REPORT
OF THE BOARD OF DIRECTORS

Annual report according: to Law no. 297/2004 on the capital market and the CNVM Regulation no. 1/2006

Name of the trade company: “BERMAS” S.A. Suceava
Company headquarters: Şcheia, str. Humorului, nr.61, Suceava county
Phone / fax no: 0230/526543; 0230/526542
Tax Identification Number: RO 723636
Registration number with the Office of the Trade Register: J33/37/1991
Regulated market: Bucharest Stock Exchange
Share capital subscribed and paid up: 15.087.134 lei
Main characteristics of the securities issued: Shares issued in dematerialized form conferring equal rights to their holders.

1. ANALYSIS OF THE ACTIVITY OF THE TRADE COMPANY

1.1.a) Description of the basic activity of the trade company

b) S.C. “BERMAS” S.A. Suceava was established by virtue of the Government Decision no. 1353 / 27.12.1990 from the Beer and Malt Enterprise of Suceava, is registered with the Trade Register under no. J33/37/1991, Tax identification number RO 723636 and is based in Scheia commune, str. Humorului nr. 61 Suceava, its main object of activity consists in the production and trading of beer, of malt and their by-products, activity that will be performed in the future too without significant changes.

c) During 2016 there was no merger or reorganization procedure of any kind.

d) At the same time there were no significant acquisitions of assets with significant impact on the financial statements.

The outputs of patrimony fixed assets were amounted to 189.494 lei fully depreciated and the inputs of fixed assets into patrimony were amounted to 525.366 lei.

e) Description of the main results following the evaluation of the activity

1.1.1 Elements of general evaluation of the company

From the activity performed during the year 2016, the company recorded total revenues amounted to 28.291.814 lei, 1,9% more than during the previous year, and the expenditure corresponding to the realised revenues are amounted to 26.422.845 lei, 1,85% more than the corresponding period of the previous year.

The gross profit obtained in 2016 is amounted to 1.868.969 lei, 2,42% more than over the previous year.

The net profit for the year 2016 is amounted to 1.528.840 lei, 1,72% less than over the previous year.

The net turnover for the year 2016 is amounted to 24.985.187 lei, 3,18% more than over the
The volume of beer production and sales slightly decreased by 0.3% in 2016 compared to 2015.

The availabilities in accounts and other assets on December 31, 2016 are amounted to 25,828 lei compared to 8,789 lei over the previous year.

On the same date the company has short-term credits for the partial financing of the production activity amounted to 2,090,563 lei compared to 3,637,0524 lei over the previous year, decreased by 43%.

Note: The short-term credits partially finance inventories of raw materials that are purchased from the current harvest of each year in order to ensure the beer production of the 4th quarter and the 1st, 2nd and 3rd quarters of the following year.

On December 31, 2016 the value of raw materials (barley, malt, hops) and of the beer production in the production flow is amounted to 6,755,740 lei compared to de 7,471,301 lei over the previous year.

1.1.2. Evaluation of the technical level of the company

The main products manufactured by SC "BERMAS" S.A. Suceava are:

- **BEER** destined for the sale on the internal market. In terms of varieties of beer, the company bottles and sells 0.5 litre bottled beer and 50 litre KEG type stainless steel barrels for consumption on tap in the following structure:
  - 10,2° Plato Beer "SUCEAVA CLASSIC", bottled in 0.5l "MOLD" and NRW customised bottle;
  - 10,5 ° Plato Beer "CALIMANI PREMIUM", bottled in 0.5 litre NRW bottles and in KEG type stainless steel barrels;
  - 11.5 ° Plato Beer "BERMAS" pilsener beer, bottled in 0.5l NRW bottles;

- **MALT** – made of barley for its own production of beer. There are no demands for selling it to other brewers.

  a.) The main markets.

- For the MALT product, due to malt imports and also to the development of new potentials on the Romanian territory, there is no demand for sale and as a result the company has sized its production so as to cover the needs for internal consumption respectively for its own production of beer.

- For the BEER product, the main retail markets are the counties of Moldova, the company being a local brewer with regional sales.

  According to the sales volume, the situation on counties is as follows: Suceava – 53%, Botoșani - 31%, Iași, and the difference of 7% o is represented by other counties: Vaslui, Bacău, Neamț, Bistrita Năsăud, Galați.

  The company has annual beer sales agreements concluded with distribution companies in the above mentioned counties which in their turn distribute beer to both wholesale and retail traders.

  At the same time the company makes direct distribution by means of its own vehicles in Suceava county.

  b.) Over the last 3 years, the share of goods and services in the business income and in the total turnover is as follows: Beer - 99% and by-products of the technological flow - 1%..

  c.) The company is working towards making a new type of beer brand "SOLCA" (acquired in 2016), which will be bottled in bottles of 0.5 liters.

  The manufacture of the new type of beer will not affect a significant volume of assets during 2017.

1.1.3 Evaluation of the technical-material supply activity

The supply of basic raw materials - barley, two-row barley and hops - is done from agricultural producers in the country in the third quarter of each year in order to provide the necessary material for the production of beer until the third quarter of the following year. From this point of view the supply is cyclical and dependent on the harvest of each year.
The need for raw materials is about 3,000 tons of barley and 25 tons of hops.

The prices for raw materials depend on several factors: the harvest of that year, the internal and external economic circumstances, the demand on the internal and external markets, etc. and cannot be anticipated, these ones being determined each year on the market based on market demand and supply, the supply sources being selected according to the advantages in terms of quality / price ratio. In this context the company is freely operating on a competitive market.

Regarding the main materials required in the production of beer and bottling process (labels, bottles, crates, caps, kiselgur) they are purchased from suppliers in the country or abroad.

In all cases the company operates on a free competitive market and there is no significant reliance on a specific supplier or group of suppliers whose loss would have a major impact on the provision of the necessary supplies for the production of beer.

1.1.4. Evaluation of the sales activity

a) The sales registered a slight decrease by 0.3% in the "average" category, trend also followed by the other producers in the "average" category.

The economic downturn of recent years has negatively affected the brewing industry. After a period of sustained growth, total volumes of beer sold recorded a decrease in 2009-2011. Year 2008 recorded a maximum consumption on the Romanian market of approximately 20.6 million hl. In 2012, beer consumption was approximately 18 million hl, one Romanian consumer drinking on average 78 liters / year compared to 90 liters / year in 2008.

Further on, in the years 2013, 2014 consumption recorded slight decreases, the year 2015 being the one where consumption stabilized and maintained at a constant level in 2016.

Demand is not expected to grow following the same rhythm of the previous years, the forecasts for the market growth being small of approximately 2-5% due to the stimulation through advertising and promotion campaigns.

Brewing industry presents the features of an oligopolistic industry with high barriers to entry the market and vertical differentiation, the general feature of the brewing sector being represented by excessive capacity which creates prerequisites for the pressure on price levels.

SC "BERMAS" SA is the only factory in the brewing industry that has continued its activity based on the old technical and technological structure, succeeding, by the modernization of production workshops and by making more effective the activity carried out, to be present on the market and consolidating its market share.

Subsequently, in 2017, the beer consumption will experience a slightly upward trend, and we expect that the sales of beer of SC „BERMAS” SA to evolve in this trend with an increase by 7% considering:

- Our stable commercial relations with customers;
- The high quality types of beer at affordable prices sustainable on average term;
- An appropriate business strategy for the promotion of products and prudent in terms of budgets for this purpose aiming to achieve a reasonable profitability;
- A proper management able to manage resources in a corresponding manner;
- The higher level of technical equipment of technological processes that ensure undeniable quality of the types of beer and the food safety.

The company had entered into sales agreements in 2016 with 45 beer distributors and wholesalers.

For 2017 the company has contracted the entire quantity of beer for sale according to the production plan.

b) Currently on the Romanian market there are four major producers representing groups with international presence in the brewing sector and two domestic manufacturers that have developed large production capacities (ROMAQUA - 0-10% market share and EUROPEAN FOOD - 0-10% market share.

The presence of the four largest manufacturers respectively SAB MILLER (Ursus with 30-40% market share, Heineken (30-40% market share), MOLSAN COOR (BERGENBIER - 10 -20% market share) and URB (0-10% market share) represents 85-90% of the Romanian beer market.

These four major manufacturers and the two domestic manufacturers who have developed large production capacities hold 95% of the market, the difference of 5% being held by SC ALBRAU PROD
SA, SC MARTENS SA, SC BERMAS SA (up to approximately 4.5%) and small manufacturers who cumulate approximately 0.5%)

The massive production concentration of the beer industry sector in Romania has produced a major imbalance between the competitiveness of the two market segments.

To cope with competition, SC "BERMAS" SA as independent producer of beer with a capacity below average must permanently identify opportunities for business efficiency and profitability while maintaining and developing the market segment won.

c) The Company has no significant dependence to a customer or group of customers whose loss would have a major impact on its income.

1.1.5. Evaluation of the issues related on the company’s employees

a) S.C. “BERMAS” S.A. Suceava had in 2016 an average number of 190 employees compared to 191 over the previous year mentioning that the number and structure of employees is correlated with the number of employees necessary for the volume production and ancillary activities: maintenance, repair, delivery and distribution, etc.

The level of education of the employees is as follows: 30 have higher education, 33 with secondary education, 115 with vocational training and qualification and 15 are unqualified workers.

The company’s management is conducted by a Board of Directors consisting of three members who were appointed during the General Meeting of Shareholders on April 9, 2014.

The executive management was assigned to a number of four managers namely: the General Director, the Economic Manager, the Technical Manager and the Commercial Manager.

b) The relationship between MANAGEMENT and EMPLOYEES is based on honesty, loyalty, good faith, teamwork, taking decisions after consulting all decision-makers, based on the Collective Labour Agreement and the Rules of Procedure.

The company has a trade union affiliated to the Food Industry Federation.

The rate of union membership of workers is 95%.

The social climate is stable now which is supposed to be a good premise for the future too.

1.1.6. Evaluation of environmental impact issues

The company has obtained all authorizations and permits required by the law.

There is no major impact on the environment and no litigation related to the infringement of environmental protection legislation.

1.1.7. Evaluation of the research – development activity

The Company has not conducted nor has allocated budget for the research – development activity considering its object of activity.

1.1.8. Evaluation of the risk management activity

The company operates on a free competitive market, being exposed to normal risks from that point of view. There is no major or significant exposure in terms of prices or liquidity.

The company implements a risk management system, process covering the identification, analysis, management and monitoring of the risk it is exposed to.

The price risk - there is a permanent monitoring of this risk taking into account the market the company operates on. In fact the company applies and will apply in the future sale pricing according to the price of raw material and of other cost elements which have a share of over 10% of the total production costs.

The credit risk - the company has in progress and will appeal to attracted resources to partially finance the inventories of raw materials and semi-products. The cost of resources is negotiated and generally sized in relation to the reference rates on the financial market so as to be sustainable based on the contract terms. Potential changes in interest rates are also taken into account.

The liquidity risk - there is a constant concern for maintaining the immediate liquidity at supra-unitary level.

The cash flow risk is daily monitored by weekly and monthly forecasts of receipts and payments. The Company applies trade credit policy in relation to traditional customers and correlates the collections with the maturity of payments (suppliers, budgets, salaries).
1.1.9. Perspective elements of the company's activity

(a). The company’s liquidity could be impaired over the year 2017 by a series of events or uncertainty factors such as:

- A favorable conjuncture of the market that would lead to the inability to face competition; there are vertical agreements and concerted practices on the beer market, most distribution agreements containing "vertical restraints" namely certain clauses restricting competition such as exclusive distribution, non-competition clause, exclusive purchasing, restrictions on the sale price;
- An unfavourable year from the agricultural point of view with poor harvests for basic raw materials used in brewing process that would lead to higher prices for barley and hops;
- The increase of fuel and energy prices with major impact on the production costs taking into account the malting and brewing process based on conventional technology that involves (malt + beer) about 120 days;
- The entry into default of some customers - distributors of the company as a result of limiting their access to credits for the support of their commercial activity that would increase commercial risks to collect the price of products in insolvency - bankruptcy proceedings;

(b). In 2016 capital expenditure was amounted to 525,366 lei with little impact on the company's liquidity.

In order to achieve the 2017 sales program we will make major purchases of refrigeration showcases, beer dispensers, couplings, reducing gears, brewery sets in order to equip the commercial and advertising logistics network: umbrellas, tents, banners, customised light boxes, mugs and other advertising materials that will be offered to customers in order to promote the sales of beer, including product promotions as such, occasional or regular. In addition we will purchase the necessary beer bottling and delivery packaging, the total value of which is estimated at approximately 1,500,000 lei.

Over the year 2017 we will allocate and make investments in fixed assets and modernization according to the program to be approved by the Extraordinary General Meeting of Shareholders without seriously affecting the company's liquidity.

In order to provide the resources needed to finance the production and investment activity the company will aim to fulfil the sales program and the proper use of by-products and other goods such as current assets accordingly.

(c). The income from the basic activity will not be significantly affected in 2017 than due to normal risks arising from the economic and taxation regime applicable to the company.

2. TANGIBLE ASSETS OF THE COMPANY

2.1. Location and description

S SC "BERMAS" S.A. Suceava owns 30,588 sqm of land.

The said surface is divided as follows:
- Built area – 14,687 sqm;
- Free area – 15,901 sqm.

The occupation rate of the land is 48%.

The buildings are classified into:
- Industrial plants exhibiting a variety from the point of view of constructive variant and the type of construction;
- Storage silos;
- Warehouses, metal barracks, outdoor platforms;
- Administrative buildings.

The production activity of the company is done with direct access to DN 17 and the Suceava West railway station is 1 km far from the factory.

The company comprises four production sectors, auxiliary sectors and functional offices.

The production sectors:
- MALTING - compact building formed by silos, the machine department, connecting body, soaking body and germination body in which the malting process is carried on. The sector is equipped with a Wanderhaufen-type barley - two-row barley supply, sorting, soaking and germination plant with stripping and drying equipment.
- **BOILING** - compact building in which is conducted the process of obtaining wort by brewing whose main operations are: grinding, moulding and saccharification, wort filtration, boiling of wort with hops, clearing and cooling of wort.

- **FERMENTATION** - compact building included in the boiling body. In this sector beer fermentation takes place in tanks and followed by finished beer filtration inside a Steincker filtration plant.

- **BEER BOTTLING IN BOTTLES AND KEGS** - compact building in which beer is bottled in 0.5l bottles on a KRONES bottling line (nominal capacity 25,000 bottles / hour) and in kegs by means of three fully automated bottling and pasteurizing modules purchased from Germany with a capacity of 180 KEGS / h.

- **AUXILIARY SECTORS**:
  - Thermal plant;
  - Mechanical workshop;
  - Electric workshop - AMC;
  - Cooling- air plant;
  - Maintenance (masonry - carpentry).

- **FUNCTIONAL OFFICES** - within the administrative building - separate building.

2.2. The wear of buildings is a normal one as a result of their operation, mentioning that there have been performed maintenance works, interior and exterior protection, increase of the thermal comfort and adaptation to the requirements of the production process, but they still need maintenance and repair works in the buildings where technological and auxiliary processes take place, respectively the restoration of roof isolations as a result of their exposure to weather over the year, modernisation and maintenance of the interior spaces.

2.3. There are no problems related to ownership of tangible assets of the company.

3. **MARKET SECURITIES ISSUED BY THE COMPANY**

3.1. The shares of SC "BERMAS" S.A. are registered, listed and traded on the Bucharest Stock Exchange, with the symbol BRM. The activity of keeping the register is performed by SC "DEPOZITARUL CENTRAL" SA Bucharest under the agreement signed in this respect.

The share capital subscribed and paid up is amounted to 15,087,134,30 lei, divided in 21,553,049 registered shares of 0.70 lei each.

One share held entitles the shareholder to one vote in the general meeting.

There are no set restrictions on the transfer of securities, such as limitations on holding securities or the need to obtain the approval of the entity or of other holders of securities of the company.

There are no shareholders with special control rights, all shares conferring the same rights to shareholders.

The shareholders’ structure on 31.12.2016 according to the consolidated Register transmitted by SC "DEPOZITARUL CENTRAL " SA is as follows:

<table>
<thead>
<tr>
<th>Nr. crt.</th>
<th>Name</th>
<th>Number of shares</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>„VICTORIA BERMAS” association</td>
<td>6,653,009</td>
<td>30,8681%</td>
</tr>
<tr>
<td>2.</td>
<td>„PAS BERMAS” association</td>
<td>4,483,269</td>
<td>20,8011%</td>
</tr>
<tr>
<td>3.</td>
<td>Other physical or legal entities</td>
<td>10,416,771</td>
<td>48,3308%</td>
</tr>
<tr>
<td>TOTAL</td>
<td></td>
<td>21,553,049</td>
<td>100%</td>
</tr>
</tbody>
</table>

3.2. Over the last 3 years the dividends due to shareholders amounted to: 3,344,288 lei.

The dividends unclaimed by shareholders, accumulated over the last 3 years, were amounted to 312,275 lei, the payment level being of 94%.

With regard to the dividend policy, the company distributed from its net profit each year about 80 - 90% in dividends and the rest to other destinations according to the resolutions of the general meetings of shareholders.
Given the economic situation of the company and the potential liquidity necessary for repayment of credits, in 2017 the company may grant dividends to shareholders following the resolution of the general meeting of shareholders.

3.3. The company has not issued bonds or other receivables.

3.4. The company has no subsidiaries, operating its activity only at its headquarters, according to the Articles of Incorporation.

### 4. THE COMPANY’S MANAGEMENT

4.1.a) SC "BERMAS" S.A. Suceava is managed by a Board of Directors composed of three (3) members, as follows:
- **ANISOI ELENA**, a 35-year experience economist, acting as President of the Board of Directors - Executive Member;
- **DRĂGAN SABIN-ADRIAN**, a 35-year experience engineer - independent non-executive member;
- **VESCAN MARIA-AURORA**, a 16-year experience economist - independent non-executive member.

b) There has not been, nor is any agreement, arrangement or family connections between Directors and other persons involved in their appointment of directors.

c) Possessions of shares in their own name according to the Register of Shareholders are insignificant.

d) The Company has no affiliates.

4.2. a) The Board of Directors, according to the Articles of Incorporation, delegated the executive management of the company to a number of 4 managers, namely:
- **Anisoi Elena** - General Manager;
- **Croitor Octavian** - Technical Manager;
- **Ţebrean Iridenta** - Financial Manager;
- **Sângeap Cristina** – Commercial Manager.

The duration of their mandate is until March 2021. There are no agreements, arrangements or family connections with others in the appointment of managers.

4.3. The members of the Board of Directors and the executive management have not been involved in any litigation or administrative procedures over the last 5 years.

Please note that during the last General meeting of shareholders in 2016, there were no cases of resignation / dismissal among the members of the board of directors and the company has no subsidiaries or affiliates.

### 5. THE FINANCIAL–ACCOUNTING STATEMENT

Analysis:

a) Balance sheet elements:

<table>
<thead>
<tr>
<th>SPECIFICATION</th>
<th>YEAR 2014</th>
<th>YEAR 2015</th>
<th>YEAR 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL ASSETS</td>
<td>30.705.695</td>
<td>29.082.890</td>
<td>28.357.073</td>
</tr>
<tr>
<td>of which assets repressing more than 10% of the total:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tangible assets</td>
<td>15.549.662</td>
<td>15.549.662</td>
<td>13.733.844</td>
</tr>
<tr>
<td>• Inventories</td>
<td>12.304.475</td>
<td>12.731.547</td>
<td>12.808.453</td>
</tr>
</tbody>
</table>

a.2. LIABILITIES

<table>
<thead>
<tr>
<th>SPECIFICATION</th>
<th>YEAR 2014</th>
<th>YEAR 2015</th>
<th>YEAR 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL LIABILITIES</td>
<td>30.705.695</td>
<td>29.080.890</td>
<td>28.357.073</td>
</tr>
</tbody>
</table>
of which liabilities representing more than 10 of the total:

- equity  22.563.899  23.263.486  23.561.849
- liabilities  8.141.796  5.819.404  4.795.224

b) Profit and loss account:

<table>
<thead>
<tr>
<th>SPECIFICATION</th>
<th>YEAR 2014</th>
<th>YEAR 2015</th>
<th>YEAR 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>b.1. TOTAL REVENUES</td>
<td>27.464.207</td>
<td>27.766.305</td>
<td>28.291.814</td>
</tr>
<tr>
<td>b.2. TOTAL EXPENDITURE</td>
<td>23.413.208</td>
<td>24.215.956</td>
<td>24.985.187</td>
</tr>
<tr>
<td>b.3. GROSS PROFIT</td>
<td>1.108.704</td>
<td>1.824.814</td>
<td>1.868.969</td>
</tr>
<tr>
<td>b.4. NET PROFIT</td>
<td>932.523</td>
<td>1.555.663</td>
<td>1.528.840</td>
</tr>
</tbody>
</table>

b) Profit and loss account:

<table>
<thead>
<tr>
<th>Name of the element</th>
<th>Financial year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous</td>
<td>Current</td>
<td>Treasury cash flows from operating activities</td>
</tr>
<tr>
<td>Collections from customers</td>
<td>34.087.932</td>
<td>32.228.331</td>
<td></td>
</tr>
<tr>
<td>Payments for suppliers</td>
<td>(15.868.459)</td>
<td>(13.901.955)</td>
<td></td>
</tr>
<tr>
<td>Payments for employees</td>
<td>(4.001.576)</td>
<td>(4.477.556)</td>
<td></td>
</tr>
<tr>
<td>Payments for the local budget</td>
<td>(86.749)</td>
<td>(83.606)</td>
<td></td>
</tr>
<tr>
<td>Payments for the state budget</td>
<td>(7.226.470)</td>
<td>(7.324.425)</td>
<td></td>
</tr>
<tr>
<td>Paid excises</td>
<td>(3.207.088)</td>
<td>(2.641.887)</td>
<td></td>
</tr>
<tr>
<td>Paid tax on profit</td>
<td>(351.403)</td>
<td>(325.206)</td>
<td></td>
</tr>
<tr>
<td><strong>Net treasury cash flow from operating activities</strong></td>
<td><strong>3.346.187</strong></td>
<td><strong>3.473.696</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the element</th>
<th>Financial year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Treasury cash flows from investment activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for the purchase of shares</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for the purchase of assets</td>
<td>(453.920)</td>
<td>(722.715)</td>
<td></td>
</tr>
<tr>
<td>Collections from subsidies</td>
<td>28.200</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collected interests</td>
<td>2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collected dividends</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net treasury cash flows from the investment activities</strong></td>
<td><strong>(453.920)</strong></td>
<td><strong>(694.513)</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the element</th>
<th>Financial year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net treasury cash flow from financing activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collections from long term loans</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Credit collections</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid interests and credit repayments</td>
<td>(936.180)</td>
<td>(1.610.400)</td>
<td></td>
</tr>
<tr>
<td>Payment of long term credit instalments</td>
<td>(1.215.139)</td>
<td>(1.515.744)</td>
<td></td>
</tr>
<tr>
<td>Paid dividends</td>
<td>(752.032)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net treasury cash flow from financing activities</strong></td>
<td><strong>(2.903.351)</strong></td>
<td><strong>(2.762.144)</strong></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Name of the element</th>
<th>Financial year</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Net treasury cash flow increase and treasury equivalents</td>
<td>(11.084)</td>
<td>17.039</td>
<td></td>
</tr>
<tr>
<td><strong>Treasury cash flow and treasury equivalents at the beginning of the financial year</strong></td>
<td><strong>19.873</strong></td>
<td><strong>8.789</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Treasury cash flow and treasury equivalents at the end of the financial year</strong></td>
<td><strong>8.789</strong></td>
<td><strong>25.828</strong></td>
<td></td>
</tr>
</tbody>
</table>

The financial statements of the company have been prepared in accordance with: the Accounting Law no. 82/1991, as subsequently republished, the Order of the Minister of Public Finance no. 881/2012 on the application by companies whose securities are admitted to trading on a regulated market of International Financial Reporting Standards, International Financial Reporting Standards (IFRS), Financial Reporting Standards (IFRIC) and the Standing Interpretations Committee (SIC) adopted by the European Union and the Order no. 2844 / 12.12.2016 approving the Accounting Regulations compliant
6. Corporate governance

SC BERMAS SA is administered under a unitary system in accordance with the provisions of the Articles of Incorporation and of the Law No. 31/1990 as subsequently republished and amended.

The corporate governance structures of SC BERMAS SA are represented by the Board of Directors and the executive management.

SC BERMAS SA is administered by a Board of Directors consisting of 3 members, individuals elected by the Ordinary General Meeting of Shareholders. One of the directors must be independent and the majority of the directors are non-executive directors. The duration of their mandate is of four years.

The directors’ obligations and responsibilities are governed by the contract of mandate in accordance with the Law 31/1990 as subsequently amended and supplemented, with the Law 297/2004 as subsequently amended and supplemented, the applicable regulations of A.S.F. and with the provisions of the Articles of Incorporation.

The Board of Directors of SC BERMAS SA meets at least once every three months. The Board of Directors approves the delegation of powers and / or the right of representation for other directors or employees of the company, setting their limitations too.

During the meetings of the Board of Directors the following are analysed basis on the submitted materials:

- In the production area: the achievement of the production program per quarters and per total year, the programs of maintenance and repair, the need for raw materials barley and hops for each year and the instructions for purchasing them, the consumption norms specific to the production of beer and malt, the manoeuvres and workloads for the basic and auxiliary activity
- In the commercial area: the achievement of the sales programs quarterly and preliminary, the situation of the uncollected invoices, the equipment of customers with packaging and logistics, contract terms and commercial and financial facilities, promotions
- In the economic and financial area: the achievement of indicators in the budgeted revenues and expenditure, quarterly reports, the semi-annual report, the annual report, the general inventory situation of the assets, etc.

The Board of Directors delegates the management of the company to a number of 4 executive managers, individuals, appointing the General Manager from among them. The General Manager is also the President of the Board of directors. Managers are responsible for taking all measures related to the management of the company, within the limits of the object of activity and complying with the exclusive powers reserved by law or by the Articles of Incorporation, the Board of Directors and the General Meeting of Shareholders.

The General Meeting of Shareholders of SC BERMAS SA meets at least once a year, during the 4 months after the end of the financial year and has the main tasks set by the Articles of incorporation. The General Meeting of Shareholders is convened by the Board of Directors whenever needed or at the request of shareholders representing 5% of the share capital. During 2016, the General Meeting of Shareholders was convened twice.

Following the launch in September 2015 of the new Code of Corporate Governance of the Bucharest Stock Exchange, SC BERMAS SA has analysed the company's compliance with the new Code and it is currently implementing certain provisions. The shareholders of the company have been informed by the current report dated January 21, 2016 related to the state of compliance with the new Code of Corporate Governance of the Bucharest Stock Exchange.

The necessary conditions for informing the shareholders on the financial results and on all relevant aspects of the business conducted were provided through the Company's website and Secretariat of the Board of Directors.

7. Information on the internal control

Within the company SC BERMAS SA, the internal control is focused on internal control and internal audit activities.
In the internal control activities we have followed:
- the compliance with the regulations specific to the company's activity
- the compliance with internal rules and the managers’ decisions.

In terms of accounting rules, the company has elaborated:
- The manual of accounting policies
- The application procedures for this manual
- The appropriation of the evolution of accounting and fiscal regulations
- The adaptation of IT programs to the specific activity
- The compliance with the accounting rules
- The assurance of the accuracy and comprehensiveness of accounting records
- The compliance with the quality characteristics of the information included in the financial statements so that to satisfy the users’ needs

**Internal audit**

Internal audit is performed based on a service contract by a company independent from the management of SC BERMAS SA, subordinated to the Board of Directors of SC BERMAS SA. The audit activity is carried out based on the audit program established in accordance with the objectives of the company. The audit program for 2015 was approved by the Board of Directors of SC BERMAS SA.

The internal auditor evaluates through a systematic and methodical approach the risk management processes, the control and governance process of the company and makes proposals for increasing their efficiency. The Internal Auditor informs the General Manager and the Directors about the significant issues found related to risk management, control and governance.

**Financial audit**

The financial statements of SC BERMAS SA are examined by the financial auditor appointed by the Ordinary General Meeting of Shareholders, under the law, the results of the annual report being presented for information to the Ordinary General Meeting of Shareholders. The financial auditor of SC BERMAS SA is the company CODEXPERT OFFICE SRL, based in Suceava, Strada Mihai Eminescu nr. 10 Tr. A, Sc. B, Ap. 9 Phone / Fax no.: 0230 531 949, 0744503537, registered with the Suceava Office of the Trade Register under no. J33 / 599/1999, tax identification number RO 12454426, a member of the Chamber of Financial Auditors of Romania according License no. 126/2001, represented by Codau STELIAN, active financial auditor, according to the Certificate no. 798/2001.

**8. SIGNATURES**

- President of the Board of Directors and General Manager
  ec. Anisoi Elena

- Economic Manager
  ec. Țebrean Iridenta