TERAPLAST S.A.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2011

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY EUROPEAN UNION

TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT

TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2011

Contents

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS AND BOARD OF DIRECTORS OF TERAPLAST S.A.

Report on the Consolidated Financial Statements

1 We have audited the accompanying consolidated financial statements of Teraplast S.A. and its subsidiaries (the 'Group'), which comprise the consolidated statement of financial position as of 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the Group companies internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

6 As at 31 December 2011, the Group does not comply with all the contractual debt covenants for the investment related borrowings from Unicredit Tiriac Bank and BRD Group Societe Generale amounting to RON 35,120 thousand . In April 2012, the Group obtained certain waivers from the banks in relation to these borrowings as further presented in Note 25, but presented these borrowings at 31 December 2011 as follows: RON 22,298 thousand as non-current liabilities and RON 12,882 thousand as current liabilities. In our opinion, such practice is not in accordance with the requirements of IAS 1 "Presentation of Financial Statements", which states that if such a liability has become payable on demand because an entity has breached an undertaking under a long-term loan agreement on or before the reporting date, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorization of the financial statements for issue, not to demand payment as a consequence of the breach. Accordingly, at 31 December 2011, non-current liabilities are overstated by thousand RON 22,298 and current liabilities are understated by the same amount.

Qualified Opinion

7 In our opinion, except for the effect on the consolidated financial statements of the matter referred to in paragraph 6, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Refer to the original signed Romanian version

PricewaterhouseCoopers Audit SRL

Bucharest, 3 August 2012

This version of our report is a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Consolidated statement of comprehensive income for the period ended December 31, 2011

	Notes	Period ended December 31, 2011	Period ended December 31, 2010
			(restated)
		RON	RON
Revenues	3	305.499.845	278.931.634
Investment revenues	4	157.883	129.011
Other gains and losses	7	(1.770.499)	(1.553.503)
Changes in inventories of finished goods and work in progress	5	1.538.613	4.744.361
Raw materials, consumables used and merchandise	6	(221.034.785)	(199.598.955)
Provisions, depreciation and amortization expenses	8	(24.833.095)	(26.374.705)
Employee benefits expenses and social charges	9	(30.315.112)	(31.323.263)
Finance costs	10	(4.062.415)	(3.302.132)
Other expenses	11	(36.990.817)	(29.573.625)
Loss before tax		**(11.810.382)**	**(7.921.177)**
Income tax expense	12	(371.184)	(383.072)
Loss for the year/ Total comprehensive loss		**(12.181.566)**	**(8.304.249)**
Loss for the year/ Total comprehensive loss		**(12.181.566)**	**(8.304.249)**
Attributable to:			
Equity holders of the parent company		(12.605.213)	(7.819.837)
Non-controlling interest		423.647	(484.412)
Loss for the year/ Total comprehensive loss		**(12.181.566)**	**(8.304.249)**
Loss per Share	32	**(0,042)**	**(0,029)**
Average number of shares	32	**288.875.849**	**289.353.225**

The financial statements were approved by the board of directors and authorized for issue on July 27th, 2012.

Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

The English version is a free translation of the original Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position at December 31, 2011

	Notes	December 31, 2011	December 31, 2010 (restated)	December 31, 2009 (restated)
		RON	RON	RON
ASSETS				
Non-current assets				
Property, plant and equipment	13	153.177.918	171.792.642	168.894.079
Intangible assets	14	1.587.399	1.814.005	1.933.074
Deferred income tax	12	553.190	304.246	365.985
Other financial assets	17	16.400	16.400	15.400
Total non-current assets		**155.334.907**	**173.927.293**	**171.208.538**
Current assets				
Inventories	18	39.991.143	32.248.909	27.653.903
Trade and other receivables	19	68.784.171	74.094.125	70.207.108
Income tax receivable		1.197.195	1.170.245	1.056.336
Other current assets	20	881.922	948.954	784.570
Cash and bank balances	33	4.292.939	3.562.601	3.485.715
		115.147.370	**112.024.834**	**103.187.632**
Current assets held for sale	13	5.465.565	-	-
Total current assets		**120.612.935**	**112.024.834**	**103.187.632**
Total assets		**275.947.842**	**285.952.127**	**274.396.170**
EQUITY AND LIABILITIES				
Capital and reserves				
Share capital	21	60.817.598	60.817.598	60.817.598
Share premiums	21	42.245.118	42.245.118	42.245.118
Legal reserves	22	6.906.225	6.771.814	6.370.802
Retained earnings	23	7.646.736	20.632.060	30.251.854
Equity attributable to equity holders of the parent company		117.615.677	130.466.590	139.685.372
Non-controlling interest	24	4.053.374	3.629.726	4.662.174
Total equity		**121.669.051**	**134.096.316**	**144.347.546**
Non-current liabilities				
Borrowings – long term	25	38.643.383	18.214.443	28.397.029
Other long term liabilities		2.010.703	-	-
Retirement benefit obligations	26	343.981	346.854	625.344
Deferred tax liabilities	12	1.560.247	1.946.900	1.853.384
Total non-current liabilities		**42.558.314**	**20.508.197**	**30.875.757**

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Consolidated statement of financial position at December 31, 2011

	Notes	December 31, 2011 RON	December 31, 2010 (restated) RON	December 31, 2009 (restated) RON
Current liabilities				
Trade and other payables	**28**	52.837.488	57.432.508	42.555.036
Borrowings – short term	**25**	47.751.894	58.848.869	48.359.412
Current tax liabilities		471.296	-	-
Current provisions	**26**	3.782.529	3.331.170	3.705.004
Other current liabilities	**27**	6.877.271	11.735.066	4.553.414
Total current liabilities		**111.720.478**	**131.347.613**	**99.172.866**
Total liabilities		**154.278.792**	**151.855.810**	**130.048.623**
Total equity and liabilities		**275.947.842**	**285.952.127**	**274.396.170**

The financial statements were approved by the board of directors and authorized for issue on July 27th, 2012.

Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

Consolidated statement of changes in equity for the period ended December 31, 2011

	Share Capital	Legal reserves	Share premiums	Cumulative retained earnings	Attributable to equity holders of the parent company	Non-controlling interest	Total
	RON	RON		RON	RON	RON	RON
Balance at January 1, 2010 (Reported)	**60.817.598**	**6.370.802**	**42.245.118**	**32.066.814**	**141.500.332**	**4.662.174**	**146.162.506**
Corrections (Note 35)	-	-	-	(1.814.960)	(1.814.960)	-	(1.814.960)
Balance at January 1, 2010 (Restated) (Note 21, 35)	**60.817.598**	**6.370.802**	**42.245.118**	**30.251.854**	**139.685.372**	**4.662.174**	**144.347.546**
Transfer to other reserves	-	-	-	-	-	-	-
Transfer to legal reserves	-	401.012	-	(401.012)	-	-	-
Buy-back shares (Note 21)	-	-	-	(1.946.980)	(1.946.980)	-	(1.946.980)
Increase/decrease from acquisition of shares of non-controlling holders	-	-	-	548.035	548.035	(548.035)	-
Profit for the year as previously reported	-	-	-	(4.665.389)	(4.665.389)	(379.171)	(5.044.560)
Adjustments to the profit of the year (Note 35)	-	-	-	(3.154.448)	(3.154.448)	(105.241)	(3.259.689)
Balance at December 31, 2010 (Restated) (Note 21, 35)	**60.817.598**	**6.771.814**	**42.245.118**	**20.632.060**	**130.466.590**	**3.629.726**	**134.096.316**

The English version is a free translation of the original Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity for the period ended December 31, 2011

	Share capital	Legal reserves	Share premiums	Cumulative retained earnings	Attributable to equity holders of the parent company	Non-controlling interest	Total
	RON	RON		RON	RON	RON	RON
Balance at January 1,2011 (Restated) (Note 21, 35)	60.817.598	6.771.814	42.245.118	20.632.060	130.466.590	3.629.726	134.096.316
Transfer to legal reserves	-	134.419	-	(134.419)	10	-	-
Buy-back shares (Note 21)	-	-	-	(245.713)	(245.713)	-	(245.713)
Result assumed to changes in subsidiary (Note 15)	-	-	-	-	-	-	-
Profit for the year	-	-	-	(12.605.213)	(12.605.213)	423.647	(12.181.566)
Balance at December 31, 2011 (Note 21, 22, 23, 24, 35)	60.817.598	6.906.225	42.245.118	7.646.736	117.615.677	4.053.374	121.669.051

The financial statements were approved by the board of directors and authorized for issue on July 27th, 2012.

Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

The English version is a free translation of the original Romanian version. The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows for the period ended December 31, 2011

	Notes	Year ended December 31, 2011 RON	Year ended December 31, 2010 RON (restated)
Cash flows from operating activities			
Loss before tax		(11.810.382)	(7.921.177)
Interest expenses	10	3.172.673	2.587.220
Interest and other financial incomes		(14.772)	(13.769)
Gain on sale or disposal of property, plant and equipment		(53.397)	(465.908)
Loss from impairment of trade receivables	19	5.611.898	9.801.082
Adjustment of costs for inventories impairment provisions		1.844.161	2.338.012
Amortization of non-current assets	13, 14	16.925.677	14.904.843
Income from provision for retirement benefit obligations	26	(2.873)	(278.490)
Adjustment of provisions for risks and charges		451.359	(373.843)
Loss from exchange rate differences		39.576	-
Movements in working capital			
Increase in trade and other receivables		(301.944)	(13.867.219)
Increase in inventories		(9.586.395)	(6.933.018)
(Increase)/Decrease in other assets		599.110	(165.384)
(Decrease)/Increase in trade and other payables		(6.884.067)	12.962.110
(Decrease)/Increase in other liabilities		(3.560.447)	7.181.652
Cash generated from operations		**(3.569.823)**	**19.756.120**
Interest paid		(2.988.630)	(2.587.220)
Income tax paid		(562.436)	(162.606)
Net cash (used in)/generated by operating activities		**(7.120.889)**	**17.006.294**
Cash flows from investing activities			
Interest received		14.772	13.769
Payments for property, plant and equipment		(6.043.713)	(17.671.503)
Receipts from sale of property, plant and equipment		4.563.962	740.960
Payments for intangible assets		(300.788)	(287.887)
Net cash (used in) investing activities		**(1.765.767)**	**(17.204.661)**

Consolidated statement of cash flows for the period ended December 31, 2011

	Notes	Year ended December 31, 2011	Year ended December 31, 2010
		RON	RON (restated)
Cash flows from financing activities			
Buy-back of own shares		(245.708)	(1.946.980)
Net receipts from borrowings		10.627.942	1.635.719
Payments of leases		(946.511)	(1.328.848)
Receipts from subsidies		181.277	1.915.362
Net cash generated from financing activities		**9.617.000**	**275.253**
Net increase in cash and cash equivalents		**730.338**	**76.886**
Cash and cash equivalents at the beginning of the financial year	33	**3.562.601**	**3.485.715**
Cash and cash equivalents at the end of the financial year	33	**4.292.939**	**3.562.601**

The financial statements were approved by the board of directors and authorized for issue on July 27th, 2012.

Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

1. GENERAL INFORMATION

SC Teraplast SA (the "Company") is a joint stock company established in 1992. The registered office of the Company is in 'Parc Industrial Teraplast', DN 15 A (Regin-Bistrita), km 45+500, county Bistrita, Romania.

The main activities of the Company include manufacturing of PVC pipes and profiles, plasticized and rigid granules, thermo-insulating glass, PVC and aluminium windows and doors, polypropylene pipes, terracotta tiles, fittings and trading of cables, polyethylene pipes, steel parts.

The Company has a joint venture with SC Politub SRL ("Politub"). The main activities of Politub include manufacturing of polyethylene pipes of medium and high density for transportation and distribution networks of water, natural gas, but also for telecommunication, sewerage and irrigation.

In March 2007, the Company became the majority shareholder in SC Plastsistem SA ("Plastsistem") by acquiring 52,77% of its shares. Plastsistem's main activity is that of manufacturing thermo-insulating panels with polyurethane foam for warehouse construction.

The Company has another subsidiary, Teraglass Bistrita SRL. It was set up in 2011, and functioned for a few months in 2011, having as activity object the production and sale of windows, through the transfer of the activity from the window division from Teraplast SA. In August 2011, Teraplast SA has reintegrated in its activity the production and sale of windows, and the activity of Teraglass Bistrita SRL has been stopped.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ("EU IFRS").

Basis of preparation

The financial statements have been prepared on a going concern basis under the historical cost convention adjusted for hyperinflation effects until December 31, 2003 for non-current assets, share capital and reserves. The financial statements are prepared based on the statutory accounting records kept in accordance with Romanian accounting principles, which have been adjusted to comply with EU IFRS. The principal accounting policies are set out below.

Going concern

These financial statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the applicability of this assumption, the management analyzes the forecasts of the future cash inflows.

At 31 December 2011, the Group incurred a net loss of RON 12.181.566 (2010: RON 8.304.249), loss largely due to provisions and adjusments recorded for commercial debts and stocks.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

As described in Note 25, as at December 31, 2011, the Group does not meet all financial indicators (debt covenants) specified in the loan contracts signed with the financing banks – BRD and Unicredit Tiriac Bank. For this reason, Teraplast SA and Plastsistem SA requested and received from banks, in April 2012, letters regarding the cancellation of these contractual conditions for the financial year ended as at December 31, 2011. Subsequent to this date, Teraplast SA and Plastsistem SA did not meet certain financial indicators (debt covenants) for the loans from Unicredit, while BRD postponed for 12 months the compliance with the requirements regarding financial indicators (debt covenants) for Teraplast SA, respectively the application of these requirements will begin with the 2012 fiscal year balance sheet's date.

The going concern depends on improvement of the operational performance, for which the management of the Group implements a recovery plan including changes in the commercial policy, reducing or stopping the collateral business lines, strategical development of lines of business with real gowth potential and ensure the availability of finance resources.

Based on the analysis mentioned above, management considers that the Group will be able to continue the activity in the foreseeable future and therefore, the application of the going concern principle in preparing the financial statements is justified.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company, the subsidiary and the joint venture. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from the latter's activities.

Where is necessary, adjustments are made to the financial statements of the subsidiary to bring their accounting policies into line with those used by the Group.

All intra-group transactions, balances, incomes and expenses are fully eliminated from consolidation.

Non-controlling interest in the net assets (excluding goodwill) of the consolidated subsidiary is identified separately from the Group's equity held in the subsidiary. Non-controlling interest consists of the amount of those interests at the date of the original business combination and the non-controlling interest' share of changes in equity since the date of combination.

The application of IAS 27 (revised in 2010) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries.

Specifically, the revised Standard has affected the Group's accounting policies regarding changes in ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss account. According to IAS 27 (revised in 2010), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss account.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in the profit or loss account.

The Group has adopted IFRS 8 'Operating segments' (effective from January 1st, 2009). IFRS 8 covers IAS 14, according to which segments were identified and reported based on a risk/benefit analysis. The elements were reported according to the accounting policies used for external reporting. According to IFRS 8, the segments are components of the entity, regularly reviewed by the Operational Manager of the entity. The elements are reported based on internal reporting. The Group has applied IFRS 8 with periods starting on January 1, 2009.

Standards, amendments and new interpretations of the standards

No issue of new financial reporting standards and any amendments or interpretations that are applicable for the financial year which began on January 1, 2011 which would have a significant impact on the Group.

New standards, amendments and interpretations issued but not effective for the financial year beginning on 1 January 2011 and not early adopted by the Group

IAS 19, 'Employee benefits' was amended in June 2011. The impact on the Group will be as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in 'Other comprehensive income' as they occur; to immediately recognise all past service costs; and to replace interest cost and return on plan assets with a net interest amount that is calculated by applying the discount rate to the net estimated benefits/obligations of the plan. The Group will make an estimation in order to quantify the impact of this amendment.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010 and it replaces parts of IAS 39 that relate to the classification and measurement of financial instruments.

IFRS 9 requires financial assets to be classified into two categories: the assets measured to a fair value and the assets measured at amortised cost. The classification will be made at initial recognition and will depend on the entity's business model for managing its financial instruments and the cash flow characteristics to those financial instruments. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is in cases where the fair value option is taken for financial liabilities. In this case, the portion of the fair value of financial liabilities associated to entity's credit risk is recorded in 'Other comprehensive income' rather than in the income statement, unless this creates an accounting mismatch. The Group is going to estimate the impact of IFRS 9 requirements and to adopt IFRS 9 no later than the accounting period beginning on 1 January 2013.

IFRS 10, 'Consolidated financial statements' is built on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The group is

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

going to estimate the impact of the IFRS 10 requirements and to adopt IFRS 10 no later than the accounting period beginning on 1 January 2013.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet arrangements. The Group is going to estimate the impact of IFRS 12 requirements and to adopt IFRS 12 no later than the accounting period beginning on 1 January 2013.

IFRS 13, 'Fair value measurement', is a new standard, which replace the existing provisions on fair value measurement included in variuos standards, providing a precise definition of fair value and a single evaluation framework and related disclosure. The requirements of this standard, which are largely aligned with US GAAP requirements, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is going to estimate the impact of the IFRS13 requirements and to adopt IFRS 13 no later than the accounting period beginning on 1 January 2013.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

Interests in joint ventures

The Group has a joint venture through a separate entity.
The Group reports its interests in the jointly controlled entity using proportionate consolidation. The Group's share of the assets, liabilities, incomes and expenses of the jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.
Where the Group has transactions with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

Cash and cash equivalents

Cash and cash equivalents include liquid assets and other equivalent values, which include cash in hand, short-term deposits with maturity up to three months.

Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable net of VAT. Revenues are reduced with the returns value, rebates value and other similar costs.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are met:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably;
- the commercial discounts granted after the invoice date are recorded in the profit and loss as a minus in the operational revenues.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from services and other revenues

Revenues from services are recognised when services are actually rendered.

Revenues arising from royalties are recognised on an accrual basis in accordance with the substance of the relevant agreements.

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to that asset's net carrying amount.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance costs are recorded directly to profit and loss account.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

Foreign currency transactions

The Group operates in Romania and it has RON as its functional currency.

In preparing the financial statements of the individual entities and the Group, transactions in currencies (foreign currencies) other than the functional currency are recorded at the exchange rates prevailing at the dates of the transactions. At each month end and at each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing at that date.

Non monetary items that are measured in terms of historical cost in a foreign currency are not re-translated.

Exchange differences are recognized in the profit and loss account in the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term borrowing costs

Long term borrowing costs directly attributable to the acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on assets is deducted from the long term borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss account in the period in which they are incurred.

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as accrued income in the balance sheet and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Other government grants are recognized as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group, with no future related costs, are recognized in profit or loss in the period in which they become due.

The governmental grants received for the aquisition of assets such as fixed assets are recorded as investment grants and are recognized in balance sheet as deferred revenue. Deferred revenue is recognized in profit and loss as the depreciation, disposal or write off of the acquired assets from that grant is recorded.

Retirement benefit obligations

Under the collective labour contract, the Group must pay to its employees a retirement benefit depending on their seniority in the Group, in average two salaries. The Group has recorded a provision for such payments, reviewing each year this provision based on the employees' seniority in the Group. The retirement benefit obligation is computed annually by an independent specialist.

Contribution for employees

The Group pays contribution to the state budget for social insurance, pension fund and unemployment fund according with the levels established by the current legislation. The value of these contributions is recorded in the profit and loss in the same period in which the corresponding salary expense is incurred.

Taxation

Income tax expense represents the sum of the current tax and deferred tax.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Current tax

The current tax is based on taxable profit for the year. Taxable profit differs from the profit reported in the income statement, because it excludes items of incomes or expenses that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off similarly to the current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to other comprehensive income, in which case the tax is also recognized directly in other comprehensive income, or when they arise from the initial accounting for a business combination.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their historical amounts and for those acquired before 2003 adjusted for the effect of hyperinflation until December 31, 2003, in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies* less any subsequent accumulated depreciation and other other losses of value.

Depreciation on buildings is charged to profit or loss account.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at historical cost, less impairment loss. Depreciation of these assets commences when the assets are ready for their intended use.

Tools, equipment, plant and pieces of furniture are recorded in the the balance sheet at their historical value and for those acquired before 2003 adjusted for the hyperinflation until 31 December 2003, in accordance with IAS 29 "Financial reporting in hyperinflationary economies" reduced with the subsequent accumulated depreciation and other losses of value.

Depreciation is charged so as to write off the cost of the assets to their residual values, other than land and properties under construction, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where the lease duration is shorter, the term of the relevant lease contract.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment are determined as the difference between the sales revenues and the carrying amount of the asset and they are recognized in other gains and losses.

Maintenance and repairs of tangible assets are recognised as expenses when they ocurr, while the significant improvements of the tangible assets, which increase the value or useful life of the assets, or which increase their economic benefits generating capacity are capitalised.

The following useful lives are used in the calculation of depreciation:

➢ Buildings	20 – 50 years
➢ Tools and equipment	3 – 15 years
➢ Vehicles under finance lease	5 – 6 years
➢ Plant and furniture	3 – 10 years

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and the sale is considered highly probable. They are stated at the lower value between the carrying amount and fair value less costs to sell, if the carrying amount will be recovered principally through sale rather than through continued used, and if the sale is considered highly probable.
They are classified as current assets, if the sale is expected to take place in the following 12 months from the consolidated statement of financial position date.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The following useful lives are used in the calculation of amortization:

Licences	1 – 5 years

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a consistent basis of allocation can be identified, the Company's assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which consistent allocation basis can be identified.
Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher value between fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss is subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the revised carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Inventories

Inventories are stated at the lower value between cost and net realizable value. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Finished goods, semi-finished goods and work in progress are valued at actual cost. For the following classes of inventories weighted average cost method is used: raw materials for pipes, merchandise, small tools, residual products, packaging materials, consumables. For raw materials used in the production of metallic panels, first in first out cost method is used, as the nature and use of this class is different from the pipes.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

Ordinary shares are classified as own equity.

Where the Company purchases its treasury shares, the consideration paid will reduce the equity attributable to the company's equity holders, through retained earnings, until the shares are cancelled or re-issued. When such ordinary shares are subsequently re-issues, any consideration received (net of any directly attributable incremental transaction cost and related income tax effects) is included in equity attributable to the company's equity holders.

Dividends

The dividends on ordinary shares are recognised as a liability in the group's financial statements in the period in which dividends are approved by the company's shareholders'.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

Operating segments reporting

Reporting on operating segments is performed consistently with the internal reporting to the chief operating decision maker ("CODM"). The CODM, that is responsible with the allocation of resources and evaluating the performance of operating segments, was identified as being the board of directors that approves strategic decisions..

Financial assets and liabilities

Group's financial assets include cash and cash equivalents, trade receivables and long-term investments. Financial liabilities include finance lease obligations, interest-bearing bank loans, overdrafts and trade and other payables. For each item the accounting policies on recognition and measurement are disclosed in this note. Management believes that the estimated fair values of these instruments approximate their carrying amounts.

Loans are initially recognized at fair value, net of transaction costs. Subsequently these are recorded at amortized cost. Any difference between the initial recognition and repayable amount is recognized in the profit and loss account over the period of loan, using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realize the asset and settle the liability simultaneously.

The classification of investment depends on the nature and purpose and is determined at the time of initial recognition.

Impairment of financial assets

Financial assets are assessed for impairment at each balance sheet date.

Financial assets are impaired where there is objective evidence that one or more events that occurred after the initial recognition of the financial asset had an impact over the future cash flows of the investment.

For shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase of the delayed payments over the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectable, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in provisions, depreciation and amortisation expense.

Derecognition of financial assets and liabilities

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Use of estimates

The preparation of the consolidated financial information requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the reporting period. Actual results could vary from these estimates. The estimates and assumptions are permenenrly reviewed. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting estimates and judgments

Impairment of intangible and tangible fixed assets

The determination of whether an impairment loss needs to be recognised in connection with the intangible assets and property, plant and equipment used requires significant judgement. In making this judgement, at each cash-generating unit level ('CGU'), the Group compares the carrying amount of such intangible assets and property, plant and equipment against the higher of the cash-generating unit's fair value less cost to sale and its value in use which will be generated by the CGU's intangible assets and property, plant and equipment over their remaining useful lives. The recoverable amount used by the Group for each CGU for impairment assessment purpose has been represented by the value in use.

As at 31 December 2011 the management of each entity in the Group performed an impairment test and concluded that no impairment loss should be recognised.
The value in use per each CGU has been determined using the projections of the cash inflows from the continuing use of the assets for five years period from 31 December 2011, including also the residual value.
The amounts represented the best estimates for the next five years approved by the management of the Group. The amounts taken into consideration were determined based on past experience and the future management plans.

As average growth rate per year considered in order to reflect the Group's past experience, as well as the market conditions, the following were used:

- 5% per year for PVC pipes and profiles CGU,
- 18% per yearfor thermo-insulating panels and metallic structure CGU, and
- 4% per year for polyethylene pipes CGU

The cash inflows were discounted for using the post-tax weighted average cost of capital of 10% for industrial products sector available as of 31 December 2011.

Future cash-flows have been estimated for the CGU's assets in its current condition. At 31 December 2011, if discounted cash inflows, determined as presented above, impact in each CGU, assumed in impairment analysis had weakened by a certain percentage against forecasts, the Group should have recognised an impairment loss as detailed below:
- PVC pipes and profiles CGU – cash flow would decrease by 5% compared to forecasts, the Group should recognised an impairment loss of RON 1.487.718
-Thermo-insulating panels and metallic structure CGU - cash flow would decrease by 18% compared to forecasts, the Group should recognised an impairment loss of RON 330.473
- Polyethylene pipes CGU - cash flow would decrease by 4% compared to forecasts, the Group should not recognised an impairment loss

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Comparative information

For each item of consolidated statement of the financial position, consolidated statement of comprehensive income, and where is the case, consolidated statement of changes in equity and consolidated statement of cash flow, for comparative information is presented the value of the corresponding item for the previous year ended.

As requested by IAS 8, due to restatement, the consolidated balance sheet contains 3 columns (31 December 2011, 31 December 2010, 31 December 2009). Notes affected by restatement contain also 3 columns, while the others contain only comparative information at 31 December 2010.

3. REVENUES AND OPERATING SEGMENTS

An analysis of the Group's revenues as follows:

	Year ended December 31, 2011	Year ended December 31, 2010
	RON	RON
Sales of own production	266.146.624	234.445.712
Revenue from re-sale of merchandise	39.152.504	44.463.626
Income from other activities	2.048.409	1.119.296
Commercial discounts	(1.847.692)	(1.097.000)
Total	**305.499.845**	**278.931.634**

Geographical analysis

	Year ended December 31, 2011	Year ended December 31, 2010
	RON	RON
Sales on local market (Romania)	259.133.918	240.647.891
Sales on external market (Europe)	46.365.927	38.283.743
Total	**305.499.845**	**278.931.634**

3. REVENUES AND OPERATING SEGMENTS (continued)

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group's reportable segments are therefore as follows:

	Revenues from Segmentation		Sales Contribution from Segmentation	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Restated)		(Restated)
	RON	RON	RON	RON
Gross income	219.934.742	211.405.920	-	-
Eliminate inter-segment transactions	(22.087.055)	(2.871.889)	-	-
PVC pipes and profiles	**197.847.687**	**208.534.031**	**28.920.982**	**35.392.192**
Gross income	79.252.849	56.284.864	-	-
Eliminate transactions	(1.315.309)	(3.622.855)	-	-
Thermo-insulating panels and metallic structure	**77.937.540**	**52.662.009**	**14.335.494**	**6.284.402**
Gross income	29.900.409	25.335.722	-	-
Eliminate transactions	(185.790)	(7.600.127)	-	-
Polyethylene pipes	**29.714.619**	**17.735.595**	**4.948.727**	**4.079.473**
Total	**305.499.845**	**278.931.634**	**48.205.203**	**45.756.067**
Reconciliation item (Note 35)	-	-	-	(2.992.528)
Total	**305.499.845**	**278.931.634**	**48.205.203**	**42.763.539**
Income from investments	-	-	157.883	129.011
Indirect, administrative and selling costs	-	-	**(56.111.053)**	**(46.936.467)**
Reconciliation item (Note 35)	-	-	-	(575.126)
Indirect, administrative and selling costs (restated)	-	-	**(56.111.053)**	**(47.511.593)**
Financial expenses	-	-	(4.062.415)	(3.302.132)
Total	-	-	**(11.810.382)**	**(7.921.177)**

3. REVENUES AND OPERATING SEGMENTS (continued)

	Assets Segment		Liabilities Segment	
	December 31, 2011	December 31, 2010 (restated)	December 31, 2011	December 31, 2010 (restated)
	RON	RON	RON	RON
Assets and Liabilities Segment				
PVC pipes and profiles				
Gross amount	209.679.301	240.277.986	107.084.814	111.473.173
Assets held for sale	5.465.565	-	-	-
Eliminate inter-segment transactions	(4.832.110)	(2.445.533)	(837.806)	(3.729.905)
Corrections		(3.383.388)	-	-
Net amount	**210.312.756**	**234.449.065**	**106.247.008**	**107.743.268**
Thermo-insulating panels and metallic structure				
Gross amount	55.642.780	49.635.122	37.213.597	31.949.878
Eliminate inter-segment transactions	(10.075.914)	(11.880.339)	(1.009.015)	(496.580)
Corrections		(628.027)		-
Net amount	**45.566.866**	**37.126.756**	**36.204.582**	**31.453.298**
Polyethylene pipes				
Gross amount	19.890.743	17.417.243	10.350.576	9.233.766
Eliminate inter-segment transactions	(375.713)	(3.345.183)	(83.621)	-
Net amount	**19.515.030**	**14.072.060**	**10.266.955**	**9.233.766**
Deffered Tax	553.190	-	1.560.247	-
Unallocated	-	203.762	-	2.261.760
Reconciliation item (Note 35)	-	415.344	-	1.478.578
Total	**275.947.842**	**285.952.127**	**154.278.792**	**151.855.810**

3. REVENUES AND OPERATING SEGMENTS (continued)

	Segment of depreciation		Segment of long term assets additions	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Segment depreciation and assets additions - long term	**RON**	**RON**	**RON**	**RON**
PVC pipes and profiles	**20.346.123**	**20.386.581**	**3.673.230**	**17.885.557**
Depreciation	14.506.827	12.508.140	-	-
Provisions	5.839.296	7.878.441	-	-
Thermo-insulating panels and metallic structure	**2.756.088**	**3.771.382**	**4.569.104**	**2.799.904**
Depreciation	1.608.868	1.361.259	-	-
Provisions	1.147.220	2.410.123	-	-
Polyethylene pipes	**1.730.884**	**573.876**	**222.020**	**515.033**
Depreciation	809.982	655.007	-	-
Provisions	920.902	(81.131)	-	-
Unallocated	-	-	-	-
Errors correction	-	1.642.866	-	-
Total	**24.833.095**	**26.374.705**	**8.464.354**	**21.200.495**

4. INVESTMENT REVENUES

	Year Ended December 31, 2011	Year Ended December 31, 2010
	RON	**RON**
Other financial revenue	143.111	115.242
Interest income	14.772	13.769
Total	**157.883**	**129.011**

5. CHANGES IN INVENTORIES

	Year Ended December 31, 2011 RON	Year Ended December 31, 2010 RON (restated)
Changes in inventories of finished goods and work in progress	1.538.613	4.744.361
Total	**1.538.613**	**4.744.361**

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year Ended December 31, 2011 RON	Year Ended December 31, 2010 RON (restated)
Raw materials expenses	179.312.294	161.502.183
Consumables expenses	12.596.587	7.784.481
Merchandise expenses	28.536.483	29.718.183
Packaging consumed	589.421	594.108
Total	**221.034.785**	**199.598.955**

7. OTHER GAINS AND LOSSES

	Year Ended December 31, 2011 RON	Year Ended December 31, 2010 RON (restated)
Gain/(loss) from disposal of tangible and intangible assets	53.397	(1.084.725)
Other income	447.752	56.929
Foreign exchange gain	6.837.830	7.582.900
Foreign exchange loss	(8.636.499)	(8.411.196)
Net loss on disposal of investments	(224.829)	(124.782)
Discounts received	249	3.755
Discounts allowed	(229.057)	(54.318)
Compensations , fines and penalties	(19.342)	477.934
TOTAL NET LOSS	**(1.770.499)**	**(1.553.503)**

8. PROVISIONS, DEPRECIATION AND AMORTIZATION EXPENSES

	Year ended December 31, 2011	Year ended December 31, 2010
	RON	RON (restated)
Adjustment for impairment of current assets and provisions		
Constitution and write offs of adjustment for impairment of current assets (Nota 18, 19)	7.456.059	12.122.187
Provisions for risks and charges (Nota 26)	451.359	(652.325)
Total adjustment for impairment and provisions	**7.907.418**	**11.469.862**
Depreciation and amortization	**16.925.677**	**14.904.843**
out of which:		
Amortization of property, plant and equipment	16.398.283	14.497.888
Amortization of assets held for sale	-	-
Amortization of intangible assets	527.394	406.955
Total provisions, adjustment for impairment and amortization	**24.833.095**	**26.374.705**

9. EMPLOYEE BENEFITS EXPENSES AND SOCIAL CHARGES

	Year ended December 31, 2011	Year ended December 31, 2010
	RON	RON
Salaries	22.734.828	22.194.163
Contributions to state social security fund	4.575.590	4.727.870
Other taxes and contributions related to salaries	1.605.409	1.679.275
Meal tickets	1.399.285	2.721.956
Total	**30.315.112**	**31.323.263**

10. FINANCIAL EXPENSES

	Period ended December 31, 2011	Period ended December 31, 2010
	RON	RON
Interest and other financial expenses		
Interest expenses	3.172.673	2.587.220
Bank commissions and similar charges	889.742	714.912
Total	**4.062.415**	**3.302.132**

11. OTHER EXPENSES

	Period ended December 31, 2011	Period ended December 31, 2010
	RON	RON
Electricity expenses	7.190.078	7.134.691
Entertainment, promotion and advertising expenses	2.112.765	1.682.879
Third party services	8.211.485	6.203.762
Repair expenses	1.033.981	900.415
Post and telecommunications expenses	492.687	508.327
Transport expenses	10.555.668	8.902.601
Other taxes and charges	1.601.365	1.464.486
Travel expenses	594.435	604.862
Rental expenses	363.095	348.981
Insurance premiums expenses	495.072	583.832
Compensations, fines and penalties expenses	3.192.022	356.279
Other general expenses	1.148.164	882.511
Total	**36.990.817**	**29.573.625**

12. INCOME TAX

The total charge for the year can be reconciled to the accounting profit as follows:

	Period ended December 31, 2011	Period ended December 31, 2010
	RON	RON (restated)
Loss before tax	**(11.810.382)**	**(7.921.177)**
Theoretical income tax expense calculated at 16%	(1.889.661)	(1.267.388)
Income not subject to tax	(729.382)	(270.626)
Expenses not deductible for tax purposes	2.990.227	1.921.086
	-	-
Total income tax expenses	**371.184**	**383.072**

Income tax expenses

Tax expense comprises:	Period ended December 31, 2011	Period ended December 31, 2010
	RON	RON (restated)
Current income tax expense	**1.006.782**	**177.151**
Deferred tax expense	476.800	**1.585.634**
Deffered tax income	**(1.112.398)**	**(1.379.713)**
Total income tax expense	**371.184**	**383.072**

The tax rate used for the 2011 and 2010 reconciliations above is of 16% payable by corporate entities in Romania.

12. INCOME TAX (continued)

Components of net deferred tax liabilities:

2011	Opening balance	Recorded in the profit and loss account	Closing Balance
	(restated) RON	RON	RON
Property, plant and equipment	(3.867.334)	463.810	(3.403.524)
Inventories	983.807	(724.901)	258.906
Trade and other receivables	947.899	557.321	1.505.220
Trade and other payables	123.848	(123.000)	848
Borrowings	-	-	-
Provisions	169.126	45.006	214.132
Other non-current liabilities	-	-	-
Fiscal loss	-	417.362	417.362
Net liabilities with deferred tax recognized	**(1.642.654)**	**(635.598)**	**(1.007.056)**

According to fiscal legislation from Romania, the fiscal loss may be carried forward for a period of 7 years for the fiscal losses realized after January 1, 2009 from the year in which these appeared.

2010	Opening balance	Recorded in the profit and loss account	Closing balance
	(restated) RON	(restated) RON	(restated) RON
Property, plant and equipment	(2.865.104)	(1.002.230)	(3.867.334)
Inventories	923.942	59.865	983.807
Trade and other receivables	23.892	924.007	947.899
Trade and other payables	77.856	45.992	123.848
Borrowings	(65.998)	65.998	-
Provisions	492.179	(323.053)	169.126
Other non-current liabilities	-	-	-
Other	(74.166)	74.166	-
Net (liabilities)/receivables with deferred tax recognized	**(1.487.399)**	**(155.255)**	**(1.642.654)**

12. INCOME TAX (continued)

2011	Short term	Long term	Total
	RON	RON	RON
Property, plant and equipment	-	(3.403.524)	(3.403.524)
Inventories	258.906	-	258.906
Trade and other receivables	1.505.220	-	1.505.220
Trade and other payables	848	-	848
Borrowings	-	-	-
Provisions	159.095	55.037	214.132
Other non-current liabilities	-	-	-
Fiscal loss	-	417.362	417.362
Total	**1.924.069**	**(2.931.125)**	**(1.007.056)**

2010	Short term	Long term	Total
	(restated) RON	(restated) RON	(restated) RON
Property, plant and equipment	-	(3.867.334)	(3.867.334)
Inventories	983.807	-	983.807
Trade and other receivables	947.899	-	947.899
Trade and other payables	123.848	-	123.848
Borrowings	-	-	-
Provisions	113.629	55.497	169.126
Other non-current liabilities	-	-	-
Other	-	-	-
Total	**2.169.183**	**(3.811.837)**	**(1.642.654)**

13. PROPERTY, PLANT AND EQUIPMENT

In December 2011, the Company has ended with third party beneficiaries, two significant transactions consisting of sale, respectively, promise to sell the assets and business lines of the Company.

Therefore, on December 9, 2011, based on the pre-contract of sale no. 316375, the Company has committed to the sale of the assets situated in Bistrita and Iasi to S.C Met-Axa S.R.L Botosani, assets with a net carrying amount as at December 31, 2011 of RON 1.230.761. On December 31, 2011, the Company has received an advance of 15% (EUR 86.250, VAT included) of the total value of the contract, the rest will be charged in 2012.

On December 16, 2011 was signed the transfer commitment to S.C Teracota Bistrita S.R.L of all activity lines representing manufacture of ceramic products by burning with a net carrying amount as at December 31, 2011 of RON 4.234.804, especially tiles, refractory bricks, floor and wall tiles. In exchange for the transfer of Assets, Activity and Equipment, the buyer must pay the total price of the transaction, in the amount of EUR 1.005.000.The first tranche of price, worth EUR 105.000 was paid by the buyer until the end of January 2012.

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Tools and equipment	Equipment and vehicles under finance lease	Plant and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON	RON
Cost							
Balance at January 1, 2010 (restated)	**9.327.976**	**72.804.359**	**170.464.700**	**3.616.203**	**601.656**	**18.110.105**	**274.924.999**
Additions	1.211.686	-	661.916	1.933.741	45.216	16.890.213	20.742.772
Disposals	(46.300)	(2.350.628)	(636.547)	-	-	-	(3.033.475)
Corrections	(507.191)	594.446	(2.101.762)	-	368.974	258.959	(1.386.574)
Transfers	-	6.669.691	19.179.790	(447.677)	-	(25.401.804)	9
Balance at December 31, 2010	**9.986.171**	**77.717.868**	**187.568.097**	**5.102.266**	**1.015.855**	**9.857.473**	**291.247.731**
Balance at January 1, 2011	**9.986.171**	**77.717.868**	**187.568.097**	**5.102.266**	**1.015.855**	**9.857.473**	**291.247.731**
Additions	-	329.371	445.293	395.139	-	7.061.696	8.231.499
Disposals	(41.003)	(4.640.523)	(22.846.051)	-	(34.827)	(472.543)	(28.034.947)
Transfers		6.546.074	4.749.448	(144.436)	425.932	(11.577.018)	-
Transfers – assets held for sale	(1.426.891)	(7.726.181)	(8.230.792)	-	-	-	(17.383.864)
Balance at December 31, 2011	**8.518.277**	**72.226.609**	**161.685.995**	**5.352.969**	**1.406.960**	**4.869.608**	**254.060.418**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Tools and equipment	Vehicles under finance lease	Plant and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON	RON
Accumulated amortization							
Balance at January 1, 2010 (restated)	-	11.699.067	92.660.325	1.207.509	219.003	239.250	106.025.154
Elimination from sale of assets	-	(706.457)	(134.551)	(224.235)	(2.710)	-	(1.067.953)
Amortization expenses	-	2.542.740	11.110.948	671.628	172.572	-	14.497.888
Balance at December 31, 2010	**-**	**13.535.350**	**103.636.722**	**1.654.902**	**388.865**	**239.250**	**119.455.089**
Balance at January 1, 2011	**-**	**13.535.350**	**103.636.722**	**1.654.902**	**388.865**	**239.250**	**119.455.089**
Elimination from sale of assets	-	(1.539.972)	(21.432.153)	-	(18.184)	-	(22.990.309)
Elimination from transfer of assets	-	-	-	(58.290)	-	-	(58.290)
Amortization expenses	-	2.933.664	12.596.157	705.032	159.456	-	16.394.310
Transfers – assets held for sale	-	(4.225.059)	(7.693.240)	-	-	-	(11.918.299)
Balance at December 31, 2011	**-**	**10.703.983**	**87.107.486**	**2.301.644**	**530.137**	**239.250**	**100.882.500**
Net carrying amount							
As at December 31, 2010	**9.986.171**	**64.182.518**	**83.931.375**	**3.447.364**	**626.990**	**9.618.223**	**171.792.642**
As at December 31, 2011	**8.518.277**	**61.522.626**	**74.578.508**	**3.051.325**	**876.823**	**4.630.358**	**153.177.918**
Transfers – assets held for sale	**(1.426.891)**	**(3.501.122)**	**(537.552)**	**-**	**-**	**-**	**(5.465.565)**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Tangible assets include vehicles and equipment used under financial leasing agreements, include plant and machinery, as follows:

	December 31, 2011	December 31, 2010
	RON	RON
Net book value – vehicles	1.247.111	1.492.439
Net book value – equipment	1.804.173	1.954.925

The Group had pledged fixed assets to financial institutions with a net carrying amount of RON 112.889.009 RON.

14. OTHER INTANGIBLE ASSETS

Cost	Licenses RON	Intangible assets in progress RON	Total RON
Balance at January 1, 2010	**3.818.214**	**25.337**	**3.843.551**
Additions	152.333	299.613	451.946
Corrections	(111.073)	-	(111.073)
Balance at December 31, 2010	**3.859.474**	**324.950**	**4.184.424**
Balance at January 1, 2011	**3.859.474**	**324.950**	**4.184.424**
Additions	588.274	117.126	705.400
Transfers	-	(222.121)	(222.121)
Disposals	-	(182.859)	(182.859)
Balance at December 31, 2011	**4.447.748**	**37.096**	**4.484.844**
Accumulated amortization			
Balance at January 1, 2010	**1.910.478**	**-**	**1.910.478**
Amortization expense	406.955	-	406.955
Corrections	52.986	-	52.986
Balance at December 31, 2010	**2.370.420**	**-**	**2.370.420**
Balance at January 1, 2011	**2.370.420**	**-**	**2.370.420**
Amortization expense	527.394	-	527.394
Balance at December 31, 2011	**2.897.814**	**-**	**2.897.814**
Net carrying amount			
As at December 31, 2010	**1.489.054**	**324.950**	**1.814.005**
As at December 31, 2011	**1.549.935**	**37.096**	**1.587.399**

15. SUBSIDIARY

As of December 31, 2011 the Group had two subsidiaries (Plastsistem SA and Teraglass Bistrita SRL).

In March 2007, the Company became the majority shareholder in SC Plastsitem SA (Plastsistem) by acquiring 52,77% of the shares. Plastsistem's principle activity is that of manufacturing thermo-insulating panels with polyurethane foam for construction of industrial buildings and warehouses.

During 2008, the Group participated to the share capital increase of Plastsistem, determining an increase in investment with 0,71%.

Furthermore, the Group increased its investment in Plastsistem during 2008 by 1,4% in small transactions. For the purpose of these financial statements, the consolidation adjustments are arrived at using December 2008 fair values as it remained fairly stable during the period.

During 2010, the interest held by SC Teraplast SA in the share capital of SC Plastsistem SA has increased through a contribution in kind (a building located in 25th, Tarpiului street, Bistrita), amounting RON 2.316.000, which lead to an increase of the investment of 6,17%. At the end of 2011, Teraplast's shareholding in Plastsistem was of 78,71%.

Subsidiary	Location	Activity	Share Capital held at 31 December 2011 (%)	Share Capital held at 31 December 2010 (%)
Plastsistem S.A. Bistrita	Romania	Thermo-insulating panels production	78,71%	78,71%

Subsidiaries acquired	Main activity	Date of acquisition	Proportion of shares acquired	Cost of acquisition
Balance at January 1, 2009			**71,14%**	**6.381.391**
SC PLASTSISTEM SA	Manufacturing / Trading	31 December 2009	1,40%	207.017
SC PLASTSISTEM SA	Manufacturing / Trading	31 December 2010	6,17%	2.316.000
Balance at December 31, 2011			**78,71%**	**8.904.408**

The company Teraglass Bistrita SRL was established in 2011 and Teraplast SA owns 100% of the company. The company's main activity is the manufacturing of plastic products for constructions, with a share capital amounting RON 50.000.

16. JOINT VENTURES

The Group has a 50% interest in a joint venture, known as Politub SA, established in Bistrita, Romania. The main activities of Politub include manufacturing of polyethylene pipes of medium and high density for transportation and distribution networks of water, natural gas, but also for telecommunication, sewerage and irrigation.

The following amounts are included in the Group financial statements as a result of the proportionate consolidation of Politub SA:

Balance sheet	December 31, 2011	December 31, 2010
	RON	RON
Current assets	11.307.487	8.357.607
Non-current assets	8.477.435	9.059.631
Current liabilities	8.751.285	7.169.315
Non-current liabilities	1.539.779	2.163.707
Net assets	**9.493.860**	**8.084.216**

Income statement	Period ended December 31, 2011	Period ended December 31, 2010
	RON	RON
Incomes	30.755.954	26.618.058
Expenses	(29.346.311)	(25.552.174)
Profit for the year	**1.409.643**	**1.065.884**

17. OTHER FINANCIAL ASSETS

Details of other financial assets of the Group are as follows:

Name of investment	Main activity	Place of incorporation of operation	Ownership interest December 31, 2011	Ownership interest December 31, 2010	Historical cost December 31, 2011	Historical cost December 31, 2010
			%	%	RON	RON
S.C. CERTIND S.A.	Independent certification	Bucuresti	7,50%	7,50%	14.400	14.400
Partnership for durable development	Association	Bistrita. Romania	7,14%	7,14%	1.000	1.000
Association of metalic panel producers	Association	Bistrita. Romania			1.000	1.000
Total					**16.400**	**16.400**

17. OTHER FINANCIAL ASSETS (continued)

CERTIND Company is an independent certification body accredited by the Greek Accreditation Body – ESYD for the following types of certification services: quality management systems certification according to ISO 9001, environmental management systems certification according to ISO 14001, food safety management systems certification according to ISO 22000.

The Group has no obligation and did not make any payment on behalf of the Companies in which it has an interest.

The Group does not have access to reliable reports to estimate the fair value of its share in the above mentioned companies.

18. INVENTORIES

	December 31, 2011 RON	December 31, 2010 RON (restated)	December 31, 2009 RON (restated)
Finished goods	19.852.020	18.319.061	14.936.476
Raw materials	14.903.019	10.948.577	7.287.005
Merchandise	6.205.752	4.160.682	4.091.717
Consumables	2.467.730	1.191.492	1.394.098
Small tools	435.492	136.805	24.315
Semi-finished goods	770.810	290.643	219.749
Residual products	122.674	41.670	139.565
Work in progress	-	49.213	36.995
Packaging materials	51.431	84.390	61.520
Impairment of inventories due to obsolence	(2.987.965)	(2.289.561)	(336.487)
Impairment of work in progress	-	(4.716)	(1.925)
Impairment of finished goods	-	(251.093)	(92.689)
Impairment of merchandise	(1.829.820)	(428.254)	(206.436)
Total	**39.991.143**	**32.248.909**	**27.653.903**

19. TRADE AND OTHER RECEIVABLES

	December 31, 2011	December 31, 2010
	RON	RON
Trade receivables	66.677.288	69.568.353
Bills of exchange not due	18.990.520	15.565.109
Advances paid to suppliers for inventories	611.924	521.507
Advances payments for tangible assets	267.842	126.562
Advances paid to suppliers for services	63.160	597.974
Trade guarantees paid	205.249	134.534
Impairment of trade receivables	(18.031.812)	(12.419.914)
Total	**68.784.171**	**74.094.125**

Changes in the allowance for doubtful debts	December 31, 2011	December 31, 2010
		RON
Balance at beginning of the year	**(12.419.914)**	**(2.618.832)**
Debts transferred to expenses during the year		-
Increase / (Decrease) in allowance recognized in profit or loss account	(5.611.898)	(9.801.082)
Balance at end of the year	**(18.031.812)**	**(12.419.914)**

In determining the recoverability of a trade receivable the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the Group management believe that there is no further credit allowance required in excess of the allowance for doubtful debts.

20. OTHER CURRENT ASSETS

	December 31, 2011	December 31, 2010
	RON	RON
Prepayments	406.207	207.211
Other receivables	408.672	740.988
Advances paid to employees	67.043	755
Total	**881.922**	**948.954**

21. SHARE CAPITAL

	Share capital	
	December 31, 2011	December 31, 2010
	RON	RON
297.875.880 fully paid ordinary shares (2010: 297.875.880) – at historical cost	29.787.588	29.787.588
Hyperinflation adjustment	31.030.010	31.030.010
Total	**60.817.598**	**60.817.598**

The value of the share capital of the Company is the equivalent of 297.875.880 shares, which were authorized, issued and fully paid for, at a face value of RON 0,1, having a total nominal value of RON 29.787.588. The ordinary shares bear one vote each and give the right to dividends.

The share capital was increased in 2008 through public offer. There were issued 49.645.980 new shares with a nominal value of 0,1 RON/share and a issue premium of 0,9 RON/share.

During 2009 the Company bought back 4.480.000 shares, at the cost of RON 1.682.159; the shares were acquired in order to sell them at the acquisition cost to the executive management of the Group, according to shareholders' decision from December 11, 2008.

During 2010 the Company bought back 4.042.655 shares, at the cost of RON 1.946.981, representing 1,36% of the share capital. During 2011 a number of 477.345 shares were bought back,at the cost of RON 245.713, representing 0,17% of the share capital. The shares were acquired in order to sell them at the acquisition cost to the executive management of the Company, according to shareholders' decision from December 11, 2008 and December 11, 2009.

21. SHARE CAPITAL (continued)

On December 16, 2010, the shareholders decided the shares to be granted free of charge to executive management of the Group. In order to be able to implement the decision, the Group drafted and submitted to the statutory regulator 'Comisia Nationala a Valorilor Mobiliare' (CNVM) a simplified prospect, as this is a mandatory requirement.

The plan included the following:

- Grant of 4.500.000 shares free of charge
- Over a period of 10 years - each year, the management will receive a part of the shares, based on their performance.

By 31 December 2011 and the date of these financial statements, the shares were not granted to management, and formal statutory procedures in this respect with CNVM are in progress and were not yet finalised, due to the modifications incurred in Teraplast SA that generated modifications to the simplified prospect sent to CNVM for approval.

During Annual General Meeting from April 2012, there was a discussion regarding the destination of these own shares, the options being either granting them free of charge to executive management of the Company either cancelling them followed by decrease of share capital. Both options were rejected by shareholders.

These buy-back shares were debited to retained earnings since they were not cancelled as at 31 December 2011.

	December 31, 2011		December 31, 2010	
	Number of shares	% ownership	Number of shares	% ownership
GOIA DOREL	102.067.342	34,27%	102.067.342	34,27%
VICIU EMANOIL	25.240.060	8,47%	30.240.069	10,15%
Marley Magyarorszag (GEMENCPLAST SZEKSZARD)	22.885.589	7,68%	22.885.589	7,68%
SIF BANAT CRISANA	32.766.683	11,00%	31.224.683	10,48%
Other individuals	114.916.197	38,58%	111.458.197	37,42%
Total	**297.875.880**	**100,00%**	**297.875.880**	**100,00%**

22. LEGAL RESERVES

	December 31, 2011 RON	December 31, 2010 RON
Legal reserves	6.906.225	6.771.814
Total	**6.906.225**	**6.771.814**

The legal reserve is used to transfer profits from retained profits. Under Romanian law a transfer is required out of net income of a Group. The transfer can be up to 5% of the income before tax, until the reserve has reached 20% of the share capital.

The reserve cannot be distributed to the shareholders but can be used to absorb operating losses.

23. RETAINED EARNINGS

	December 31, 2011 RON	December 31, 2010 RON (restated)
Balance at beginning of year	**20.632.060**	**30.251.854**
Buy-back shares	(245.713)	(1.946.980)
Net result attributable to members of the parent company	(12.605.213)	(7.819.837)
Increase ownership percentage in Plastsistem	-	548.035
Transfers to legal reserves	(134.419)	(401.012)
Balance at end of year	**7.646.736**	**20.632.060**

24. NON-CONTROLLING INTEREST

	December 31, 2011 RON	December 31, 2010 RON
Balance at beginning of year	**3.629.726**	**4.662.174**
Decrease from acquisition of shares of non-controlling interest	-	(548.035)
Result of the year	423.647	(484.412)
Balance at end of year	**4.053.374**	**3.629.726**

25. BORROWINGS

	Short term		Long term	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Borrowings secured – at amortized cost	**RON**	**RON**	**RON**	**RON**
Bank loans	13.471.095	9.339.802	37.979.045	16.706.945
Short term bank loans	33.043.231	48.070.526	-	-
Finance lease liabilities (see note 29)	1.237.568	1.438.541	664.260	1.507.498
Total	**47.751.894**	**58.848.869**	**38.643.383**	**18.214.443**

	December 31, 2011	December 31, 2010
Bank loans	**RON**	**RON**
BRD	24.553.986	3.828.911
Unicredit Tiriac Bank	24.818.196	18.330.023
Raiffeisen	-	1.154.047
ING	-	32.596
CEC	567.169	757.365
BCR	1.510.789	1.943.805
Total	**51.450.140**	**26.046.747**

	December 31, 2011	December 31, 2010
Short term bank loans	**RON**	**RON**
BCR	1.198.126	841.959
ING	-	8.548.987
Unicredit Tiriac Bank	31.413.135	30.985.480
BRD	431.970	7.694.101
Total	**33.043.231**	**48.070.527**

All borrowings bear a variable interest rate.

25. BORROWINGS (continued)

The split by currency is the following:

Currency	2011	2010
EUR	84.593.987	75.463.989
RON	1.801.290	1.599.322
TOTAL	**86.395.277**	**77.063.312**

The bank loans split by companies as at December 31, 2011 are the following:

Teraplast

A. Investment contract signed with BRD on June 21, 2006 in EUR, for the acquisition of equipment and the construction of production facilities. The initial amount was of EUR 1.551.500 with an EURIBOR interest rate at 3 months + 2,1%. The outstanding amount at December 31,2011 is of RON 670.191 (EUR 155.148) (December 31, 2010: RON 1.995.700 (EUR 465.448)). The due date is June 2012 and the reimbursement is made in 60 monthly installments of EUR 25.858,33, starting July 2007 untill June 2012.
B. Investment contract signed with BRD on 21 June 2006, in EUR, for the acquisition of 4 locations for trading for Plastsistem in Iasi, Oradea, Galati and Constanta. The initial amount of the loan was EUR 1.034.020, with a EURIBOR interest rate 3 months +2,1%. The outstanding amount at December 31, 2011 is of RON 992.590 (EUR 229.782) (December 31, 2010:RON 1.642.062 (EUR 382.970). The due date is June 2013 and the reimbursement is made in 80 equal monthly installments of EUR 12.765,68, starting with October 2006 until June 2013.
C. Short term credit facility signed with BRD in 2010 in EUR for financing working capital. The initial amount was EUR 1.500.000, increased to EUR 3.300.000 and the interest rate is the reference rate 1 month plus 2,25%. The outstanding amount as at December 31, 2011 is of RON 14.252.069 (EUR 3.299.319) (December 31, 2010: RON 7.694.101 (EUR 1.794.459)). The maturity date of this loan is March 2013.
D. Investment contract signed with BRD on the 19th of December 2011 in EUR. The total amount of the loan is EUR 2.500.000, with an EURIBOR interest rate at 3 months + 3%. The amount drawn as at Dedember 31,2011 is of RON 8.639.136 (EUR 1.999.939). The due date is December 2016 and the reimbursement will be made in 60 monthly installments of EUR 41.666,67.
E. Short term credit facility signed with BRD in 2011, in EUR for the financing of the working capital. The initial amount was of EUR 300.000 and the interest rate is EURIBOR at 1 month + 2,25%. The outstanding amount as at December 31, 2011 is of RON 431.970 (EUR 100.000), the reimbursement will be made in equal monthly installments of EUR 33.333,34 and the due date is March 2012.
F. Investment contract signed with UniCredit Tiriac Bank on November 28, 2007 in EUR or USD for equipment acquisition. The initial amount is of EUR 3.500.000 and the interest rate is EURIBOR 1 month +1,5% for EUR. The outstanding amount for this agreement as at December 31, 2011 is of RON 8.819.391 (EUR 2.041.667) (December 31, 2010:RON 11.755.445 (EUR 2.741.666)). The due date is November 2014 and the reimbursement will be made in monthly installments of EUR 58.333,33 starting December 2009 untill November 2014.

26. BORROWINGS (continued)

G. Credit facility – credit line for the financing of the current activity, renewed with Unicredit Tiriac Bank on the 29th of September 2011 in EUR. The amount is of EUR 4.800.000 resulting from the merging of the revolving credit facility received on the 4th of September 2006, amounting EUR 3.500.000 and the short term credit for the financing of working capital needs amounting EUR 1.300.000. The interest rate is EURIBOR (O/N) + 2,75% p.a for EUR. The outstanding amount as at December 31, 2011 is of RON 20.001.987 (EUR 4.630.411) (December 31, 2010: RON 20.322.235). The due date is October 2012.

H. Investment contract signed with Unicredit Tiriac Bank on the 29th of September 2011 in EUR or USD for investment. The initial amount is of EUR 3.000.000, with an interest rate of EURIBOR at 1 month + 5,75%. The amount drawn until the 31st of December 2011 is of RON 12.197.469 (EUR 2.823.684). The due date is November 2015 and the reimbursement will be made in 45 equal monthly installments of EUR 66.666,67.

At December 31, 2011 the Company does not meet all financial indicators specified in the loan contracts signed with the financing banks – BRD and Unicredit Tiriac Bank. In order to prove the liability of the credits presented in the financial statements, the Company requested and received from banks in April 2012 letters regarding the cancellation of these contractual conditions for the financial year ended at December 31, 2011.

As at December 31, 2011 tangible assets with a net carrying amount of RON 84.828.501 were pledged as guarantees for the loans and credit facilities (land and buildings – RON 43.666.444; equipment, tools and other fixed assets – RON 41.162.057).

UNICREDIT TIRIAC BANK SA issued a letter of guarantee on 13 December 2011 in favour of Coperion Italia amounting RON 510.070 (EUR 118.080).

25. BORROWINGS (continued)

Plastsistem

A. Investment contract no.1 signed with Unicredit Tiriac Bank on the 27th of November 2006, in EUR for the purchase of equipment. The inital amount is of EUR 3.300.000 with an interest rate of EURIBOR at 1 month + 1.75% for EUR. The outstanding amount as at December 31, 2011 is of RON 3.801.340 (EUR 880.000) (December 31, 2010: RON 6.598.595, EUR 1.540.000). The due date is April 2013 and the reimbursement will be made with a monthly rate of EUR 54.999,98 starting May 2008 untill April 2013.

B. As at 31 of December 2011, the Company has contracted a multi-currency credit facility from Unicredit Tiriac Bank for the financing of the company's general expenses and the issuing of letters of guarantee and letters of credit, amounting EUR 3.400.000. The contract no.BIS2/14/2007 was signed with Unicredit Tiriac Bank on the 23rd of November 2007; the initial amount was of EUR 1.700.000 cash and EUR 1.700.000 non-cash; starting with 29 September 2011 the credit facility has been revised and the cash and non-cash components were cumulated. As at 31 December 2011,out of the EUR 3.400.000 limit, EUR 2.633.308 was used cash and EUR 473.340 was used for letters of guarantee and letters of credit. The interest rate is ON+3.75% for EUR and ON+2% for RON. The maturity date is October 2012.

As at 31 December 2011, the Company has unused facility in amount of EUR 293.352.

These loans were pledged with goods from the Company's patrimony, worth RON 23.649.741 (December 31, 2010: RON 25.564.571).

As at 31 December, 2011 the Company is not compliant with all the financial indicators specified in the loan agreements with Unicredit Tiriac Bank. In order to prove liability for credit in the financial statements, the Company requested and received from Unicredit Tiriac Bank in April 2012 a waiver letter from those contractual terms for the year ended at December 31, 2011.

As decribed in Note 36, subsequent to 31 December 2011, Teraplast SA si Plastsistem SA did not meet some financial indicators for the loans from Unicredit, while BRD postponed for Teraplast SA with 12 months the period when the financial indicators will be in force, until 31 December 2012.

25. BORROWINGS (continued)

Politub

A. Multiproduct facility from BCR: contract amount RON 3.500.000; the outstanding amount as at December 31,2011 was of RON 2.396.251 (December 31, 2010: RON 1.683.917), with the maturity extended until April 2014.

B. Credit for investment: CEC-Bank – contract amount RON 2.000.000, outstanding amount as at December 31, 2011 of RON 1.134.328 (December 31, 2010:RON 1.462.687), maturity date in Janury 2015.

C. Credit for investment: BCR – contract amount EUR 1.100.000, outstanding balance as at December 31, 2011: RON 3.021.578, equivalent of EUR 699.488 (December 31, 2010: RON 3.939.651, equivalent of EUR 919.448), maturity date in May 2015.

These loans were pledged with goods from the Company's patrimony, worth RON 8.821.534 (December 31, 2010: RON 10.924.172).

The loans and credit facilities of the Group are pledged with all cash balances of the Group's entities, which have contracted these facilities, both present and future; all inventories balances and accounts receivables balances in amount of RON 113.068.253 (December 31, 2010: RON 109.905.635).

Due to the fact that all loans have a variable interest rate, as well as the Group's management's experience based on the addendums signed with the banks and other offers received, we consider that at the moment the cost of the borrowings represents approximately their fair value.

26. RETIREMENT BENEFIT OBLIGATION AND CURRENT PROVISIONS

	Short term		Long term	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	RON	RON (restated)	RON	RON
Employee benefits	-	-	343.981	346.854
Provisions for risks and charges	3.782.529	3.331.170	-	-
Total	**3.782.529**	**3.331.170**	**343.981**	**346.854**

The Company has established a benefit plan under which the employees are entitled to retirement benefits based o their seniority in the Group on attainment of a retirement age of 65 years for men and 60 years for women. No other post retirement benefits are provided to employees. The provision represents the present value of the retirement benefit obligation calculated on an actuarial basis. The principal assumptions used for the purpose of the actuarial valuation were based on a discount rate of 10% for the first 5 years, that equals the rate of government bonds.

The most recent actuarial valuations of plan assets and of the present value of the defined benefit obligation were carried out at 31 December 2010 by Mr. Silviu Matei, Fellow of the Institute of Actuaries of Romania. The present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method.

During the financial year 2011, Teraplast SA reversed provisions amounting RON 2.873, relating to employees' rights to be rewarded, according to an actuarial calculation, for amounts that are granted to employees for retirement, amounts provided to be granted under the Collective Labour Agreement.

Employees' benefits	December 31, 2011	December 31, 2010
	RON	RON
Opening balance	346.854	625.344
Decrease	(2.873)	(278.490)
Ending balance	**343.981**	**346.854**

26. RETIREMENT BENEFIT OBLIGATION AND CURRENT PROVISIONS (continued)

Current provisions	December 31, 2011	Movements			December 31, 2010
	RON	Unused provision reversed RON	Used provision reversed RON	Additional provision RON	RON (restated)
Provision for penalties and other expenses related to environment	2.409.353	-	-	930.775	1.478.578
Contribution related to employees' profit participation	781.219	-	-	-	781.219
Provision for litigation	402.026	-	(730.997)	550.007	583.016
Other provisions	189.931	-	(411.411)	112.985	488.357
Ending balance	**3.782.529**	**-**	**(1.142.408)**	**1.593.767**	**3.331.170**

a) Provisions for penalties and other expenses related to environment

Teraplast SA has recorded provisions related to environmental taxes, as well as other environmental protection expenses, due to the possibility of liabilities generated by previous events.

b) Contribution related to profit participation payable to employees

For 2007-2009, the Group granted profit share payable to employees. For these amounts the Group retained and paid only some taxes and contributions. For the remaining taxes, the Group had a provision.

c) Provisions for litigation

The Group has recorded provisions for various litigations.

27. OTHER CURRENT LIABILITIES

	Current	
	December 31, 2011	December 31, 2010
	RON	RON (restated)
Bonus payable to employees	31.953	31.953
Government grant	102.131	1.937.898
Salary debts and social obligations	3.252.898	2.928.470
VAT payable	2.234.893	6.704.364
TVA non-chargeable	65.158	-
Employee rights not claimed	101.031	114.190
Sundry creditors	640.295	8.299
Other taxes payables	59.103	9.892
Accrued income	205.766	-
Interest payable	184.043	-
Total	**6.877.271**	**11.735.066**

The Group (Plastsistem SA) received in 2010 approval for a grant. As at 31 December 2010, the Group encashed RON 1.937.898, representing first part of the grant, as the first part of the project was finalised. There are some uncertainties about whether the project will be finalised, therefore the Group classified the grant as short term, as if the project is not finalised, the funds received will need to be reimbursed.

On December 31, 2011 the total amount of subsidies within the balance was of RON 2.112.834, recognized in the balance sheet as deferred income and transferred to profit and loss account on a systematic and rational basis during the lifetime of the related assets.

28. TRADE AND OTHER PAYABLES

	December 31, 2011	December 31, 2010
	RON	RON
Trade payables	43.567.022	53.966.891
Bills payable	2.688.019	-
Payables for purchases of non-current assets	2.966.431	1.407.598
Other payables	1.796.833	923.962
Advance payments from customers	1.819.183	1.134.057
Total	**52.837.488**	**57.432.508**

29. OBLIGATIONS UNDER FINANCE LEASES

Leasing arrangements

Finance leases relate to vehicles and equipment with lease terms of 5-6 years. The Group has the option to purchase the equipment for a nominal amount at the end of the lease agreements. The Group's obligations under finance leases are secured by the lessors' title to the leased assets.

Finance lease liabilities

The fair value of the finance lease liabilities is approximately equal to their carrying amount.

	Minimum lease payments		Present value of minimum lease payments	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	RON	RON	RON	RON
Current value of lease payments				
Amounts due within one year	1.358.753	1.597.684	1.237.568	1.438.541
Later than 1 year but not later than 5 years	774.274	1.615.385	664.260	1.507.657
Total lease obligation	**2.103.027**	**3.213.069**	**1.901.828**	**2.946.198**
Less future finance charges	(201.199)	(266.871)	-	-
Present value of finance lease liabilities	1.901.828	2.946.198	-	-
Included in the financial statements as:				
Current borrowings	1.237.568	1.438.541	-	-
Non-current borrowings	664.260	1.507.657	-	-

30. FINANCIAL INSTRUMENTS

The risk management function within the Group is carried out in respect of financial risks (credit risk, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 25, cash and cash equivalents and equity attributable to equity holders of the parent company. The equity consists of issued capital, reserves and retained earnings, as disclosed in notes 21, 22 and 23 respectively.

The Group's risk management includes analysis of the capital structure regularly. As a part of this analysis, the management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group may balance its overall capital structure through the payment of dividends, new share issues and share buy-back as well as the issue of new debt or the redemption of existing debt.

Consistent with others in the industry, the Group monitors capital on the basis of the leverage ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital represents 'equity' as shown in the consolidated balance sheet plus net debt.

The leverage ratios at 31 December 2011 and 2010 were as follows:

	2011	2010
	RON	RON
Total borrowings (Note 25)	86.395.277	77.063.312
Less: cash and cash equivalents	(4.292.939)	(3.562.601)
Net debt	82.102.338	73.500.710
Total equity (excluding non-controlling interest)	**117.615.677**	**130.466.590**
Total capital and net debt	**199.718.015**	**203.967.300**
Leverage ratio	**41%**	**36%**

30. FINANCIAL INSTRUMENTS (continued)

The Group is subject to externally imposed capital requirements by statutory regulations in terms of net assets to share capital ratio. Net asset, established as a difference between the total asset and total liabilities should be more than a half of share capital value. In accordance with Companies' Law no. 31/1990 republished, when this requirement is not achieved, the administrators should immediately convoke the Extraordinary General Shareholders Meeting which should decide the increase in share capital or a capital decrease at least equal to the losses that cannot be covered from existing reserves or the liquidation of the Company.

The Group has complied with this requirement and there was no need of share capital increase as at 31 December 2011 and 31 December 2010.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which incomes and expenses are recognized, in respect of each class of financial assets, financial liabilities and equity instruments are disclosed in note 2 to the financial statements.

(c) Financial risk management objectives

The Group's Treasury function provides services to the business, coordinates the access to domestic financial market, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses the exposure by degree and magnitude of risks. These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates (see (g) below) and interest rates (see (h) below).

The Group's management continuously monitors its exposure to the risks. However, the use of this approach does not prevent the Group from losses outside of these limits predicted in the event of more significant market movements. There has been no change from prior year to the Group's exposure to market risks or the manner in which the Group manages and measures the risks.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed in accordance with the policies approved by the Group's management.

30. FINANCIAL INSTRUMENTS (continued)

(f) Interest rate risk management

The Group's interest bearing assets and income and operating cash flows are exposed to changes in market interest rates. The Group's interest rate risk arises from its bank borrowings. Borrowings issued at variable rate expose the Group to cash flow interest rate risk. The Group has not entered into any hedging arrangement in order to reduce its exposure to interest rate risk.

The group analyses its exposure to interest rate risk. Various scenarios are simulated by taking into consideration refinancing, renewal of existing positions, alternative financing. Based on these scenarios, the Group estimates the potential impact on profit and loss account of a defined interest rate fluctuations. For each simulation, the same interest rate fluctuation is used for all currencies. These scenarios are run only for liabilities that represent the major interest-bearing positions.

The Group is exposed to interest rate risk, since the entities in the Group borrow funds at both fixed interest rates and the fluctuating interest. The risk is managed by the Group by maintaining a favorable balance between fixed-rate loans and those with floating rate.

The Group's exposures to interest rates on financial assets are detailed in the liquidity risk management section of this note.

(g) Other price risks

The Group is not exposed to equity price risks arising from equity investments. Equity investments are held for strategic purposes, rather than trading purposes and are not significant. The Group does not actively trade these investments.

(h) Credit risk management

Credit risk refers to the risk that a third party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy third parties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its third parties are continuously monitored by the management.

Trade receivables consist of a large number of customers, spread across various industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable, and, when is necessary it is made a credit insurance.

Cash is placed in financial institutions which are considered at time of deposit to have minimum risk of default. The Group has policies that limit the amount of credit exposure to any financial institution.

30. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2011, 20% of cash is held at Banca Comerciala Romana (BCR), 36% of cash is held at Banca Romana pentru Devoltare - Groupe Societe Generale (BRD), 26% of cash is held at Unicredit Tiriac Bank, 7% of cash is held at national treasury, and the remaining cash is deposited at Raiffeisen Bank, Piraeus Bank, Banca Transilvania and ING Bank. At 31 December 2011 all banking groups have investment grade rating from rating agency Standard &Poor, except national treasury. The main banks are Unicredit Tiriac Bank evaluated for long term loans, in local currency (Baa2) and foreign currency (Baa3); also, the BCR rating for short term liabilities, in local currency (Prime-2) and foreign currency (Prime-3), BRD Romania BBB+ on the long term position and F2 on the short term position and BCR Romania for long term loans, in local currency (Baa2) and foreign currency (Baa3); also, the BCR rating for short term lliabilities, in local currency (Prime-2) and foreign currency (Prime-3).

The carrying amount of accounts receivable, net of bad debt provision, and cash and cash equivalents, represent the maximum amount exposed to credit risk. Although collection of receivables could be influenced by economic factors, the management believes that there is no significant risk of loss to the Group beyond the provision already recorded.

The Group does not have any significant credit risk exposure to any single third party or any group of third parties having similar characteristics. The Group defines third parties as having similar characteristics if they are related entities. Concentration of credit risk did not exceed 5% of gross monetary assets at any time during the year.

(i) *Liquidity risk management*

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework regarding the insurance of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 25 is a listing of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

(j) Fair value of financial instruments

Financial instruments in the balance sheet include trade receivables and other receivables, cash and cash equivalents, short-term and long-term loans and other payables. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

30 FINANCIAL INSTRUMENTS (continued)

The credit analysis of the trade receivables and bills of exchange is the following:

	December 31, 2011	December 31, 2010
	RON	RON
Fully performing	53.074.504	52.325.904
Past due but not impaired	14.561.493	20.387.643
Impaired and fully provisioned	18.031.812	12.419.915
TOTAL	**85.667.808**	**85.133.462**

Past due but not impaired

	December 31, 2011	December 31, 2010
	RON	RON
Up to 3 months	11.686.925	16.833.234
From 3 to 6 months	1.909.739	2.333.039
From 6 to 9 months	964.830	1.221.369
TOTAL	**14.561.493**	**20.387.643**

Impaired and fully provisioned

	December 31, 2011	December 31, 2010
	RON	RON
Up to 6 months	6.243.839	4.035.806
From 6 to 12 months	9.579.865	3.817.984
Over 12 months	2.208.107	4.566.125
TOTAL	**18.031.812**	**12.419.915**

Fully performing

	December 31, 2011	December 31, 2010
	RON	RON
Group 1	37.002.104	21.487.779
Group 2	8.352.911	18.194.056
Group 3	7.719.489	12.644.070
TOTAL	**53.074.504**	**52.325.905**

Group 1 – clients who pay in accordance with contractual terms
Group 2 – clients who pay late, but payments are enchased no later then 30 days after the due date
Group 3 - clients who pay late, but payments are enchased later then 30 days after the due date

30. FINANCIAL INSTRUMENTS (continued)

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

	EUR	USD	HUF	RON	
2011	1EUR= RON 4.3197 EUR	1USD= RON 3.3393 USD	1HUF= RON 0.0139 HUF	1 RON RON	December 31, 2011 Total
CONSOLIDATED	RON	RON	RON	RON	RON
ASSETS (Loans and receivables)					
Cash and cash equivalents	70.104	6.826	3.735	4.212.274	**4.292.939**
Receivables	5.387.766	-	-	63.396.405	**68.784.171**
LIABILITIES (Financial liabilities)					
Trade and other payables	(33.433.154)	(851.048)	-	(18.553.284)	**(52.837.488)**
Short and long term loans	(84.593.987)	-	-	(1.801.290)	**(86.395.277)**

	EUR	USD	HUF	RON	
2010	1EUR= RON 4.2848 EUR	1USD= RON 3.2045 USD	1HUF= RON 0.0154 HUF	1 RON RON	December 31, 2010 Total
CONSOLIDATED	RON	RON	RON	RON	RON
ASSETS (Loans and receivables)					
Cash and cash equivalents	113.972	21.246	4.117	3.423.266	**3.562.601**
Receivables	1.607.541	-	-	71.232.569	**72.840.110**
LIABILITIES (Financial liabilities)					
Trade and other payables	(11.639.265)	-	-	(45.793.243)	**(57.432.508)**
Short and long term loans	(75.463.989)	-	-	(1.599.322)	**(77.063.311)**

30. FINANCIAL INSTRUMENTS (continued)

The Company is mainly exposed in respect of the exchange rate of the EUR vs. RON. The following table details the Company's sensitivity to a 10% increase and decrease in EUR against RON. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible changes in foreign exchange rates. The sensitivity analysis includes only foreign currency denominated in monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. In the following table, a negative value indicates a decrease in profit where RON is weakening 10% against EUR. For a 10% strengthening of RON against the EUR there would be an equal and opposite impact on profit and equity, and the balances below would be positive. Changes are mainly attributable to the exposure on EUR borrowings at year end.

	December 31, 2011	December 31, 2010
Profit or (loss)	(8.676.147)	(8.538.174)

Liquidity and interest risk tables

The following tables detail the Company's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and cash flows related to capital.

As at 31 December 2011, if interest rate for borrowings denominated on EUR had been 1% higher/lower with all other variables held constant, net profit for the year would have varied as follows, mainly as a result of higher/lower interest expense for floating rate borrowings.

	December 31, 2011	December 31, 2010
Profit or loss	(845.329)	(720.219)

30. FINANCIAL INSTRUMENTS (continued)

2011	Less than 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Total
0% Interest						
Trade and other payables	(23.103.028)	(26.909.200)	(2.825.260)	-	-	**(52.837.488)**
Interest bearing instruments						
Short and long term loans	(927.896)	(2.359.375)	(44.176.790)	(34.454.090)	(4.477.326)	**(86.395.277)**
Future interest	(127.482)	(223.920)	(895.522)	(1.207.850)	(90.143)	**(2.544.917)**
0% Interest						
Cash and cash equivalents	4.292.939	-	-	-	-	**4.292.939**
Receivables	34.685.920	31.048.037	3.050.213	-	-	**68.784.171**

2010	Less than 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Total
0% Interest						
Trade and other payables	(36.297.151)	(18.082.569)	(113.168)	(1.505.564)	-	**(57.432.508)**
Interest bearing instruments						
Short and long term loans	(1.236.656)	(10.226.606)	(47.385.607)	(14.688.773)	(3.525.670)	**(77.063.312)**
Future interest	(127.482)	(223.920)	(895.522)	(1.207.850)	(90.143)	**(2.544.917)**
0% Interest						
Cash and cash equivalents	3.522.601	-	40.000	-	-	**3.562.601**
Receivables	42.649.008	29.977.269	213.833	-	-	**72.840.110**

31. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

There are also other entities that are considered to be related party if one party is able to control or exercise significant influence over the other parts. These are the following: ACI Cluj SA, Parc Alba Iulia SRL, Rombat SA, Rombat Automobile SA, Ditovis SRL, Omniconstruct SA, Magis Investment SRL - entities under significant influence of Mr. Dorel Goia (shareholder with significant influence of the Group).

	December 31, 2011	December 31, 2010
	RON	RON
Sales of goods	1.086.576	1.423.467
Purchases of goods and services	76.173	417.752
Debit balances	420.532	243.037
Credit balances	3.154	74.746

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	December 31, 2011	December 31, 2010
	RON	RON
Other management salaries	4.345.583	4.493.206
Board of directors salaries	720.950	838.185
Total	**5.066.533**	**5.331.390**

The remuneration of directors and executive personnel is determined by the shareholders having regard to the performance of individuals and market trends.

32. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding the ordinary shares purchased by the Company and held as own shares.

	December 31, 2011	December 31, 2010
	RON	RON
(Loss) attributable to equity holders of the parent company	(12.605.213)	(7.819.837)
Average number of shares	288.875.849	289.353.225
Earnings per share	**(0.042)**	**(0.029)**

The diluted earnings per share equals basic earnings per share.

33. CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the financial year, as shown in the cash flow statement, can be reconciled to the related items in the balance sheet as follows:

	December 31, 2011	December 31, 2010
	RON	RON
Cash at banks	3.382.938	3.059.086
Cheques	158.062	12.228
Bills of exchange to be settled	707.979	444.562
Cash on hand	33.334	35.165
Cash equivalents	10.626	11.560
Total	**4.292.939**	**3.562.601**

34. COMMITMENTS AND CONTINGENCIES

Teraplast SA

The Company signed various contracts for the purchase of new equipments for the location situated in Sărățel, in the amount of EUR 305.500 as at 31 December 2011, detailed as follows in the below table:

Firm	Contract object	Contract number	Date	Contract value
Coperion - Italia	Upgrade of dosing and mixing equipment Coperion 3	OMF00990	08.02.2011	133.450 EUR

In December 2011, the Company has ended with third party beneficiaries, two significant transactions consisting of sale, respectively, promise to sell the assets and business lines of SC Teraplast SA.

Therefore, on December 9, 2011, based on the pre-contract of sale no. 316375, the Company has committed to the sale of the assets situated in Bistrita and Iasi to SC Met-Axa S.R.L Botosani, assets with a net carrying amount as at December 31, 2011 of RON 1.230.761. On December 31, 2011, the Company has received an advance of 15% (EUR 86.250, VAT included) of the total value of the contract, the rest will be charged in 2012.

On December 16, 2011 was signed the transfer commitment to SC Teracota Bistrita S.R.L of all activity lines representing manufacture of ceramic products by burning with a net carrying amount as at December 31, 2011 of RON 4.234.804, especially tiles, refractory bricks, floor and wall tiles. In exchange for the transfer of Assets, Activity and Equipment, the buyer must pay the total price of the transaction, in the amount of EUR 1.005.000 (price at which VAT is not added, according to art.128 paragraph (7) of the Tax Code and section 6 paragraph (9) and (10) of art.128 from the Application Methodological Norms, the transaction does not constitute a delivery of goods). The first tranche of price, worth EUR 105.000 was paid by the buyer until the end of January 2012.

At December 31,2011 the Company has issued guarantee letters, as follows:

The issuing Bank	The period of valadity	Amount	Currency	The guarantee object
BRD	12.08.2010-11.08.2015	9.961	RON	good execution in favor of IMI Cluj Napoca
UNICREDIT	13.12.2011-30.07.2012	118.080	EUR	in favor of Coperion Italia to purchase equipment

34. COMMITMENTS AND CONTINGENCIES (continued)

On December 31, 2011 the tangible assets with a net carrying amount of RON 84.828.510 are guarantees for loans and credit lines (land and buildings – RON 43.666.444 - value IFRS, equipment, machinery and other tangible assets – RON 41.162.057).

For the loans from banks the Company has guaranteed with all present and future cash liquidities, all stocks of merchandise and products, present and future, and sold the rights of present and future receivables and their accessories, from current and future customer's contracts, having the quality of debtors give up. Also, the Company has sold the rights arising from issued insurance policies having as object the real estates and mobiles brought as guarantee.

Plastsistem SA

Equity Commitments

	December 31, 2011 (lei)	December 31, 2010 (lei)
1.Atlas Copco -ElectrocompresorGA7FF-7-ctr 8cf/2011	17.768	-
2.Stam SPA Italia - Masina Feliat Tabla 100645 ctr 6005/2010	290.716	-
3.Stam SPA Italia - Linie de productie ramforsari C si U ctr6005/2010	191.795	-
4. Stam SPA Italia - Linie PROFILE ZINCATE Z,C,U Sigma ,ctr 6005/2010	4.433.740	-
5. Other commitments granted	-	8.416.851
Firm commitments -TOTAL	**4.934.019**	**8.416.851**

Other commitments granted in 2010 are related to firm contracts with the equipment suppliers (2010 : line of zincified profiles, reinforcement production line, SAP software, licences, maintenance).

Guarantees granted to third parties:

- On December 31, 2011 the Company has issued letters of guarantees and letters of credit in favor of the beneficiaries, worth RON 3.923.679 (December 31, 2010: RON 9.029.658), which will become obligations for the Company, in the event of inappropriate services delivered

34. COMMITMENTS AND CONTINGENCIES (continued)

- At December 31, 2010 and December 31, 2011 the Company pledged / mortgaged its tangible assets with a carrying amount of RON 23.649.741 (December 31, 2010: RON 25.564.571), pledge on all present and future cash liquidities, pledge on all present and future inventories, assignment of rights arising from insurance policies having as object real estates and mobiles brought as collateral to guarantee obligations in favor of UniCredit Tiriac Bank S.A.

Other information:

- Pledge over the production equipments, property Teraplast SA, letter of guarantee (SGB) granted to Plastsistem SA of EUR 1.200.000, according to the mortgage contract for the movables no. 144 from 30.11.2011 filled with the subsequent additional acts. This guarantee will be issued in the moment when all the equipments related to the project are in guarantee and the guarantee letter and the support credit are reimbursed (latest 09.06.2013);

- Pledge over the bank accounts of the Company, in RON and currency, opened at BRD-Groupe Societe Generale according to the morgage contract over the bank accounts no. 143 from 30.11.2011 filled with related additional acts;

- Pledge on the universality of receivables, especially the amounts received from AM POSCCE within the project, market value 3.453 thsd RON (ccs 793,7 thsd EUR), bank guarantee value of 1.726 thsd RON (ccs 396,7 thsd EUR) according to the motgage contract on the universality of receivables no. 145 from 30.11.2011 filled with related additional acts.

Politub SA

At December 31,2011 the Company pledged / mortgaged its assets with a net carrying amount of RON 8.821.534 to guarantee certain obligations in favor of BCR and CEC Bank.

The value of the inventories pledged for liabilities to BCR is RON 1.720.000.

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34. COMMITMENTS AND CONTINGENCIES (continued)

Tax contingencies

In Romania there are a number of agencies that are authorized to conduct audits (controls). These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Company. The Romanian fiscal system is under continuing development, being subject to many interpretations and constant change, sometimes on retrospective basis. The prescription term for fiscal controls is for 5 years.

The Company's administrators believe that fiscal obligations of the Company have been calculated and recorded in accordance with law.

Environmental matters

The main activity of the Company has inherent effects on the environment. The environmental effects of the company's activities are monitored by local authorities and the management of the Group. Accordingly, no provisions have been made for any possible, but not-quantifiable at present future obligations relating to environmental matters or remedial work, except for the ones described in Note 26.

Each year, Teraplast SA received from state authorities, a certain number of emission certificates free of charge, which need to be returned based on the actual emissions produced each year. These certificates are recorded at cost, which is nil. In 2011, the Company's actual emissions were lower than the quantity permitted by the emissions certificates received from state authorities.

Transfer price

Romanian tax legislation includes the 'market value' principle according to which transactions between related parties should be carried out at market value. Local taxpayers engaged in related party transactions have to prepare and make available upon the written request of the Romanian Tax Authorities their transfer pricing documentation file. Failure to present the transfer pricing documentation file, or presenting an incomplete file, may lead to non-compliance penalties; additionally, notwithstanding the contents of the transfer pricing documentation, the tax authorities may interpret the facts and transactions differently from management and impose additional tax liabilities resulting from transfer price adjustments. The Company's management believes that the Company will not suffer losses in case of a fiscal inspection on the subject of transfer prices. However, the impact of any challenge by the tax authorities cannot be reliably estimated. It may be significant to the financial condition and/or the overall operations of the entity.

34. COMMITMENTS AND CONTINGENCIES (continued)

Credit crunch

Volatility in financial markets International and Romanian: The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the financial sector, and, at times, higher interbank lending rates and very high volatility on stock markets. Also, the volatility in the exchange rate of RON and of the main currencies used in international exchanges was very high. Indeed, the full extent of the impact of the ongoing financial crisis proves to be impossible to anticipate or completely guard against.

Management is unable to reliably estimate the effects on the Company's financial position of any further deterioration in the liquidity of the financial markets, the increased volatility in the currency and further recession. Management believes it took all the necessary measures to support the Company's business in the current circumstances.

Impact on customers: Customers and other debtors of the Company may be affected by the market conditions which could impact their ability to repay the amounts owed. This may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent to which there is available information, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

35. CORRECTION OF PRIOR PERIOD ERRORS

During the period ended 31 December 2011, management has identified accounting errors related to prior years 2009 and 2010. They are as follows (all amounts are in RON):

Consolidated statement of the financial position 2009	December 31, 2009 (Reported)	December 31, 2009 (Restated)	Difference	Note
ASSETS				
Non-current assets				
Property, plant and equipment	168.894.079	168.894.079	-	-
Other intangible assets	1.933.074	1.933.074	-	-
Deferred income tax	258.607	365.985	107.378	B
Other financial assets	15.400	15.400	-	-
Total non-current assets	**171.101.160**	**171.208.538**	**107.378**	-
Current assets				
Inventories	28.672.789	27.653.903	(1.018.886)	A
Trade and other receivables	70.207.108	70.207.108	-	-
Income tax receivable	1.056.336	1.056.336	-	-
Other current assets	784.570	784.570	-	-
Cash and bank accounts	3.485.715	3.485.715	-	-
Total current assets	**104.206.518**	**103.187.632**	**(1.018.886)**	**A**
Total assets	**275.307.678**	**274.396.170**	**(911.508)**	-
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	103.062.716	103.062.716	-	
Reserves	6.370.802	6.370.802	-	
Retained earnings	32.066.814	30.251.854	(1.814.960)	A, B, C
Equity attributable to equity holders of the parent company	141.500.332	139.685.372	(1.814.960)	
Non-controlling interest	4.662.174	4.662.174	-	
Total equity	**146.162.506**	**144.347.546**	**(1.814.960)**	

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

Consolidated statement of the financial position 2009	December 31, 2009 (Reported)	December 31, 2009 (Restated)	Difference	Note
Non-current liabilities				
Borrowings – long term	28.397.029	28.397.029	-	
Retirement benefit obligations	625.344	625.344	-	
Deferred tax liabilities	1.853.384	1.853.384	-	
Total non-current liabilities	**30.875.757**	**30.875.757**	**-**	
Current liabilities				
Trade and other payables	42.555.036	42.555.036	-	
Borrowings – short term	48.359.412	48.359.412	-	
Current tax liabilities	-	-	-	
Current provisions	2.801.552	3.705.004	903.452	C
Other current liabilities	4.553.414	4.553.414	-	
Total liabilities	**129.145.171**	**130.048.623**	**903.452**	
Total current liabilities	**98.269.414**	**99.172.866**	**903.452**	
Total equity and liabilities	**275.307.677**	**274.396.170**	**(911.508)**	

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

Consolidated statement of the financial position 2010	December 31, 2010 (Reported)	December 31, 2010 (Restated)	Difference	Note
ASSETS				
Non-current assets				
Property, plant and equipment	173.179.216	171.792.642	(1.386.574)	A
Other intangible assets	1.978.064	1.814.005	(164.059)	B
Deferred income tax	203.762	304.246	100.484	C
Other financial assets	16.400	16.400	-	
Total non-current assets	**175.377.442**	**173.927.293**	**(1.450.149)**	
Current assets				
Inventories	34.709.691	32.248.909	(2.460.782)	D
Trade and other receivables	74.094.125	74.094.125	-	
Income tax receivable	1.170.245	1.170.245	-	
Other current assets	948.954	948.954	-	
Cash and bank accounts	3.562.601	3.562.601	-	
Total current assets	**114.485.616**	**112.024.834**	**(2.460.782)**	
Total assets	**289.863.058**	**285.952.127**	**(3.910.931)**	
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	103.062.716	103.062.716	-	
Reserves	6.771.806	6.771.814	8	
Retained earnings	25.601.480	20.632.060	(4.969.420)	A-F
Equity attributable to equity holders of the parent company	135.435.998	130.466.590	(4.969.408)	
Non-controlling interest	3.734.967	3.629.726	(105.241)	
Total equity	**139.170.965**	**134.096.316**	**(5.074.649)**	

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

Consolidated statement of the financial position 2010	December 31, 2010 (Reported)	December 31, 2010 (Restated)	Difference	Note
Non-current liabilities				
Borrowings – long term	18.214.443	18.214.443	-	
Retirement benefit obligations	346.854	346.854	-	
Deferred tax liabilities	2.261.760	1.946.900	(314.860)	E
Total non-current liabilities	**20.823.057**	**20.508.197**	**(314.860)**	
Current liabilities				
Trade and other payables	57.432.508	57.432.508	-	
Borrowings – short term	58.848.869	58.848.869	-	
Current tax liabilities	-	-	-	
Current provisions	1.852.592	3.331.170	1.478.578	F
Other current liabilities	11.735.066	11.735.066	-	
Total current liabilities	**129.869.035**	**131.347.613**	**1.478.578**	
Total liabilities	**150.692.092**	**151.855.810**	**1.163.718**	
Total equity and liabilities	**289.863.057**	**285.952.126**	**(3.910.931)**	

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

Consolidated statement of comprehensive income 2010	December 31, 2010 (Reported)	December 31, 2010 (Restated)	Difference	Note
Revenues	278.931.634	278.931.634	-	
Investment revenues	129.011	129.011	-	
Other gains and losses	(2.870)	(1.553.503)	(1.550.633)	A, B
Changes in inventories of finished goods and work in progress	4.744.361	4.744.361	-	
Raw materials and consumables used	(199.224.799)	(199.598.955)	(374.156)	D
Provisions, depreciation and amortization expenses	(24.731.839)	(26.374.705)	(1.642.866)	D, F
Salaries expenses and social charges	(31.323.263)	(31.323.263)	-	
Financial costs	(3.302.132)	(3.302.132)	-	
Other expenses	(29.573.625)	(29.573.625)	-	
Profit before tax	**(4.353.522)**	**(7.921.177)**	**(3.567.655)**	
Income tax expense	(691.038)	(383.072)	307.966	C, E
Annual profit	**(5.044.560)**	**(8.304.249)**	**(3.259.689)**	
Attributable to:				
Equity holders of the parent company	(4.665.388)	(7.819.837)	(3.154.448)	
Non-controlling interest	(379.172)	(484.412)	(105.241)	
Loss per Share	**(0,016)**	**(0,029)**	**(0,013)**	
Average number of shares (shares)	**289.353.225**	**289.353.225**	-	

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

Retained earnings as of 31 December 2009, reported	**32.066.814**
A. Restatement of raw materials, consumables, finished products and merchandise	(1.018.886)
B. Deferred tax – asset	107.378
C. Environmental provision correction related to 2009	(903.452)
Retained earnings as of December 31, 2009, restated	**30.251.854**

Net loss reported as of 31 December 2010	(5.044.560)
A. Fixed assets correction	(1.386.574)
B. Intangible assets correction	(164.059)
C. Deferred tax - asset	100.484
D. Restatement of raw materials, consumables, finished products and merchandise value	(1.441.896)
E. Deferred tax – liabilities	207.482
F. Environmental provision correction related to 2010	(575.126)
Restated net loss as of December 31, 2010	**(8.304.249)**

2009

A. Restatement of raw materials, consumables, finished products and merchandise

At December 31,2009 the Group recorded corrections for the inventories value registered in the previous financial year, as a result of not registering certain expenses related to inventory items and consumables, but also some provisions for raw materials, work in progress and merchandise.

B. Deferred income tax

The Group recorded the correction impact over the deferred income tax.

C. Environmental provision correction related to 2009

The Group recorded corrections related to the provisions by amounts that are referring to expenses related to other environmental protection activities, being possible obligations arising from past events.

2010

A. Fixed assets correction

In 2011, the Group identified non-current assets disposed (sold) in 2010 and their remaining net carrying amount was not entirely recorded as expense when the assets were sold. Corrections were made in the financial statements so that the expenses related to the disposal of the assets are disclosed completly and in the correct period.

35. CORRECTION OF PRIOR PERIOD ERRORS (continued)

B. Intangible assets correction related to 2010

In 2011, the Group identified intangible assets disposed (sold) in 2010, for which the remaining carrying amount was not completely recorded as an expense related to the disposal. These errors were corrected in the financial statetements, so that the expenses related to the disposal of the intangible assets is disclosed at their complete value and in the correct period..

C. Deferred tax - asset

The Group recorded the impact of the corrections on the deferred tax.

D. Restatement of the value of raw materials, materials, finished goods and merchandise

As at 31 December 2010, the Group recorded corrections on the value of the inventories recorded in the previous financial year, arising from the omission to record some expenses related to inventory items and consumables, as well as provisions for raw materials, work in progress, finished goods and merchandise.

E. Deffered tax – liability

The Group recorded the impact of the corrections on the deferred tax.

F. Environmental provision correction related to 2010

The Group recorded corrections related to the provisions by amounts that are referring to expenses related to other environmental protection activities, being possible obligations arising from past events.

36. EVENTS AFTER THE BALANCE SHEET DATE

Teraplast SA

In 2012 the Company was financed with EUR 176.316 from Unicredit Tiriac Bank and with EUR 500.000 from BRD, based on the financing contracts signed in 2011.

In February, Mr. Alexandru Sîrbu was named Head of the Operations of the Teraplast Group. Mr. Alexandru Sîrbu has an experience of over 15 year in the operational-logistics area, and within the Teraplast Group he will coordinate the activities releated to investment, logistics, programming and planning of the production, research and development, quality, repairs and maintainance, technic and SSM.

In March, Teraplast finalised the implementation of the last Project from the three programmes of training its employees,co-financed through the European Social Fund, Operational Programme Human Resources Development 2007-2013, 'Invest in people'. Project 'Efficient management, secure way to business success!', which started in August 2010 and continued with the training of employees from the middle and top management, through improvement courses and specialization courses.

36. EVENTS AFTER THE BALANCE SHEET DATE (continued)

Staring with the first quarter in 2012, Teraplast SA did not meet some quartely financial indicators for the loans from Unicredit, while BRD postponed for Teraplast SA with 12 months the period when the financial indicators will be in force, until 31 December 2012.

In April 2012, the Board of Directors renewed the mandate contract of Mr. Stefan Bucataru, as a General Director and Administrative Council President for one more year.

Plastsistem SA

During February-April 2012, the Company received, assembled and put into operation two of the five equipment covered by the project "Integrated Innovative System for Construction: Steel structure built from lightweight zincified profiles and tire from insulated panels from polyurethane foam" , namely:

- Metal board slicing machine, acquisition value RON 2.838.705, recorded in the system on 23.04.2012
- Equipment for obtaining zincified steel profiles C and U, acquisition value RON 1.939.553, recorded in the system on 23.04.2012

The equipments were in testing process and technological tests until May 2012, including, and in June 2012 has started the production of zincified profiles.

In January 2012 through the Credit Contract no.3, the Company took a support credit in amount of EUR 774.000 in order to cover the gap of time between the payments to suppliers and non-reimbursable amounts collected.The credit is granted on medium term (1-3 years) having the maturity on 09.06.2013, with EURIBOR 3M+3,75% interest rate.

In february 2012 through the Credit Contract no. 4, signed with BRD, the Company took an investment credit in amount of EUR 1.200.000, in order to over the co-finance of the private contribution to the eligible expenses related to the project: "Integrated Innovative System for Construction: Steel structure built from lightweight zincified profiles and tire from insulated panels from polyurethane foam". The credit is granted on long term, on a period of 84 months, with a grace period until 09.06.2013. Interest EURIBOR 3M+3,75% fixed margin.

Staring with the first quarter in 2012, Plastsistem SA did not meet some quartely financial indicators for the loans from Unicredit.

General

During 2012, due to a severe economic and political crisis, there was a strong depreciation of RON in relation to EUR, of aproximately 2% as compared to 31 December 2011, the Group having an exposure to the foreign exchange rate, as decribed in Note 30.

37. APPROVAL OF FINANCIAL STATEMENTS

These financial statements were approved by the Board of Directors on July 27th, 2012.