees who, based on their positions and/or responsibilities, have access to such confidential/privileged information.

Teraplast's corporate organisms are organised as follows: the General Meeting of Shareholders, which is the highest decision-making body of the Company, the Board of Directors and the Executive Management. Teraplast is a company managed in a unitary system by its Board of Directors.

The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the leading body deciding on Teraplast's activity and regulating its economic and trading policy. GMS can be Ordinary or Extraordinary and is conducted in the Company's city or town of residence.

The General Meeting of Shareholders is convened by the Board of Directors whenever necessary. The Ordinary General Meeting meets at least once a year, within 4 months at the most from the end of the financial year, to examine the accounting balance and the profit and loss account for the previous year and to establish the business programme and budget for the ongoing year.

The General Meeting of Shareholders shall be convened by publishing the convening notice in the Official Gazette of Romania Part IV, in a popular paper in the city or town where the Company is based, in a national newspaper and in the CNVM Bulletin.

The convening shall be transmitted as a current Report to CNVM and BVB Bucharest and published on the web page of the company with at least 30 days before the date set for the Ordinary and Extraordinary General Meeting, gathered at the first calling.

Teraplast has established and is implementing internal regulations for the manner in which meetings should be organised and developed, imposing specific responsibilities for different Company structures and departments within the process of GMS organising. Such regulations are intended for the entire internal movement of documents, as well as the external process that consists in accurately informing Company's shareholders on issues pertaining to the convened meetings.

Responsibilities of the Ordinary General Meeting (OGM) are to:

- a. discuss, approve or modify the annual financial reports in agreement with the reports submitted by the Board of Directors or the financial auditor, as the case may be, and to set dividends;
- b. elect and dismiss members of the Board of Directors;
- c. establish the remuneration due for the ongoing tax year to the members of the Board of Directors, unless established by the Memorandum of association, considering their specific duties and the company's economic situation;
- d. decide on the management of the Board of Directors;
- e. appoint and establish the minimum length of the audit contract, and dismiss the financial auditor;
- f. set the income and expenses budget and the next tax year's schedule, accordingly;
- g. decide upon pledging, hiring out or liquidating one or several of the Company's facilities;
- h. decide to bring action against company directors and managers for damaging the company by failure to observe their responsibilities towards the Company;

The main responsibilities of the Extraordinary General Meeting (EGM) are:

- a. changing the Company's legal status;
- b. relocating the Company's headquarters to a different county;
- c. changing the Company's scope of activity;
- d. increasing the share capital;
- e. decreasing the share capital or reintegrating it by issuing new shares;

- f. mergers or divisions;
- g. anticipated liquidation of the Company;
- h. conversion of nominative shares to bearer shares or bearer shares to nominative shares;
- i. conversion of shares from one category to another;
- k. conversion of a category of bonds to another category of bonds or to shares;
- l. issuing bonds;
- m. any other amendment to the Memorandum of association or any other decision for which the approval of the Extraordinary General Meeting is required;
- n. approval of documents of purchasing, selling, exchanging or creating under warranty assets labelled as fixed assets of the company, whose value during a tax year, for each share or added up value, exceeds 20% of the total value of fixed assets, minus receivables;
- o. approval to rent out fixed assets for periods of time exceeding one year, whose individual value or added up value as related to the same co-contractor or people jointly involved or acting exceeds 20% of the total value of fixed assets, minus receivables at the date of signing a legal document, as well as partnerships longer than a year, exceeding the same value;

The company holds a department designed for relationships to investors, responsible of applying the procedure of informing the investors/shareholders and interaction with them. The Investors Relation department can be contacted by e-mail at: comunicare@teraplast.ro

In addition to the internal regulations, Teraplast is fully compliant with the legal provisions regulating the development of the General Meeting of Shareholders in case of listed companies.

The Board of Directors

The members of the Board of Directors were elected by the shareholders of Teraplast. The General Meeting of Shareholders approved in 2014 the decrease the number of the members of the Board of Directors from seven to five. In 2016, General Meeting of Shareholders elected a new structure for the Board of Directors.

The current structure of the Board of Directors is of five members, namely: Dorel Goia (President), Petru-Raul Ciurtin (Non-Executive Director), Razvan Stefan Lefter (Non-Executive Director), Magda Eugenia Palfi (Non-Executive Independent Director) and Mircea Hotoleanu (Executive Director).

Responsibilities of the Board of Directors include:

- a. setting the main course of action and development for the Company;
- b. establishing the accounting and financial control system and approving the financial planning;
- c. appointing and revoking managers and establishing their remuneration considering specific responsibilities and the Company's economic situation;
- d. supervising managers' activity;
- e. preparing the annual report, organising General Meetings and implementing its decisions;
- f. filing a request for the opening of the procedure of company insolvency, in line with Law no. 85/2006 on insolvency proceedings;
- g. ensuring the management of the Company business;

- h.** approving the Company's organisation structure and staff organisation chart;
- i.** approving the creation of consultants committees, appointing members and responsibilities;
- j.** setting principles and policies of employment and dismissal of the Company's staff, including the executive managers;
- k.** setting the remuneration principles of the hired staff according to their roles and responsibilities within the Company;
- l.** approving the marketing strategy;
- m.** defining the strategy for the implementation of the approved budget;
- n.** granting shareholders access to documents and information, pursuant to legal provisions;
- o.** approval on entering into on Company's behalf any legal documents except those for which OGM/EGM approval is required, according to law;
- p.** appointing and revoking the General Manager and the other managers of the Company;
- q.** establishing the number of managers and the organisation of their activity;
- r.** concretely establishing which of the general responsibilities of the Board of Directors are delegated to managers;
- s.** representing the Company in its relationships to managers;

In 2016, the Board of Directors met almost every month, and all the directors participated in the meetings, the agenda including issues related to operating regulations of the Board of Directors and the Executive Management, as well as related to the expansion and development of Teraplast.

Teraplast's Board of Directors has been constantly informed on the major ongoing activities conducted by the company. The most important decisions made by the Board of Directors in 2016 were:

1. In its **19 January 2016** meeting the Board of Directors nominated the financial services company BT Securities to represent Teraplast in the share buyback process of maximum 2,000,000 own shares. The General Meeting of Shareholders approved, in the session dated December 7th 2015, the repurchase by Teraplast SA of its own shares.
2. In its **4 February 2016** meeting the Board of Directors approved a „stock option plan” by which a number of Group employees will receive Teraplast SA (symbol TRP) shares. The shares of the „stock option plan” will be given to the beneficiaries for free.
3. In its **5 February 2016** meeting the Board of Directors approved the beginning of the buyback program by respecting and in the conditions approved in the decision no. 1 of the EGMS, dated December 7th 2015.
4. In its **10 May 2016** meeting the Board of Directors decided to put on hold until June 24th 2016, of the share buyback program, so that at the registration date established by the OGMS and the EGMS, dated April 28th 2016, regarding the dividends and the free shares, the company not to have owned shares, because they don't give the right to dividends or free shares.
5. In its **18 May 2016** meeting the Board of Directors decided to contract from BRD - Groupe Societe Generale S.A an investment loan of LEI 13.50 million, for a period of 72 months, of which 12 months grace period, in order to finance a part of the investment plan approved for 2016.

6. In its **6 June 2016** meeting the Board of Directors decided to contract from Raiffeisen Bank S.A a credit line of LEI 5 million, for a period of 12 months.
7. In its **14 June 2016** meeting the Board of Directors decided to renew the multi-option threshold, multicurrency threshold, worth 3,300,000 Euro, from BRD - Groupe Societe Generale S.A., for a period of 12 (twelve) months.
8. In its **3 August 2016** meeting the Board of Directors decided to extent for 1 year the credit line worth 13,250,000 lei and the multicurrency threshold for letters of guarantee worth 1,750,000 lei, both accessed from Banca Transilvania SA.
9. In its **19 August 2016** meeting the Board of Directors approved the decision to file for a government assistance in order to develop an investment project in amount of LEI 65.63 million, according to the government decision no. 807/2014.
10. In its **29 September 2016** meeting the Board of Directors decided to establish, as sole associate, a limited liability company in Hungary. The purpose of this action is to develop Teraplast's presence on the Hungarian market and it is part of the company's strategy to increase the value of exports.
11. In its **27 October 2016** meeting the Board of Directors elected Mr. Dorel Goia as President of the Board of Directors.
12. In its **27 October 2016** meeting the Board of Directors decided to inform the shareholders and the investors about the estimations regarding the achievement of the 2016 budget.
13. In its **5 December 2016** meeting the Board of Directors decided to assign to the local partners the shares (51% of capital) owned in the company in Republic of Moldova.

Executive Management

The current membership of the Executive Management is the result of amendments approved by the Board of Directors and the General Meeting of Shareholders during 2017, and its purpose is to consolidate the company's corporate governance structures. The Board of Directors delegates managing roles to one or several managers.

Consequently, Teraplast's Executive Management is ensured by a General Manager (Mircea Hotoleanu) and a Financial Manager (Edit Orban).

Managers' responsibilities include:

- a)** approval of major tenancy agreements (regardless if the Company is landlord or tenant);
- b)** negotiating the collective agreement with employees' representatives;
- c)** setting the development strategy and policies of the Company, including the Company's organisational chart, and establishing operations departments;
- d)** entering into documents or deeds with third parties in the name and on behalf of the Company, in compliance with provisions of the Memorandum of Association on double signatures and the aspects reserved to the competence of the General Meeting or the Board of Directors;

- e) employing and dismissing, setting tasks and responsibilities of the Company staff in line with the Company's employment policy;
- f) taking every measure that may be necessary and useful for the Company management according to the daily management of each department or delegated by the General Meeting or the Board of Directors, except for those reserved to the General Meeting of Shareholders or the Board of Directors by law or the Memorandum of association;
- g) recommending to shareholders distribution of profits.

Shareholders' rights

Teraplast's commitment is to ensure equal treatment to all its shareholders. The main rights of its shareholders in relation to the General Meeting of Shareholders are detailed below.

a) Right to minimum notice period: The company's shareholders are informed upon the next shareholders' meeting by means of a convening notice published in the Official Gazette of Romania and in a popular national newspaper with at least 30 days before the day of the meeting; in addition, the convening shall be published on the company's web page, in Investor Relations section and shall be submitted to the National Committee for Securities and Bucharest Stock Exchange as a current report;

b) Right of access to information: Teraplast shall publish any necessary documents and information on its website or to ensure that all its shareholders can exert their rights in full knowledge thereof;

c) Right to supplement the meeting's agenda: Teraplast shareholders representing individually or jointly with other shareholders at least 5% of the share capital can request additional issues to be added on the agenda within the limits of and as provided by the applicable laws;

d) Right to participate in the meeting: Shareholders registered in the shareholders' register at the reference date have the right to participate in person or by a representative in General Meetings of the Company Shareholders;

e) Right to vote: The Company's share capital consists of ordinary shares conferring a right to vote for each share registered on the name of a shareholder on the reference date;

f) Right to put questions: Any Company shareholder can ask written questions on the items of the General Meeting agenda and is entitled to get answers from Teraplast.

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2016	Compliant YES / NO
A.1. Any company should hold Internal Regulations of the Board to include reference terms/ responsibilities of the Board and key management roles of the company and to apply, among others, the general principles of this Section.	YES
A.2. Provisions pertaining to the management of conflicts of interest should be mentioned in the Board's Regulations.	YES
A.3. The Board of Directors should include at least five members.	YES

A.4. The majority of the Board's members should hold non-executive roles. At least one member of the Board of Directors or the Supervisory Board should be independent in case of companies included in the Standard Category. Each independent member of the Board of Directors should file a statement at the time of his/her appointment for election or re-election purposes, as well as upon any change of their status, indicating the elements underlying the grounds of independence in terms of his/her character and decision.	YES
A.5. Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions within the Board held by non-profit companies and institutions should be disclosed to potential shareholders and investors before their appointment and during it.	YES
A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder holding directly or indirectly shares representing over 5% of all their rights to vote.	YES
A.7. The company should appoint a registrar of the Board whose responsibility is supporting the Board's activity.	YES
A.8. The declaration on corporate governance will report on any Board evaluation under the direction of the Chairman or the appointing committee and, if so, it will resume the key measures and changes resulting from it. The company should maintain a policy/guide on the Board's evaluation on the goal, criteria and frequency of the evaluation procedure.	NO – is on its way to be implemented
A.9. The declaration on corporate governance should include information on the number of meetings of the Board and committees during the past year, directors' participation (<i>in person</i> and <i>in absentia</i>) and a report of the Board and committees on their activities.	YES
A.10. The declaration on corporate governance should include information on the exact number of independent members of the Board of Directors.	YES
A.11. The companies' board in the Premium Category should establish an Appointments Committee made up of non-executive members, in charge of the procedure of appointing new members of the Committee and of making recommendations to the Committee. The majority of the members of the Appointments Committee should be independent.	NO - TRP is of the standard category

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2016	Compliant YES / NO
B.1 The Board should establish an audit committee where at least one member should be an independent non-executive director. Most of the members, including the chair, should have been proven to hold relevant qualification for the Committee's roles and responsibilities. At least one member of the audit committee should have proven and accurate auditing or accounting experience. In case of Premium companies, the audit committee should comprise at least three members and the majority of the members of the Appointments Committee should be independent.	NO – internal audit is conducted by an independent entity
B.2. The chairman of the Appointments Committee should be a non-executive independent member.	NO – internal audit is conducted by an independent entity
B.3. Within its responsibilities, the audit committee should carry out an annual evaluation of the internal control system.	NO – internal audit is conducted by an independent entity

B.4. The evaluation should consider the efficiency and extent of the internal audit role, the degree of adequacy of risk management reports and internal audit submitted to the audit committee of the Board, the accuracy and promptness with which the Company executives settle deficiencies or weaknesses identified following the internal audit and submitting relevant reports to the Board's attention.	NO – internal audit is conducted by an independent entity
B.5. The audit committee should assess any conflict of interest pertaining to transactions of the company and its agencies with the affiliated parties.	NO – internal audit is conducted by an independent entity
B.6. The audit committee should evaluate the efficiency of the internal audit system and the risk management system.	NO – internal audit is conducted by an independent entity
B.7. The audit committee should monitor the enforcement of legal standards of internal audit generally accepted. The audit committee must receive and evaluate the reports of the internal audit team.	NO – internal audit is conducted by an independent entity
B.8. Whenever the Code mentions reports or analyses initiated by the audit committee, such analyses should be followed by periodical reports (at least annual) or <i>ad-hoc</i> reports to be subsequently submitted to the Board.	NO – internal audit is conducted by an independent entity
B.9. No shareholder can be given preferential treatment as compared to other shareholders in terms of transactions and agreements concluded by the company with their shareholders and affiliates.	YES
B.10. The Board should adopt a policy by which to ensure that any transaction of the company with any of the companies with which it maintains close relationships whose value is equal or exceeding 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the audit committee.	YES
B.11. Internal audits should be conducted by a structurally separate division (department of internal audit) within the company or by employing an independent third party.	YES
B.12. For the purposes of ensuring the main roles of the internal audit department, the audit department's functional report should be to the Board by means of an audit committee. For administrative purposes and within the management's responsibility to monitor and reduce risks, the audit committee must report directly to the general manager.	NO – internal audit is conducted by an independent entity

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2016	Compliant YES / NO
C.1. The company must publish on its web page its remuneration policy and include into the annual report a declaration on implementing such remuneration policy during the annual period subject to assessment. Any essential change occurred in the remuneration policy should be published on the Company's web page in time.	YES

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2016	Compliant YES / NO
<p>D.1. The Company should organise an Investor Relations service – mentioning to the broad public the person/s in charge or the organising company. Outside the mandatory information required by the legal provisions, the company should also mention on its web page a section dedicated to the Investor Relations, in Romanian and English, with any relevant information which may be of interest to investors, including:</p> <p>D.1.1. Main corporate regulations: memorandum of association, procedures on general meetings of the company shareholders;</p> <p>D.1.2. Professional CVs of the company's management, other professional involvement of the Board members, including executive and non-executive positions in companies Boards of directors or into non-profit organisations;</p> <p>D.1.3. Current and periodical reports (quarterly, bi-annual and annual) – at least those mentioned at D.8 above – including current reports with detailed information on incompliance with this Code;</p> <p>D.1.4. Information concerning general meetings of shareholders: the meeting agenda and information materials; procedure of electing the members of the Board; arguments supporting application proposals for elections within the Board, along with the members' professional CVs; shareholders' questions on agenda items and the company's replies, including adopted decisions;</p> <p>D.1.5. Information on corporate events, such as dividend payment and other distributions to shareholders, or other events leading to acquiring or limiting a shareholder's rights, including deadlines and principles applied to such operations. Such information shall be published within deadlines allowing investors to adopt decisions to invest;</p> <p>D.1.6. Names and contact data of a person that could supply, upon request, relevant information;</p> <p>D.1.7. Company's presentations (e.g. presentations for investors, presentations on the quarterly outcome etc.), financial situations (quarterly, bi-annual, annual), audit reports and annual reports.</p>	YES
<p>D.2. The company shall practice a policy on the annual distribution of dividends or other benefits to shareholders. Principles of the annual policies of distribution to shareholders shall be published on the company's web page.</p>	YES
<p>D.3. The company shall adopt a forecast policy, either public or not. The forecast policy is to be published on the company's web page.</p>	YES
<p>D.4. Rules of general meetings should not limit shareholders' participation in general assemblies and exertion of their rights. Amendments to rules and regulations shall become enforceable starting from the next shareholders' meeting at the earliest.</p>	YES
<p>D.5. External auditors will attend the general meeting when their reports are submitted within such meetings.</p>	YES
<p>D.6. The Board will present to the annual general meeting a short assessment of the systems of internal control and management of significant risks, as well as opinions on matters submitted to the general meeting's decision.</p>	YES
<p>D.7. Any financial specialist, consultant, expert or analyst can participate in the shareholders' meeting based on prior invitation from the Board. Authorised journalists can, too, participate in shareholders' general meeting, unless the Chairman of the Board decides otherwise.</p>	YES
<p>D.8. Quarterly and bi-annual reports shall include information both in Romanian and in English on key factors influencing changes in terms of sales, operational profit, net profit and other relevant financial indicators, from one term to another, as well as from one year to another.</p>	YES
<p>D.9. A company shall organise at least two sessions/teleconferences with analysts and investors every year. Information submitted with such occasions is to be published in the investor relations section of the company's web page on the date of the sessions/teleconferences.</p>	YES
<p>D.10. In the event a company displays different forms of artistic and cultural forms of expression, sports activities, educational or scientific activities and considers that their impact on the company's innovative character and competitiveness is a part of the company's development mission and strategy, it will publish its policy on such activity in the field.</p>	YES

4. Financial situation

a) Elements of balance sheet

Thousand, lei	2016	2015	▲%
Assets			
Non-current assets			
Tangible assets	133.698	130.065	2,72
Investment property	9.755	12.115	-24,19
Intangible assets	1.372	1.080	21,28
Fixed trade receivables		0	
Investment in the joint venture accounted for using the equity method	12.686	15.935	-25,61
Other financial investments	60	16	73,33
Deferred tax liabilities	0	0	
Total non-current assets	157.570	159.211	-1,04
Current assets			
Inventories	67.059	53.356	20,43
Trade receivables	65.919	86.616	-31,40
Prepayments	326	388	-19,02
Income tax receivable	0	0	
Cash and cash equivalents	16.033	12.557	21,68
Total current assets	149.336	152.916	-2,40
Assets held for sale			
Total assets	306.907	312.127	-1,70
Equity and liabilities			
Equity	56.643	28.888	49,00
Subscribed share capital	56.643	28.888	49,00
Other elements of equity	451	951	-110,86
Share premium	27.385	27.385	0,00
Revaluation reserves	21.742	18.566	14,61
Legal reserves	12.407	9.853	20,59
Retained earnings	97.961	97.591	0,38
Stockholders' equity	216.589	183.233	15,40
Non-controlling interests	335	200	40,30
Total equity	216.924	183.433	15,44
Long term liabilities			
Loans and finance lease liabilities	10.505	10.535	-0,29
Other long-term liabilities	0	0	
Liabilities for employee benefits	352	295	16,19
Investment subsidies	2.929	3.373	4,39
Deferred tax liabilities	3.528	3.982	-35,95
Total long-term liabilities	17.313	18.186	-5,04

Current liabilities			
Trade and other payables	53.041	66.888	-26,11
Loans and finance lease liabilities	15.919	38.533	-142,06
Other current financial liabilities	0	0	
Income tax payable	189	1.446	-665,08
Investment subsidies – current portion	463	467	-0,86
Provisions	3.056	3.174	-3,86
Total current liabilities	72.670	110.509	-52,07
Total liabilities	89.983	128.694	-43,02
Total equity and liabilities	306.907	312.127	-1,70

b) Consolidated profit and loss account

Thousand, lei	2016	2015	▲ %
Consolidated revenue	398.788	393.542	1,32%
Other operating income	677	1.253	-85,08
Changes in inventories of finished goods and work in progress	3.980	3.851	3,24
Raw materials, consumables used and merchandise	(267.833)	(272.566)	-1,77
Employee benefits expenses	(34.047)	(32.555)	4,38
Provisions, depreciation and amortization expenses	(15.638)	(15.826)	-1,20
Provisions expenses	402	499	-24%
Gains/ (Losses) from the outflow of tangible and intangible assets	(38)	(195)	-413,16
Gains/(Losses) from the fair value measurement of investment property	192	(1.242)	746,88
Other expenses	(39.891)	(36.258)	9,11
Financial costs	(5.979)	(7.434)	-24,34
Financial incomes	3.769	4.168	-10,59
Share of the profit or loss of the joint venture accounted for using the equity method	751	4.119	-448,47
Profit/(Loss) before tax	45.133	40.857	9,47
Taxes on income	(5.717)	(5.609)	1,89
Consolidated Profit/(Loss) for the period	39.416	35.247	10,58
Other elements of the comprehensive income			
Fixed assets reevaluation	3.264	(1.675)	151,32
Deferred tax impact	(764)	268	135,08
Differences from exchange ratio		0	
Group's share of the comprehensive income of the joint venture		-	
Deferred tax impact		-	
Total comprehensive income	41.916	33.840	19,27
Consolidated result for the period	39.416	35.247	10,58

thereof attributable to stockholders of Teraplast SA	39.282	34.473	12,24
thereof attributable to non-controlling interests	135	774	-473,33
Number of shares	472.970.474	288.875.880	38,92
Comprehensive earnings/(loss) per share (RON)	0,0	0,120	

c) Cash flow: Situation of the consolidated cash flow

Cash-flow (thousand lei)	2016	2015
Cash flow from operating expenses		
Earnings/(Loss) before tax	45.133	40.857
Interest expense	939	1.493
Interest income	(2)	(36)
(Loss)/Earnings from sale or transfer of fixed assets	(117)	195
Earnings/(Loss) from depreciation of trade receivables	(1.063)	539
Adjusting costs for inventories depreciation provisions	788	778
Long-term asset amortization and depreciation	15.847	15.748
Reversal of fixed assets impairment provisions	(550)	(421)
Risk and expense provisions adjustment	(117)	(818)
Share of the profit or loss of the joint venture accounted for using the equity method	(751)	(4.119)
Earnings/(Loss) from real estate appraisals	(192)	1.242
Income from provisions for retirement related obligations	57	(94)
Incomes from dividends	-	-
Incomes from operational subventions	(449)	(467)
Decreases in financial instruments	-	-
Exchange rate differences	94	996
Benefits granted to employees as financial instruments	-	951
Circulating capital movements	56.618	56.844
Increase/(Decrease) of trade receivables and other receivables	21.659	(19.272)
Increase/(Decrease) of inventories	(14.491)	(8.674)
Increase other assets	-	-
Increase/(Decrease) of trade liabilities and other liabilities	(16.841)	3.597
(Decrease)/Increase other liabilities	-	-
Cash resulting from operating activities	49.946	32.495
Paid interest	(939)	(1.493)
Tax on paid profit	(7.237)	(5.260)

Net cash (used)/generated in operating activities	45.770	25.742
Cash flow from investing activities		
Cashed interest	2	36
Payments corresponding to tangible and intangible assets	(12.923)	(17.495)
Cash from sale of tangible assets	96	145
Cash in from dividends	4.163	2.071
Net cash (used in) investing activities	(8.663)	(15.242)
Cash flow from financing activities		
Repurchase of own shares		
Net cashing / reimbursement of loans	(21.240)	1.774
Leasing payments	(1.498)	(2.754)
Subsidy income		
Paid dividends	(6.892)	(72)
Subsidy income		(2.055)
Net cash generated by financing activities	(29.630)	(3.107)
Net increase/decrease of cash and cash equivalent	3.477	7.393
Cash and cash equivalent at the beginning of the tax year	12.556	5.163
Cash and cash equivalent at the end of the tax year	16.032	12.556

5. Signatures

Chairman of the Board of Directors

Dorel Goia

Chief Financial Officer

Edit Orban