

**TERAPLAST S.A.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**Prepared in accordance with the International Financial Reporting  
Standards as adopted by the European Union**

**31 DECEMBER 2014**

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**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**31 December 2014**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

	Note	Period ended 31 December 2014	Period ended 31 December 2013 Restated*
		RON	RON
Revenue	4	329,486,544	305,564,162
Other operating income	5	782,177	1,059,593
Changes in inventories of finished goods and work in progress		164,243	1,891,848
Raw materials and consumables used, and merchandise	6	(231,049,751)	(222,009,732)
Employee benefits expense	9	(29,606,133)	(28,299,600)
Provision expenses, adjustments for depreciation and amortization	8	(16,531,448)	(11,073,858)
Gains/ (Losses) from the outflow of tangible and intangible assets	7	(159,635)	326,705
Gains / (Losses) from the fair value measurement of investment property	7	(189,629)	(3,380,794)
Other expenses	10	(32,409,364)	(31,433,241)
Finance costs	5	(6,999,687)	(13,714,228)
Financial revenues	5	3,534,535	8,246,581
Share of the profit or loss of the joint venture accounted for using the equity method		-	-
		757,844	1,557,324
<b>Profit before tax</b>		<b>17,779,696</b>	<b>8,734,760</b>
Income tax (expense) / revenue	11	(1,810,833)	(3,509,197)
<b>Profit/(Loss) for the year</b>		<b>15,968,863</b>	<b>5,225,563</b>
<b>Other comprehensive income</b>			
Revaluation of tangible assets		-	(6,168,355)
Impact of deferred tax		-	986,939
		-	<b>(5,181,416)</b>
Group share of the comprehensive income of the joint venture		(768,073)	-
Deferred tax impact		122,892	-
		<b>(645,181)</b>	-
<b>Total comprehensive income</b>		<b>15,323,682</b>	<b>44,147</b>
<b>Profit/(Loss) for the year</b>			
Attributable to			
Equity holders of the parent		15,239,853	5,437,113
Non-controlling interests		729,010	(211,550)
<b>Profit/(Loss) for the financial year</b>		<b>15,968,863</b>	<b>5,225,563</b>
<b>Comprehensive income for the year</b>			
Attributable to:			
Equity holders of the parent		14,594,672	255,697
Non-controlling interests		729,010	(211,550)
		<b>15,323,682</b>	<b>44,147</b>

The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's decision on 26 March 2015.

**Alexandru Stanean**  
CEO

**Edit Orban**  
CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**31 December 2014**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

	Note	31 December 2014	31 December 2013 Restated*
		RON	RON
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	12	131,186,055	138,961,025
Investment property	14	13,357,561	13,602,716
Intangible assets	13	712,713	1,157,756
Investment in a joint venture accounted for using the equity method		-	-
Other financial investments		13,770,192	13,657,529
		16,472	16,472
<b>Total non-current assets</b>		<b>159,042,993</b>	<b>167,395,498</b>
<b>Current assets</b>			
Inventories	18	45,459,591	43,625,362
Trade and other receivables	19	68,184,761	58,661,455
Prepayments		203,160	433,305
Cash and short term deposits	32	5,162,972	7,061,525
<b>Total current assets</b>		<b>119,010,484</b>	<b>109,781,647</b>
<b>Total assets</b>		<b>278,053,477</b>	<b>277,177,145</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
<b>Total equity, out of which:</b>	20	<b>58,980,060</b>	<b>58,980,060</b>
Subscribed share capital		28,887,588	28,887,588
Share capital adjustments		30,092,472	30,092,472
Share premium		42,245,118	42,245,118
Revaluation reserves		21,338,504	22,497,738
Legal reserves	21	7,792,364	7,266,754
Retained earnings	22	16,818,525	1,590,230
<b>Capital attributable to non-controlling interests</b>		<b>147,174,571</b>	<b>132,579,900</b>
<b>Non-controlling interests</b>	23	3,594,723	2,865,713
<b>Total equity</b>		<b>150,769,294</b>	<b>135,445,613</b>
<b>Long-term liabilities</b>			
Loans and finance lease liabilities	24	11,467,498	17,533,431
Liabilities for employee benefits	25	388,962	329,207
Deferred tax liabilities	11	4,609,769	5,580,719
Investment subsidies –non-current portion	35	3,858,070	4,301,468
<b>Total long-term liabilities</b>		<b>20,324,299</b>	<b>27,744,825</b>
<b>Current liabilities</b>			
Trade and other payables	26	57,927,796	57,536,507
Loans and finance lease liabilities	24	43,853,598	51,641,455
Other current financial liabilities		-	162,795
Income tax payable		736,741	33,137
Investment subsidies –current portion	35	449,898	456,398
Provisions	25	3,991,851	4,156,415
<b>Total current liabilities</b>		<b>106,959,884</b>	<b>113,986,707</b>
<b>Total liabilities</b>		<b>127,284,183</b>	<b>141,731,532</b>
<b>Total equity and liabilities</b>		<b>278,053,477</b>	<b>277,177,145</b>

The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's decision on 26 March 2015.

**Alexandru Stanean**  
CEO

**Edit Orban**  
CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the financial year ended 31 December 2014**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

	Share capital	Legal reserves	Revaluation reserves	Share premium	Cumulated retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total
	RON	RON	RON	RON	RON	RON	RON	RON
<b>Balance as of 1 January 2013</b>	<b>60,817,598</b>	<b>6,887,345</b>	<b>29,305,009</b>	<b>42,245,118</b>	<b>(7,732,071)</b>	<b>131,522,999</b>	<b>3,878,467</b>	<b>135,401,466</b>
Cancelation of own shares redeemed	(1,837,538)	-	-	-	1,837,538	-	-	-
Increases/(Decreases)	-	230,909	(6,237,895)	-	(230,909)	(6,237,895)	69,540	<b>(6,168,355)</b>
Reserves representing realized revaluation surplus	-	-	(22,738)	-	22,738	-	-	-
Other comprehensive income	-	-	(434,486)	-	1,294,107	859,621	(859,621)	-
Other comprehensive income OCI Politub	-	148,500	(1,324,823)	-	1,176,323	-	-	-
Deferred income tax	-	-	1,212,671	-	(214,608)	998,063	(11,123)	986,940
<b>Profit/loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,437,112</b>	<b>5,437,112</b>	<b>(211,550)</b>	<b>5,225,562</b>
<b>Balance as of 31 December 2013</b>	<b>58,980,060</b>	<b>7,266,754</b>	<b>22,497,738</b>	<b>42,245,118</b>	<b>1,590,230</b>	<b>132,579,900</b>	<b>2,865,713</b>	<b>135,445,613</b>

	Share capital	Legal reserves	Revaluation reserves	Share premium	Cumulated retained earnings	Attributable to equity holders of the parent	Non-controlling interests	Total
	RON	RON	RON	RON	RON	RON	RON	RON
<b>Balance as of 1 January 2014</b>	<b>58,980,060</b>	<b>7,266,754</b>	<b>22,497,738</b>	<b>42,245,118</b>	<b>1,590,230</b>	<b>132,579,900</b>	<b>2,865,713</b>	<b>135,445,613</b>
Increases/(Decreases)	-	525,610	-	-	(525,610)	-	-	-
Reserves representing realized revaluation surplus	-	-	(514,053)	-	514,053	-	-	-
Other comprehensive income	-	-	-	-	-	-	-	-
Group share in the comprehensive income of the joint venture**	-	-	(768,073)	-	-	(768,073)	-	(768,073)
Deferred income tax**	-	-	122,892	-	-	122,892	-	122,892
<b>Profit/loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,239,853</b>	<b>15,239,853</b>	<b>729,010</b>	<b>15,968,863</b>
<b>Balance as of 31 December 2014</b>	<b>58,980,060</b>	<b>7,792,364</b>	<b>21,338,504</b>	<b>42,245,118</b>	<b>16,818,526</b>	<b>147,174,572</b>	<b>3,594,723</b>	<b>150,769,295</b>

\*\* The amounts represent: Group share in the comprehensive income of the joint venture, net of the related deferred income tax, which relates to the investment in the joint venture

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As of 31 December 2013 and 2014, the revaluation reserves include amounts representing the realized revaluation surplus related both to tangible assets and investment property until the date of their reclassification.

**Alexandru Stanean**  
CEO

**Edit Orban**  
CFO

The accompanying notes from 1 to 35 are an integral part of these financial statements.

**TERAPLAST SA**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**for the financial year ended 31 December 2014**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

	Year ended as at 31 December 2014 RON	Year ended as at 31 December 2013 (*) RON
<b>Cash flows from operating activities</b>		
<b>Profit/ (loss) before tax</b>	<b>17,779,696</b>	<b>8,697,563</b>
Interest expenses	2,601,468	3,181,635
Interest income and other financial revenues	(8,011)	(89,063)
Gain from the sale or disposal of fixed assets	(157,288)	(326,705)
Loss from the impairment of trade receivables	1,214,086	(2,755,718)
Adjustment of expenses with inventory impairment provisions	637,978	(373,779)
Amortization and depreciation of long-term assets	15,533,844	12,939,224
Reversal of fixed asset impairment provision	(685,418)	-
Revenue from the provisions for the retirement benefits obligations	59,755	(47,782)
Adjustment of provision for risks and charges	(164,564)	(684,310)
Share of the profit or loss of the joint venture accounted for using the equity method	(757,844)	(1,557,324)
Loss from investment property valuation	189,629	3,380,794
Investment revenues	(580,574)	(66,948)
Revenues from operating subsidies for other operating expenses	(449,899)	(342,870)
Increases/decreases in financial instruments	-	(147,426)
Foreign exchange losses	438,761	(144,109)
	<b>35,651,619</b>	<b>21,700,378</b>
<b>Movements in working capital</b>		
(Increase)/Decrease of trade and other receivables	(10,507,247)	21,144,450
Increase)/Decrease in inventories	(2,472,207)	(2,884,507)
Increase in other assets	-	-
(Decrease)/Increase of trade and other payables	228,494	(6,708,153)
(Decrease)/increase in other liabilities	-	-
<b>Cash generated by operating activities</b>	<b>22,900,659</b>	<b>33,252,167</b>
Interest paid	(2,601,468)	(3,255,886)
Income tax paid	(2,078,179)	(346,051)
<b>Net cash (used in) / generated by operating activities</b>	<b>18,221,012</b>	<b>29,650,230</b>
<b>Cash flow from investment activities</b>		
Received interest	8,011	89,063
Payments related to tangible assets	(5,556,054)	(9,022,835)
Receipts from the sale of tangible and intangible assets	1,628,964	711,686
Dividends received	580,574	66,948
<b>Net cash (used in) investment activities</b>	<b>(3,338,505)</b>	<b>(8,155,138)</b>
<b>Cash flows from finance activities</b>		
Net receipts / (reimbursements) from loans	(14,087,116)	(23,790,483)
Financial lease payments	(2,693,944)	(1,989,120)
Receipts from subsidies	-	2,878,590
<b>Net cash generated by finance activities</b>	<b>(16,781,060)</b>	<b>(22,901,013)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(1,898,553)</b>	<b>(1,405,921)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	<b>7,061,525</b>	<b>8,467,448</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>5,162,972</b>	<b>7,061,527</b>

The financial statements on pages 1 to 64 were approved by the Board of Administration and authorized for publishing according to the Administrator's decision on 26 March 2015.

**Alexandru Stanean**  
CEO

**Edit Orban**  
CFO

**TERAPLAST SA**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**for the financial year as at 31 December 2014**

*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

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## **1. GENERAL INFORMATION**

These are the consolidated financial statements of the Teraplast SA Group. The consolidation perimeter includes the companies Teraplast S.A. ("Parent") and Politub SA ("jointly-controlled unit"), and Plastsistem SA ("subsidiary").

S.C. Teraplast SA (the Parent) is a joint stock company established in 1992. The Company's head office is in the „Teraplast Industrial Park”, DN 15A (Reghin-Bistrita), Bistrita- Nasaud County, Romania.

Starting 2 July 2008 the company Teraplast is listed at the Bucharest Stock Exchange under the symbol TRP.

The Company's main activities include the production of PVC pipes and profiles, plasticized and rigid granules, heat insulated glass, windows and doors made of PVC and aluminum, polypropylene pipes, terracotta tiles, fittings and the trading of cables, polyethylene pipes, steel parts.

The parent, together with another business partner, holds a jointly controlled unit, SC Politub SA (Politub – jointly-controlled unit). Politub SA's main activities include the production of pipes from average and high density polyethylene for water, gas transport and distribution networks, but also for telecommunications, sewerage systems or irrigations.

In March 2007, the Company became the major shareholder of Plastsistem SA (Plastsistem) through the purchase of 52.77% of the shares. As of 31 December 2014, Teraplast's holding in Plastsistem is of 78.71%. Plastsistem's main activity is the production of heat insulating panels with polyurethane foam for the construction of warehouses.

The Company holds another subsidiary, Teraglass Bistrita SRL which was established in 2011 and it operated for a few months, having as scope of business the production and trading of windows, though the transfer of the windows division activity within Teraplast SA. In August 2011, Teraplast SA has reintegrated in its activity the production and trading of windows, as the activity of Teraglass Bistrita SRL, as a separate entity, has ceased.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. SIGNIFICANT ACCOUNTING POLICIES**

#### **2.1 Basis of preparation**

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

#### **2.2 Functional currency**

The functional currency, which reflects the substance of the concerned events and relevant circumstances for the Parent and its subsidiaries, is the Romanian Leu ("RON"). Until 1 July 2004, Romania was considered a hyperinflationary economy according to the criteria of IAS 29 *Financial Reporting in Hyperinflationary Economies*. In accordance with the provisions in IAS 29, the parent has discontinued the application of IAS 29 as of 1 January 2004.

These financial statements are presented in Romanian Lei ("RON") unless otherwise specifically stated.

## **2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.3. Going concern**

These financial statements have been prepared under the going concern basis, which implies that the Company will continue its activity in the foreseeable future. In order to assess the applicability of this assumption, management analyzes the forecasts concerning future cash inflows.

As of 31 December 2014, the current assets exceed the current liabilities of the Group by RON 12,050,600 (as of 31 December 2013, current liabilities exceeded the current assets by RON 4,205,060). As detailed in Note 29, the Group degree of indebtedness is of 25% (31 December 2013: 32%), which indicates a moderate dependence of the Group on financing banks, as also described in Note 24.

The budget prepared by the Group management and approved by the Board of Administration for 2015 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Group to fulfill its contractual clauses with the financing banks. Complying with the financial indicators in the contracts with the financing banks depends on the operating result of the Group and on liquidity. Consequently, if the set forecasts are not met because of different factors, including of an economic and political nature, these financial indicators might not be achieved. Group management believes that the support from banks is sufficient for the Group to continue its activity under normal conditions, on a going concern basis.

Based on these analyses, management believes that the Group will be able to continue its activity in the foreseeable future and, consequently, the application of the going concern principle in the preparation of the financial statements is justified.

### **Basis for consolidation**

The financial statements comprise the financial statement of the Parent company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

The Group has adopted IFRS 8 *Operating Segments* applicable starting 1 January 2009. IFRS 8 replaced IAS 14, according to which segments were identified and reported according to the risk and benefit analysis. The items were reported based on the accounting policies used for external reporting. Under IFRS 8, the segments are components of the entity that are regularly reviewed by the operating officer. Items are reported based on the internal reporting. The Group applied IFRS 8 starting 1 January 2009.

### **2.4. Standards, amendments and new interpretations of the standards**

#### **A) Changes in accounting policies and disclosures**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Group as of 1 January 2014. Only the amendments to the IFRSs which are relevant for the Group considering its business and transactions performed are detailed:

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  - **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  - **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  - **IFRS 11 Joint Arrangements**
  - **IFRS 12 Disclosures of Interests in Other Entities**
  - **IAS 39 Financial Instruments (amended): recognition and measurement - novation of derivatives and continuation of hedge accounting**
  - **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
  - **IFRIC Interpretation 21: Levies**
- **IAS 28 Investments in Associates and Joint Ventures (Revised)**  
As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. Such review has no significant impact on the financial statements of the Group.
  - **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**  
These amendments clarify the meaning of “currently has a legally enforceable right to set-off”. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. There is no impact on the financial statements of the Group.
  - **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**  
IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. There is no impact on the financial statements of the Group.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **IFRS 11 Joint Arrangements**

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The effect of the application of the new standard is detailed in Note 2.30 and in Note 16.

- **IFRS 12 Disclosures of Interests in Other Entities**

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The new disclosures required are presented by the Group in Note 16.

- **IAS 39 Financial Instruments (amended): recognition and measurement - novation of derivatives and continuation of hedge accounting**

Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve centralized clearing for that instrument. There is no significant impact on the financial statements of the Group

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. Such amendments do not have impact upon the disclosures done by the Group in the current financial statements.

- **IFRIC Interpretation 21: Levies**

The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. There is no impact on the financial statements of the Group.

### **B) Standards issued but not yet effective and not early adopted**

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendment has not yet been endorsed by the EU. Management is still assessing the potential impact on the Group's financial position and performance.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **IFRS 9 Financial Instruments**

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. Management is still assessing the potential impact on the Group's financial position and performance.

- **IFRS 11 Joint Arrangements (amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. This amendment has not yet been endorsed by the EU. Management has assessed that this amendment will have no significant impact on the Group's financial position and performance.

- **IFRS 14 Regulatory Deferral Accounts**

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This amendment has not yet been endorsed by the EU. Management has assessed that this amendment will have no significant impact on the Group's financial position and performance.

- **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. Management is in progress with the analysis of the contracts in place concluded with its customers in order to determine the impact on the financial position and performance of the Group.

- **IAS 27 Separate Financial Statements (amended)**

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. The management is still assessing the impact on the financial position and performance of the Group.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. Such amendment has impact only upon the consolidated financial statements of the Group of which the Company is part of and the management is assessing the impact upon the financial position and current result of the Group.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015. The amendments detailed below have impact only upon the disclosures from the financial statements and have no impact upon the financial position and performance of the Group.

- **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
- **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
- **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
- **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
- **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
- **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
- **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015. The amendments detailed below have impact only upon the disclosures from the financial statements and have no impact upon the financial position and current result of the Company.

- **IFRS 1 First-time adoption of IFRS:** This improvement clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements.
- **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
  - **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.
- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. The amendments detailed below have impact only upon the disclosures from the financial statements and have no impact upon the financial position and current result of the Company.
    - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
    - **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
    - **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
    - **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
  - **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU. Management has assessed that there is no significant impact on the Group's financial statements.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

- **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU. The amendments have impact only on the disclosures from the financial statements and have no impact on the financial position and performance of the Group.

### **2.5. Investment in joint venture associations**

The Group's investment in the joint venture is accounted for using the equity method. Under the equity method, the investment in a joint venture is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment individually.

The statement of profit or loss reflects the Group's share of the results of operations of the joint venture. Any change in the other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognized directly in the equity of the joint venture, the Group recognizes its share of any changes, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss as 'Share of profit of an associate and a joint venture' in the statement of profit or loss.

### **2.6. Cash and cash equivalents**

Cash and cash equivalents include liquid assets and other equivalent values, comprising petty cash, short term deposits with maturities of up to 3 months.

### **2.7. Revenue recognition**

Revenue is measured at the fair value of the consideration received or to be received, net of VAT. Revenue is decreased with the value of returns, trade discounts and of other similar costs.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Sale of goods**

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

- The Group has substantially transferred to the buyer all risks and benefits related to the property right over the goods;
- The Group does not have any managerial involvement usually associated to the property right, nor actual control over the sold goods;
- The amount of revenues can be reliably measured;
- It is likely for the economic benefits associated to the transactions to inflow to the entity and the costs registered or to be registered concerning the transaction can be measured reliably;
- Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of trade discounts.

### **Dividend and interest revenues**

Revenues from dividends related to investments are recognized when the shareholders' right to receive them is determined.

For all financial instruments measured at amortized cost and interest-bearing financial assets classified as available for sale, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

### **2.8. Lease**

Lease is classified as finance lease when the lease terms substantially transfer all risks and benefits related to the property right to the lessee. All other leases are classified as operating lease.

Assets held through financial lease are initially recognized as Company assets at the fair value from the initial lease phase or, if lower, at the value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease liability.

Lease payments are divided between finance costs and the reduction of the lease liability, so as to obtain a constant rate of the interest related to the remaining liability balance. Finance costs are registered directly into profit and loss.

Operating lease payments are recognized as expense through the straight line method, during the lease term. Potential operating leases are recognized as expense as incurred.

### **2.9. Foreign currency transactions**

The Company is operating in Romania and its functional currency is Romanian leu (RON).

For the preparation of the Group's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Monetary assets and liabilities expressed in foreign currency at the end of the year are translated into RON at the exchange rate valid at the end of the year. Unrealized foreign exchange gains and losses are presented in the profit and loss statement.

The RON exchange rate for 1 unit of the foreign currency:

	<u>31 December 2013</u>	<u>31 December 2014</u>
<b>EUR 1</b>	4.4847	4.4821
<b>USD 1</b>	3.2551	3.6868
<b>CHF 1</b>	3.6546	3.7273

Non-monetary items which are measured at historic cost in a foreign currency are not translated back.

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

### **2.10. Costs related to long-term borrowings**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until they are ready for its intended use or for sale. Revenues from temporary investments of loans, until such loans are expensed for assets, are deducted from the costs related to long-term loans eligible for capitalization.

All other borrowing costs are expensed in the period in which they occur.

The amortized cost for the financial assets and liabilities is calculated using the effective interest rate. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

### **2.11. Government grants**

Government grants are not recognized until there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group.

The Government grants the main condition of which is that the Group acquire, build or obtain otherwise long-term assets are recognized as deferred income in the balance sheet and transferred to the profit and loss statement systematically and reasonably over the useful life of those assets.

Other Government grants are systematically recognized as revenues in the same period as the costs it intends to offset. The Government grants received as compensation for expenses or losses already recorded or in order to provide immediate financial support to the Group with no related future costs, are charged to the income statement when they fall due.

Grants receivable in order to acquire assets such as tangible assets are recorded as investment subsidies and recognized in the profit and loss statement as the depreciation expenses are incurred or at the time the assets acquired from the subsidy are retired or disposed of.



## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.12. Costs related to retirement rights**

Based on the collective labor contract, the Group is under the obligation to pay retirement benefits to its employees depending on their seniority within the Group, in average, two salaries. The Group has registered loss for such payments and reviews the value of this liability each year depending on the employees' seniority within the Group.

### **2.13. Employees' contribution**

The Group pays contributions to the social security state budget, to the pension fund and to the unemployment fund, at the levels established by current legislation. The value of these contributions is registered in the profit and loss statement in the same period as the corresponding salary expense.

### **2.14. Profit distribution to employees**

The Group recognizes a liability and an expense for profit distribution to employees, based on a formula that takes into account the profit attributable to the equity holders of the parent following adjustments considered to be necessary. The Group recognizes a liability when it is bound under a contract or where there is a constructive obligation as a result of a policy previously applied.

### **2.15. Taxation**

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

#### **Current tax**

Current tax is based on the taxable profit for the year. Taxable profit is different than the profit reported in statement of comprehensive income, because it excludes the revenue and expense items which are taxable or deductible in other years and it also excludes the items which are never taxable or deductible. The Group's current tax liability is computed using the taxation rates in force or substantially in force at the balance sheet date.

#### **Deferred tax**

Deferred tax is recognized over the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding fiscal bases used in the computation of taxable income and it is determined by using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized in the extent in which it is likely to have taxable income over which to use those temporary deductible differences. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable income, nor the accounting income.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and in joint ventures, except for the cases in which the Group is able to control the reversal of the temporary difference and it is likely for the temporary difference not to be reversed in the foreseeable future. The deferred tax assets resulted from deductible temporary differences associated with such investments and interests are recognized only in the extent in which it is likely for sufficient taxable income to exist on which to use the benefits related to temporary differences and it is estimated that they will be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Deferred tax assets and liabilities are measured at the taxation rates estimated to be applied during the period when the liability is settled or the asset realized, based on the taxation rates (and tax laws) in force or entering into force substantially until the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Group estimates, as of the balance sheet date, that it will recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority and the Group intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

### **Current tax and deferred tax related to the period**

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

### **2.16. Tangible assets**

Tangible assets, less land and buildings, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the revaluated value of the asset.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the profit or loss of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

A tangible asset item and any significant part recognized initially are derecognized upon disposal or when no economic benefits are expected from their use or disposal. Any gain or earning resulting from the derecognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognized.

The residual value, the useful life and the methods of depreciation are reviewed at the end of each financial year and adjusted prospectively, if appropriate.

Constructions in progress for production, rent, lease, administrative or for purposes not yet determined is registered at historical cost, less impairment. The impairment of these assets starts when the assets are ready to be used.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Plant and machinery is registered in the financial position statement at their historic value adjusted to the effect of hyperinflation until 31 December 2003, according to IAS 29 *Financial Reporting in Hyperinflationary Economies* decreased by the subsequently accumulated depreciation and other impairment losses.

Depreciation is registered so as to decrease the cost of the asset to its residual value other than the land and investments in progress, along their estimated useful life, using the straight line basis. The estimated useful lives, the residual values and the depreciation method are reviewed at the end of each year, having as effect changes in future accounting estimates.

Assets held in finance lease are depreciated over the useful life, similarly to assets held or, if the lease period is shorter, during the respective lease contract.

Loss or gains from the sale or retirement of a tangible asset are calculated as difference between disposal income and the net carrying value of the asset and they are recognized in other expenses.

Maintenance and repairs of tangible assets are included as expenses when they occur and significant improvements to tangible assets which increase their value or useful life or which significantly increase their capacity to generate economic benefits, are capitalized.

The following useful lives are used for the computation of depreciation:

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

### **2.17. Investment properties**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

### **12.18. Intangible assets**

Intangible assets purchased separately are reported at cost minus accumulated amortization losses. Amortization is computed through the straight line basis over the useful life. The estimated useful lives, the residual values and the amortization method are reviewed at the end of each year, having as effect changes in future accounting estimates.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The following useful lives are used for the computation of amortization:

Licenses	1 – 5 years
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### **2.19. Impairment of tangible and intangible assets**

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Group assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the company's assets are also allocated to other separate cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. When measuring the value in use, the future estimated cash flows are settled at the current value using a discount rate prior to taxation which reflects current market assessments of the temporary value of money and the specific risks of the asset, for which future cash flows have not been adjusted.

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable value. An impairment loss is recognized immediately in profit and loss.

If a depreciation loss is subsequently reversed, the carrying amount of the asset (of the cash generating unit) is increased to the reviewed estimation of its recoverable value, but so as the reviewed carrying amount does not exceed the carrying amount which would have been determined had any impairment loss not been recognized for the respective asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

### **2.20. Inventories**

The inventories are registered at the lowest value between cost and the net realizable value. The net realizable value is the selling price estimated for the inventories minus all estimated costs for completion and the costs related to the sale. Costs, including a portion related to fixed and variable indirect costs are allocated to inventories held through the method most appropriate for the respective class of inventories, the majority being assessed based on the weighted average cost. Finished products, semi-finished goods and production in progress are measured at actual cost. For the following classes of inventories, the average weighted cost method is used: the raw material for pipes/piping, merchandise, inventory items/small tools, residual products, packaging materials, consumables and metallic panels.

### **2.21. Share capital**

Common shares are classified in equities.

At the repurchase of the Company shares the paid amount will decrease equity belonging to the holders of the company's equity, through retained earnings, until they are canceled or reissued. When these shares are subsequently reissued, the received amount (net of transaction costs and of income tax effects) is recognized in equity belonging to the holders of the company's equity.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **2.22. Dividends**

Dividends related to ordinary shares are recognized as liability to the shareholders in the consolidated financial statements in the period in which they are approved by the Group shareholders.

### **2.23. 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 an outflow of resources embodying economic benefits will be required from the Group to settle the obligation and a reliable estimate can be made of the amount of the respective obligation.

The amount recognized as a provision is the best estimate of the amount necessary to settle the current obligation as of the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using the estimated cash flows necessary for settling the present obligation, the carrying amount is the present value of the respective cash flows.

### **2.24. Segment reporting**

Segment reporting is done consistently with the internal reporting to the chief operating decision maker. The chief operating decision maker, which answers for allocating resources and assessing the performance of activity segments, was identified as being the Board of Administration of the parent, which is making the strategic decisions.

### **2.25. Financial assets and liabilities**

The Group's financial assets include cash and cash equivalents, trade receivables and long-term investments. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are presented in this note.

Loans are initially recognized at fair value minus the costs for the respective operation. Subsequently, they are registered at amortized cost. Any difference between the initial value and the reimbursement value is recognized in profit and loss for the period of the loans, using the effective interest rate method.

Financial instruments are classified as liabilities or equity according to the nature of the contractual arrangement. Interest, dividends, gains and losses related to a financial instrument classified as liability are reported as expense or revenue. Distributions to the holders of financial instruments classified as equity are registered directly in equity. Financial instruments are offset when the Group has a legal applicable right to offset them and it intends to offset them either on a net basis or to realize the asset and settle the liability at the same time.

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated at initial recognition as being at fair value through profit or loss. Financial assets are classified as held for trading if they are obtained for the purpose of sale or repurchase within the closest deadline. Derivatives, including separate derivatives, are also classified as held for trading if they are not designated as effective hedge instruments according to IAS 39. Financial assets at fair value through profit or loss are accounted for at fair value in the statement of financial position and the amendments of fair value are recognized in financial income or finance costs in current result.

Financial assets designated at initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria are met according to IAS 39. The parent entity concluded forward currency contracts and interest rate swap contracts which it has designated as financial assets at fair value through profit or loss.

### **Available for sale financial assets**

Shares held in an unquoted capital instrument are classified as held for sale and they are registered at fair value in other comprehensive income. Gains and losses from changes in fair value are recognized directly in equity, in investment revaluation reserves, except for impairment losses, interest computed using the effective interest rate method and gains and losses from monetary asset foreign exchange rates, which are recognized directly in profit and loss. If the investment is sold or it is found that it is depreciated, gains or losses cumulated previously recognized in the investment revaluation reserve are included in the profit and loss statement for the period.

Dividends from available for sale capital instruments are recognized in profit and loss when the Group's right to receive them is established.

### **Impairment of financial assets**

Financial assets are measured for impairment at each reporting date.

Financial assets are impaired when there is objective proof that one or several events occurring after initial recognition have had an impact on the future cash flow related to the investment.

For available for sale shares, a significant or prolonged decline of the fair value of the property value below its cost is considered an objective proof of impairment.

Certain categories of financial assets, such as clients, assets measured as not impaired individually, are measured subsequently for impairment on a collective basis. Objective proof concerning the impairment of a portfolio of receivables may include the Group's past experience concerning collective payments, an increase of payments postponed beyond the credit period, as well as visible changes of the national and local economic conditions correlated with payment incidents concerning receivables.

The carrying amount of the financial asset is decreased by the depreciation loss, directly for all financial assets, except for trade receivables, case in which the carrying amount is reduced by using an impairment adjustment account. If a receivable is considered non-recoverable, it is eliminated and deducted from the adjustment for impairment. Subsequent recoveries of the amounts eliminated previously are credited in the adjustment for impairment account. The changes of the carrying amount in the adjustment for impairment account are recognized in provision expenses, adjustments for impairment and depreciation.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Derecognition of assets and liabilities**

The Group derecognizes financial assets only when the contractual rights over the cash flows related to the assets expire or it transfers to another entity the financial asset and, substantially, all risks and benefits related to the asset.

The Group derecognizes financial liabilities only if the Group's liabilities have been paid, canceled or they have expired.

### **2.26. Fair value measurement**

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 29 i).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principle of the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuers are involved for valuation of significant assets, such as investment property and available for sale financial assets. Involvement of external valuers is decided upon annually by the Board of Directors. Selection criteria include market knowledge, reputation, independence and professional standards, if they are specified.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

At each reporting date, Group's management analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies.

Group's management, in conjunction with the entity's external valuers, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

### **2.27. Comparatives**

For comparability, for each time of consolidated financial position, of consolidated comprehensive income, and, where applicable, for the consolidated statement of changes in equity and the consolidated cash flow statement, the value of the corresponding item in the prior financial year is presented.

### **2.28. Use of estimates**

The preparation of the consolidated financial statements requires the performance of estimates and judgments by the management, which affects the reported amounts of assets and liabilities and the presentation of potential assets and liabilities at the balance sheet date, as well as the reported amounts of revenues and expenses during the reporting period. Actual results may be different from these estimates. The estimates and judgments on which these are based are reviewed permanently. The reviews of the accounting estimates are recognized during the period in which the estimate is reviewed, if this review affects only the respective period or during the review period and during future periods, if the review affects both the current period and the future periods.

## **B. CHANGES IN ACCOUNTING POLICIES**

### **2.30. Changes in accounting policies and disclosures**

#### **IFRS 11 *Joint Arrangements* and IAS 28 *Investments in Associates and Joint Ventures***

The application of IFRS 11 in 2014 had an impact on the manner of accounting the investment in the company Politub SA. The Group holds 50% of the shares of Politub SA, with the head office in Bistrita, Romania.

Before the transition to IFRS 11, Politub SA has been classified as a jointly-controlled unit, with the Group reporting its interests in the jointly-controlled unit using proportionate consolidation. The Group's share in the assets, liabilities, revenue and expenses of the jointly-controlled entity has been combined with the equivalent items in the consolidated financial statements, line by line.

After adoption of IFRS 11, the Group has decided that Politub SA is classified as a joint arrangement under IFRS 11, which requires the accounting of a joint arrangement using the equity method.

The transaction was applied retrospectively, according to IFRS 11, and the comparative financial statements for the immediately prior period (31 December 2013) have been restated.



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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Impact on the Statement of Comprehensive Income (increase/(decrease) in profit):**

	<b>31 December 2013</b>
	<b>RON</b>
Revenues	(29,221,449)
Cost of sold goods and services rendered, out of which	26,884,424
General administration expenses	292,643
Financial profit/(loss)	233,147
Share in the profit or loss related to the joint venture accounted for using the equity method	1,557,324
<b>Profit before tax</b>	<b>(253,912)</b>
Income tax expense	253,912
Net impact on the profit for the financial year	-

**Impact on equity (increase/(decrease) in net capital):**

	<b>31 December 2013</b>	<b>1 January 2013</b>
	<b>RON</b>	<b>RON</b>
Non-current assets	(10,134,540)	(10,205,246)
Investment in a joint venture accounted for using the equity method	-	-
	13,657,530	12,100,205
<b>Non-current assets - total</b>	<b>3,522,990</b>	<b>1,894,959</b>
Current assets	(13,158,729)	(12,420,882)
<b>Total assets</b>	<b>(9,635,739)</b>	<b>(10,525,923)</b>
Long-term liabilities	904,449	1,352,810
Current liabilities	8,731,290	9,173,113
<b>Total liabilities</b>	<b>9,635,739</b>	<b>10,525,923</b>
Net impact on capital	-	-

**Impact on cash flows (increase/ (decrease) in cash flows)**

	<b>31 December 2013</b>
	<b>RON</b>
Operating activity	2,884,696
Investing activity	(1,100,710)
Financing activity	-
<b>Net impact on cash flows</b>	<b>1,783,986</b>

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

#### **3.1. Judgments**

In the process of applying the Group accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

##### **Investment properties**

The Group has certain assets which management has decided to reclassify as investment properties, as follows:

- The Group holds a piece of land and a building (previously used as head office), located in Str. Romana, Bistrita. In January 2012, the management decided that the final destination of the land is to be held in held for long-term capital appreciation which is subsequently materialized through sale. As a result, the land was classified in January 2012 as an investment property.
- In December 2012 the assets previously transferred to SC Teracota Bistrita SRL have been taken back. The management decided that the final purpose of the respective is to be held in held for long-term capital appreciation which is subsequently materialized through sale. As a result, the land was classified in December 2012 as an investment property, being valued at fair value as of this date.
- The parent holds land and buildings (previously used as regional warehouses) in Oradea, Constanta and Bucharest. In 2013, the management decided that the final destination of the land is to be held in held for long-term capital appreciation which is subsequently materialized through sale. As a result, the land and buildings were classified in 2013 as investment properties, being measured at fair value as at 31 December 2013 and 31 December 2014.

For more details on these assets and their classification, see Note 14.

#### **3.2. Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

##### **Revaluation of property, plant and equipment and investment properties**

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income, less those recognized in the statement of profit or loss. The Group engaged independent valuation specialists to assess fair value as at 31 January 2013 and as at 31 December 2014. Investment properties (land and buildings) and land and buildings (recorded as non-current assets) were valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

##### **Impairment of intangible and tangible assets**

To determine whether the impairment related to an intangible or tangible asset must be recognized, significant judgment is needed. To take this decision, for each cash generating unit (CGU), the Group compares the carrying amount of these intangible or tangible assets, to the higher of the CGU fair value less costs to sell and its value in use, which will be generated by the intangible and tangible assets of the cash generating units over the remaining useful life. The recoverable amount used by the Group for each cash generating unit for impairment measuring purposes was represented by its value in use.

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)**

In the current economic environment, affected by the international financial crisis, the Group analyzed the internal and external sources of information and reached the conclusion that there are indications concerning the impairment of assets. The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As a result, the Group decided to estimate the recoverable amount of tangible assets, under IAS 36. This exercise resulted in no need to record a provision for assets impairment.

The impairment testing performed by the Group is based on the determination of the value in use considering the present value of the future discounted cash flow. The cash flows have been determined based on the budgets approved for 2015 and of the forecasts for the following four years. The terminal value was determined based on the cash flows forecasted for 2019.

The cash generating units identified at the Teraplast Group level are:

- The cash generating unit Installations and Fittings;
- The cash generating unit Granules;
- The cash generating unit Joinery Profiles (2012: PVC Joinery);
- The cash generating unit Thermal Insulation Joinery;
- The cash generating unit Plastsistem.
- 

The pre-tax discount rate applied for cash flow projections was determined at the level of each cash generating unit, ranging from 8.39% and 12.1% (2013: between 9.43% and 12.65%), representing the Group best estimate of the standard applicable in the concerned field of activity. The discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the underlying assets. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

The impairment analysis testing has involved the following underlying assumptions and estimates: prices, costs, gross margin and sold volumes.

For the selling prices and the costs related to the operating activity, increases higher than the estimated inflation level for each year have been taken into consideration. When estimating the volumes on the forecast period, scenarios featuring different increase rhythms in volumes were considered, taking into account past experience and future plans of the management.

For 2015, the Group continues to estimate an increase from 2014 due to the actions taken and projects performed for increasing its market share.

The Group has considered both the information available from prior years, the production capacity for each cash generating unit, the consolidation of client relationships and the external market potential.

The average increase rates of the Group were as follows:

- For the cash generating unit Installations and Fittings, the management estimates that the turnover will increase in the following five years by an annual 7.92% rate above the 2014 level;
- For the cash generating unit Granules, the management has estimated an cumulated increase of 4.5% for the following five years;
- For the cash generating unit Thermal Insulation Joinery, the management estimates that the sales will increase by an average 14.77% rate in the following five years. This increase is higher than the industry average and the management estimates this evolution based on the fact that the cash generating unit has concluded contracts at the end of 2014 with new customers operating on international markets that are expected to generate an increase in sales of 18% compared to 2014. Also, since 2014, the management has initiated a program for the expansion of its distribution network on the Italian market by using dealers (this market was not covered to date);

### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

- The cash generating unit Joinery Profiles has an estimated accumulated increase rate of the turnover for the projection period of 9.45%. This increase is higher than the industry average and the management considers that this increase will also be supported by the Teraglass development;
- For the cash generating unit Plastsistem, the management estimates an increase rate of 10% for the following five years.

The gross margin used for in the impairment test is based on the average values obtained in the last year of activity, as well as the efficiency and optimization measures implemented for the production in 2014, which have resulted in an improvement of the results of this year and will have long and medium-term effects.

The Group management considers that the sensitivity analysis of the main assumptions used for the impairment testing would not show indication of impairment for the identified cash generating units.

#### **Taxation**

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

As at 31 December 2014, the Group no longer recorded fiscal losses carried forward, which were recovered during 2014 (fiscal losses carried forward as at 31 December 2013: 1,497,327, as at 31 December 2012: RON 805,126, at 31 December 2011: RON 2,905,541 and at 1 January 2011: RON 981,472).

Further details about the taxation are given in Note 11.

#### **Pension benefits**

The cost of the defined benefit pension plan and other post-employment medical benefits and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various actuarial assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The discount rate is 2.53%, as the average rate on the interest rate curve provided by "Bloomberg" for the first five years and 3.47%, which is the average rate on the interest rate curve provided by "Bloomberg" for the following years, considering the possibility to switch between RON and EUR.

The mortality rate is based on mortality tables provided by the mortality tables issued by the National Institute of Statistics. The salary increase rates are considered to be constant. Further details about the assumptions used are given in Note 25.

#### **Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured in active markets, their fair value is measured using valuation techniques including the discounted cash flow model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. These judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### 4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Sales from own production	312,048,381	284,804,535
Revenues from sale of commodities	18,887,167	22,058,755
Revenues from other activities	868,997	877,561
Commercial discounts awarded	(2,318,001)	(2,176,689)
<b>Total</b>	<b><u>329,486,544</u></b>	<b><u>305,564,162</u></b>

#### Geographical analysis

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Sales on the internal market (Romania)	263,171,132	242,621,613
Sales on the external market (Europe)	66,315,412	62,942,549
<b>Total</b>	<b><u>329,486,544</u></b>	<b><u>305,564,162</u></b>

The information on the operational policy as reported to the responsible parties from the perspective of resource allocation and segment performance analysis is classified according to the type of products delivered. The reporting segments of the Group have been determined according to:

- The nature of the products and services
- The nature of the production processes
- The type or category of clients for products and services
- Methods used for distributing the products or providing the services

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**4. REVENUES AND OPERATING SEGMENTS (continued)**

The reporting segments of the Group are aggregated according to the main types of activities and are presented below:

Year ended 31 December 2013	Installations and fittings	Joinery Profiles	Granules	Thermal Insulation Joinery	Thermal Insulation Panels and Metallic Structures	Non-allocated amounts	Total
<b>Total revenue</b>	<b>118,167,497</b>	<b>42,613,619</b>	<b>41,103,257</b>	<b>24,971,817</b>	<b>81,648,311</b>	-	<b>308,504,501</b>
Elimination of inter-segment transactions	(371,450)	-	-	-	(1,509,296)	-	(1,880,746)
<b>Total revenue</b>	<b>117,796,047</b>	<b>42,613,619</b>	<b>41,103,257</b>	<b>24,971,817</b>	<b>80,139,015</b>	-	<b>306,623,755</b>
Expenses with sales, indirect and administrative	(112,079,409)	(41,509,212)	(35,905,924)	(26,999,868)	(79,337,796)	-	(295,832,209)
Elimination of inter-segment transactions	1,482,087	-	-	-	371,450	-	1,853,537
<b>Total operating expenses</b>	<b>(110,797,322)</b>	<b>(41,509,212)</b>	<b>(35,905,924)</b>	<b>(26,999,868)</b>	<b>(78,966,346)</b>	-	<b>(293,978,672)</b>
<b>Operating result</b>	<b>7,198,725</b>	<b>1,104,407</b>	<b>5,197,333</b>	<b>(2,028,051)</b>	<b>1,172,669</b>	-	<b>12,645,083</b>
Financial result	-	-	-	-	-	-	(5,467,647)
Share of the profit or loss of the joint venture accounted for using the equity method	-	-	-	-	-	-	1,557,324
<b>Profit before tax</b>	-	-	-	-	-	-	<b>8,734,760</b>
Profit tax	-	-	-	-	-	-	(3,509,197)
<b>Result for the year</b>	-	-	-	-	-	-	<b>5,225,563</b>
<b>Assets</b>	<b>106,159,073</b>	<b>46,601,504</b>	<b>22,658,647</b>	<b>24,117,302</b>	<b>50,972,241</b>	<b>27,276,717</b>	<b>277,785,484</b>
Elimination of inter-segment transactions	(6,353)	-	-	-	(601,986)	-	(608,339)
<b>Total assets</b>	<b>106,152,720</b>	<b>46,601,504</b>	<b>22,658,647</b>	<b>24,117,302</b>	<b>50,370,255</b>	<b>27,276,717</b>	<b>277,177,145</b>
<b>Liabilities</b>	<b>49,589,388</b>	<b>18,632,353</b>	<b>17,786,632</b>	<b>11,929,783</b>	<b>44,401,715</b>	-	<b>142,339,871</b>
Elimination of inter-segment transactions	(601,986)	-	-	(2,881)	(3,472)	-	(608,339)
<b>Total liabilities</b>	<b>48,987,402</b>	<b>18,632,353</b>	<b>17,786,632</b>	<b>11,926,902</b>	<b>44,398,243</b>	-	<b>141,731,532</b>

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**4. REVENUES AND OPERATING SEGMENTS (continued)**

Year ended 31 December 2014	Installations and fittings	Joinery Profiles	Granules	Teraglass	Thermal Insulation Panels and Metallic Structures	Non-allocated amounts	Total
<b>Total revenue</b>	127,174,892	42,868,742	40,244,532	22,411,945	100,248,906	-	332,949,017
Elimination of inter-segment transactions	(153,050)	-	-	-	(2,527,246)	-	(2,680,296)
<b>Total revenue</b>	<u>127,021,842</u>	<u>42,868,742</u>	<u>40,244,532</u>	<u>22,411,945</u>	<u>97,721,660</u>	-	<u>330,268,721</u>
Expenses with sales, indirect and administrative	(116,506,536)	(41,050,330)	(35,833,551)	(25,377,766)	(93,693,830)	-	(312,462,013)
Elimination of inter-segment transactions	2,527,246	-	-	-	153,050	-	2,680,296
<b>Total operating expenses</b>	<u>(113,979,290)</u>	<u>(41,050,330)</u>	<u>(35,833,551)</u>	<u>(25,377,766)</u>	<u>(93,540,780)</u>	-	<u>(309,781,717)</u>
<b>Operating result</b>	13,042,552	1,818,412	4,410,981	(2,965,821)	4,180,879	-	20,487,004
Financial result	-	-	-	-	-	-	(3,465,152)
Share of the profit or loss of the joint venture accounted for using the equity method	-	-	-	-	-	-	757,844
<b>Profit before tax</b>	-	-	-	-	-	-	17,779,696
Profit tax	-	-	-	-	-	-	(1,810,833)
<b>Result for the year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,968,863</u>
<b>Assets</b>	102,398,163	40,068,963	24,841,448	24,482,196	59,812,654	27,144,225	278,747,649
Elimination of inter-segment transactions	(25,569)	-	-	-	(668,075)	-	(693,644)
<b>Total assets</b>	<u>102,372,066</u>	<u>40,068,963</u>	<u>24,841,448</u>	<u>24,482,196</u>	<u>59,144,579</u>	<u>27,144,225</u>	<u>278,053,477</u>
<b>Liabilities</b>	47,643,347	15,721,833	17,315,317	10,237,475	37,059,856	-	127,977,828
Elimination of inter-segment transactions	(668,075)	-	-	-	(25,569)	-	(693,644)
<b>Total liabilities</b>	<u>46,975,272</u>	<u>15,721,833</u>	<u>17,315,317</u>	<u>10,237,475</u>	<u>37,034,287</u>	<u>-</u>	<u>127,284,184</u>

The non-allocated amounts relate to non-current assets transferred to investment properties, other financial assets and the investment in the joint venture accounted for using the equity method.

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**5. SUNDRY INCOME**

**Financial revenues**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Foreign exchange gains	2,929,438	7,861,405
Other financial revenues	4,895	3
Revenues from investment	580,574	66,948
Interest income	8,011	89,063
Gains on operations with derivatives held for trading	11,617	229,162
<b>Total</b>	<b><u>3,534,535</u></b>	<b><u>8,246,581</u></b>

**Finance costs**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Foreign exchange losses	3,368,199	9,172,534
Other financial expenses	129,627	394,434
Financial discounts awarded	888,776	883,889
Interest expenses	2,601,468	3,181,635
Losses on financial instruments	11,617	81,736
<b>Total</b>	<b><u>6,999,687</u></b>	<b><u>13,714,228</u></b>
<b>Net financial loss</b>	<b><u>(3,465,152)</u></b>	<b><u>(5,467,647)</u></b>

**Other operating income**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Compensations, fines and penalties	91,716	105,486
Revenues from inventory surpluses	234,062	618,845
Other revenues	456,399	335,262
<b>Total</b>	<b><u>782,177</u></b>	<b><u>1,059,593</u></b>



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**6. RAW MATERIALS, CONSUMABLES USED AND COMMODITIES**

	Year ended 31 December 2014	Year ended 31 December 2013
	RON	RON
Raw material expenses	201,841,304	189,963,658
Consumable expenses	14,706,785	14,266,425
Commodity expenses	13,921,332	17,208,740
Consumed packaging	580,330	570,909
<b>Total</b>	<b>231,049,751</b>	<b>222,009,732</b>

**7. OTHER GAINS AND LOSSES**

	Year ended 31 December 2014	Year ended 31 December 2013
	RON	RON
Revenues from the disposal of the tangible and intangible assets	1,628,964	711,686
Expenses from the disposal of the tangible and intangible assets	(1,788,599)	(384,981)
<b>Total</b>	<b>(159,635)</b>	<b>326,705</b>
Gain from the fair value measurement of investment properties	18,614	636,087
Loss on the fair value measurement of investment properties	(208,243)	(4,016,881)
	<b>(189,629)</b>	<b>(3,380,794)</b>

**8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION**

	Year ended 31 December 2014	Year ended 31 December 2013
	RON	RON
<b>Impairment adjustments for current assets and provisions</b>		
Setting and reversals of impairment adjustments for current assets	1,847,587	(1,181,057)
Net movements in provisions for risks and expenses	(164,564)	(684,310)
<b>Total impairment adjustments for current assets and provisions</b>	<b>1,683,023</b>	<b>(1,865,366)</b>
Reversal of impairment provision, net (Note 12)	(685,420)	(2,360,605)
Amortization expenses (Note 12 and Note 13)	15,533,845	15,299,829
<b>Total provisions, impairment adjustments and amortization</b>	<b>16,531,448</b>	<b>11,073,858</b>

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**9. EMPLOYEE BENEFIT EXPENSES**

	<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Salaries	22,366,342	21,262,095
Contributions to the public social security fund	6,126,975	6,043,240
Meal tickets	1,053,061	1,042,047
Other employee benefits	59,755	(47,782)
<b>Total</b>	<b>29,606,133</b>	<b>28,299,600</b>

**10. OTHER EXPENSES**

	<b>Period ended 31 December 2014</b>	<b>Period ended 31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Transportation expenses	12,127,662	10,003,100
Expenses with electricity	5,777,770	6,113,646
Expenses with third party services	5,134,017	5,253,933
Expenses with compensations, fines and penalties	235,599	462,363
Entertainment, promotion and advertising expenses	1,975,790	2,051,846
Other general expenses	2,566,826	3,163,267
Expenses with other taxes and duties	1,279,798	1,023,747
Repair expenses	881,305	1,252,753
Travelling expenses	713,489	705,956
Rent expenses	729,743	493,518
Mail and telecommunication expenses	433,656	445,521
Insurance premium expenses	553,709	463,591
<b>Total</b>	<b>32,409,364</b>	<b>31,433,241</b>

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**11. PROFIT TAX**

The total expense for the year may be reconciled with the accounting profit as follows:

	<b>Period ended 31 December 2014 RON</b>	<b>Period ended 31 December 2013 RON</b>
<b>Profit/(loss) before tax</b>	<b>17,779,696</b>	<b>8,697,564</b>
Profit tax calculated in a 16% rate	2,844,751	1,391,610
Elements assimilated to income	204,332	122,597
Deductions	(2,599,761)	(1,899,639)
Non-taxable revenues	(1,570,110)	(1,787,767)
Non-deductible expenses	3,460,060	5,796,931
Fiscal loss to be recovered from prior years	(240,023)	-
Sponsorship (tax credit)	(288,416)	(114,535)
<b>Total profit tax (revenue) / expense</b>	<b>1,810,833</b>	<b>3,509,197</b>
Current profit tax recognized in the profit and loss statement- expense/(revenue)	2,781,783	1,042,266
Deferred profit tax - expense / (revenue)	(970,950)	2,466,931
<b>Total profit tax revenue/ (expense)</b>	<b>1,810,833</b>	<b>3,509,197</b>

The tax rate applied for the reconciliation mentioned above related to 2014 and 2013 is 16% and is payable by the Romanian legal entities.

**The components of the net deferred tax liabilities**

<b>2013</b>	<b>Opening balance RON</b>	<b>Carried to the statement of profit or loss RON</b>	<b>Carried to the revaluation reserve RON</b>	<b>Closing balance RON</b>
Tangible and intangible assets, investment properties	(6,723,852)	(242,684)	986,939	(5,979,597)
Inventories	258,906	(258,906)	-	-
Trade and similar receivables	1,505,220	(1,505,920)	-	-
Investments in subsidiaries	392,000	-	-	392,000
Employee benefit liability	-	6,877	-	6,877
Trade and similar payables	-	-	-	-
Provisions	-	-	-	-
Fiscal loss	417,362	(417,362)	-	-
Other current financial liabilities	49,635	(49,635)	-	-
<b>Net liabilities with the recognized deferred income tax</b>	<b>(4,100,729)</b>	<b>(2,466,930)</b>	<b>986,939</b>	<b>(5,580,720)</b>

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**11. PROFIT TAX (continued)**

According to the Romanian tax legislation, the tax loss may be carried forward for seven years for the tax losses recorded after 1 January 2009, starting with the year when they occurred.

2014	Opening balance RON	Carried to the statement of profit or loss RON	Carried to the revaluation reserve RON	Closing balance RON
Tangible and intangible assets, investment properties	(5,979,596)	807,614	-	(5,171,982)
Inventories	-	-	-	-
Trade and similar receivables	-	-	-	-
Investments in subsidiaries	392,000	-	-	392,000
Employee benefit liabilities	6,877	55,357	-	62,234
Trade and similar payables	-	107,979	-	107,979
Provisions	-	-	-	-
Fiscal loss	-	-	-	-
Other current financial liabilities	-	-	-	-
<b>Net liabilities with the recognized deferred income tax</b>	<b>(5,580,719)</b>	<b>970,950</b>	<b>-</b>	<b>(4,609,769)</b>

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**12. TANGIBLE ASSETS**

	<u>Land</u> RON	<u>Buildings</u> RON	<u>Tools and equipment</u> RON	<u>Installations and furniture.</u> RON	<u>Tangible assets in progress</u> RON	<u>Total</u> RON
<b>COST</b>						
<b>Balance as at 1 January 2013</b>	<b>13,199,819</b>	<b>77,745,259</b>	<b>152,521,174</b>	<b>1,284,153</b>	<b>7,612,055</b>	<b>252,362,460</b>
Increases:	85,947	642,270	1,894,456	38,176	12,480,031	15,140,880
Out of which:						
Increases from the internal production of non-current assets	-	73	12,023	-	563,528	575,624
Increases/(decreases) from revaluation with impact on reserves	(396,035)	(5,867,581)	-	-	-	(6,263,616)
Increases/(decreases) from revaluation of impact on the profit and loss account	26,681	(260,427)	-	-	-	(233,746)
Transfers	-	2,006,516	15,649,790	67,796	(17,724,102)	-
Disposals and other decreases	-	-	(2,178,105)	-	(325,475)	(2,503,580)
Transfers – investment properties	(3,115,881)	(1,610,366)	-	-	-	(4,726,247)
Corrections, other	-	-	163,514	-	-	163,514
Elimination of gross value related to the accumulated depreciation for revalued tangible assets	(722)	(5,664,821)	-	-	-	(5,665,543)
Transfers from inventory items	-	-	63,386	-	-	63,386
<b>Balance as at 31 December 2013</b>	<b>9,799,809</b>	<b>66,990,850</b>	<b>168,114,215</b>	<b>1,390,125</b>	<b>2,042,509</b>	<b>248,337,508</b>
<b>Balance as at 31 December 2014</b>	<b>9,799,809</b>	<b>66,990,850</b>	<b>168,114,215</b>	<b>1,390,125</b>	<b>2,042,509</b>	<b>248,337,508</b>
Increases:	-	9,190	714,004	-	7,405,375	8,128,569
Out of which:						
Increases from the internal production of non-current assets	-	-	15,602	-	1,552,432	1,568,034
Increases from revaluation with impact on reserves	-	-	-	-	-	-
Increases from revaluation of impact on the profit and loss account	-	-	-	-	-	-
Transfers	-	459,875	5,691,747	41,609	(6,185,623)	7,608
Disposals and other decreases	(435,758)	(1,153,735)	(12,448,981)	(90,493)	(151,124)	(14,280,091)
Transfers – investment properties	-	48,022	-	-	(68,688)	(20,666)
Corrections	-	-	-	-	-	-
Transfers from inventory items	-	-	41,838	-	-	41,838
<b>Balance as at 31 December 2014</b>	<b>9,364,051</b>	<b>66,354,202</b>	<b>162,112,823</b>	<b>1,341,241</b>	<b>3,042,449</b>	<b>242,214,766</b>

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**12. TANGIBLE ASSETS (continued)**

	<b>Land</b>	<b>Buildings</b>	<b>Tools and equipment</b>	<b>Installations and furniture.</b>	<b>Tangible assets in progress</b>	<b>Total</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance as at 1 January 2013</b>	<b>376</b>	<b>10,411,646</b>	<b>93,265,148</b>	<b>591,662</b>	-	<b>104,268,832</b>
Depreciation recorded during the year	346	3,039,166	11,672,005	159,853	-	14,871,370
Disposals and decreases	-	-	(2,064,675)	-	-	(2,064,675)
Impairment	-	(2,111,770)	(313,009)	-	-	(2,424,779)
Corrections	-	-	421,600	(30,322)	-	391,278
Elimination of accumulated depreciation for revalued tangible assets	(722)	(5,664,821)	-	-	-	(5,665,543)
<b>Balance as at 31 December 2013</b>	-	<b>5,674,221</b>	<b>102,981,069</b>	<b>721,193</b>	-	<b>109,376,483</b>
<b>Balance as at 1 January 2014</b>	-	<b>5,674,221</b>	<b>102,981,069</b>	<b>721,193</b>	-	<b>109,376,483</b>
Depreciation recorded during the year	346	2,747,653	11,907,387	148,328	-	14,803,714
Disposals and decreases	-	(15,747)	(12,401,666)	(90,493)	-	(12,507,906)
Impairment	-	(379,322)	(229,784)	-	(76,312)	(685,418)
Corrections	-	-	41,838	-	-	41,838
Elimination of accumulated depreciation for revalued tangible assets	-	-	-	-	-	-
<b>Balance as at 31 December 2014</b>	<b>346</b>	<b>8,026,805</b>	<b>102,298,844</b>	<b>779,028</b>	<b>(76,312)</b>	<b>111,028,711</b>
<b>NET CARRYING AMOUNT</b>						
<b>Net carrying amount as at 1 January 2014</b>	<b>9,799,809</b>	<b>61,316,629</b>	<b>65,133,146</b>	<b>668,932</b>	<b>2,042,509</b>	<b>138,961,025</b>
<b>Net carrying amount as at 31 December 2014</b>	<b>9,363,705</b>	<b>58,327,397</b>	<b>59,813,979</b>	<b>562,213</b>	<b>3,118,761</b>	<b>131,186,055</b>



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**13. INTANGIBLE ASSETS**

	<b>Licenses</b>	<b>Intangible assets</b>	<b>Total</b>
	<b>RON</b>	<b>in progress</b>	<b>RON</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>
<b>Cost</b>			
<b>Balance as at 1 January 2013</b>	<b>4,781,360</b>	<b>956</b>	<b>4,782,316</b>
Increases	371,421	142,637	514,058
Transfers	143,593	(143,593)	-
Disposals and other decreases	31	-	31
Corrections	(3,678)	-	(3,678)
<b>Balance as at 31 December 2013</b>	<b>5,292,727</b>	<b>-</b>	<b>5,292,727</b>
<b>Balance as at 1 January 2014</b>	<b>5,292,727</b>	<b>-</b>	<b>5,292,727</b>
Increases	173,525	113,909	287,434
Transfers	53,377	(53,377)	-
Disposals and other decreases	(680,181)	-	(680,181)
Corrections	-	-	-
<b>Balance as at 31 December 2014</b>	<b>4,839,448</b>	<b>60,532</b>	<b>4,899,980</b>
<b>Accumulated amortization</b>			
<b>Balance as at 1 January 2013</b>	<b>3,453,886</b>	<b>-</b>	<b>3,453,886</b>
Amortization expense	665,467	-	665,467
Decreases	(9,492)	-	(9,492)
Corrections	25,110	-	25,110
<b>Balance as at 31 December 2013</b>	<b>4,134,971</b>	<b>-</b>	<b>4,134,971</b>
<b>Balance as at 1 January 2014</b>	<b>4,134,971</b>	<b>-</b>	<b>4,134,971</b>
Amortization expense	730,130	-	730,130
Decreases	(677,834)	-	(677,834)
Corrections	-	-	-
<b>Balance as at 31 December 2014</b>	<b>4,187,267</b>	<b>-</b>	<b>4,187,267</b>
<b>NET CARRYING AMOUNT</b>			
<b>As at 31 December 2013</b>	<b>1,157,756</b>	<b>-</b>	<b>1,157,756</b>
<b>As at 31 December 2014</b>	<b>652,181</b>	<b>60,532</b>	<b>712,713</b>

**14. INVESTMENT PROPERTIES**

The investment properties include the following items, the history of which is detailed below:

- Starting December 2010, the Group rented to the SC Tera Tools SRL, for a five year period, a real estate property, for which it receives monthly rent according to the contract signed. According to the Romanian accounting regulations (OMFP no. 3055/2009), this non-current asset was accounted for as a tangible asset, and, in accordance with IFRS (IAS 40), it was reclassified as an investment property. The real estate property was reclassified at the date of the transition to IFRS, when the real estate property was valued at fair value. The subsequent revaluations were recognized in the profit and loss statement, in accordance with IFRS. In November 2013, the rent contract with Tera Tools SRL was terminated and, as a result, the investment property was reclassified as an owner-occupied property. As at 31 December 2013, it was revalued according to IAS 16.
- The Group holds a piece of land and a building, located in Str. Romana, Bistrita (previously used as head office). In January 2012, the management decided to demolish the respective building, and the final destination of the land is to be held in held for long-term capital appreciation which is subsequently materialized through sale. As a result, the land was classified in January 2012 as an investment property. As of that date, the carrying amount of the land approximated its fair value, and no additional value adjustment was needed (according to IAS 16 and IAS 40). As at 31 December 2012, the increase in the fair value related to 2012 was recognized in the profit and loss statement.





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**15. SUBSIDIARIES**

As at 31 December 2014 and 31 December 2013, the Group holds investments in two subsidiaries: (Plastsistem SA and Teraglass Bistrita SRL).

In March 2007, the Group became the majority shareholder of SC Plastsistem SA (Plastsistem) by purchasing 52.77% of the shares. The main activity of Plastsistem is the production of panels thermal-insulated with polyurethane foam for the building of industrial halls and warehouses.

In 2008, the Group participated to the increase of the share capital of Plastsistem, which resulted in an increase in shareholding by 0.71%.

Furthermore, the Group increased its investment in Plastsistem in 2008 by 1.4% by small transactions. For the purposes of these financial statements, for the adjustments for consolidation, the fair values valid for December 2008 were used, because they remained relatively stable during the period.

In 2010, changes in the percentages held by SC Teraplast SA in the share capital of SC Plastsistem SA were recorded in the form of an increase in the share capital by a contribution in kind (a real estate property located in Bistrita, str. Tarpiului nr. 25) with a value RON 2,316,000, which resulted in an increase in investment by 6.17%. At the end of 2014, the shareholding of Teraplast in Plastsistem was 78.71%.

<b>Subsidiary</b>	<b>Place of incorporation and of operations</b>	<b>Main activity</b>	<b>Shareholding 31 December 2014 (%)</b>	<b>Shareholding 31 December 2013 (%)</b>
Plastsistem S.A. Bistrita	Romania	Production of thermal insulation panels	78.71%	78.71%

<b>Subsidiaries acquired</b>	<b>Main activity</b>	<b>Acquirement date</b>	<b>Share of acquired shares</b>	<b>Cost of acquisition</b>
<b>Opening balance as at 1 January 2009</b>			<b>71.14%</b>	<b>6,381,391</b>
SC PLASTSISTEM SA	Production/trade	31 December 2009	1.40%	207,017
SC PLASTSISTEM SA	Production/trade	31 December 2011	6.17%	2,316,000
<b>Closing balance as at 31 December 2013</b>			<b>78.71%</b>	<b>8,904,408</b>

Teraglass Bistrita SRL Company was established in 2011 and is owned 100% by Teraplast SA. The main activity is the production of plastic items for constructions and it has a share capital of RON 50,000. In August 2011, the activity of Teraglass Bistrita SRL was integrated into Teraplast SA, and Teraglass Bistrita SRL, as a separate entity, ceased. In 2014 and 2013, Teraglass Bistrita SRL performed no activity.

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**16. JOINTLY-CONTROLLED UNIT**

The Group holds 50% of the shares of a jointly controlled unit - Politub SA, with the head office in Bistrita, Romania. The main activities of Politub include the production of medium and high density polyethylene pipes for the transmission and distribution networks for water, natural gas, and for telecommunications, sewerage or irrigations.

The investment in Politub SA is accounted for using the equity method (see Note 2.30). The summary financial information of the joint venture, based on its IFRS financial statements and the reconciliation with the balance of the investment according to the consolidated financial statements is detailed below.

**Balance sheet**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Non-current assets	11,996,323	17,600,900
Current assets, including cash and short-term RON 3,501,215 (31 December 2013: RON 4,419,115)	29,855,166	26,317,458
Assets classified as held for sale	-	2,668,180
Current liabilities, including profit tax payable RON 231,527 (31.12.2013: RON 77,584)	13,517,324	17,462,581
Long-term liabilities, including deferred tax liabilities RON 222,950 (31 December 2013: RON 1,082,529)	793,782	1,808,898
<b>Total equity</b>	<b>27,540,383</b>	<b>27,315,059</b>
Group's interest in jointly-controlled entity	50%	50%
Group share in the net assets of the joint venture	13,770,192	13,657,530

**Profit and loss**

	<b>2014</b>	<b>2013</b>
	<b>RON</b>	<b>RON</b>
Revenues	78,618,728	58,442,897
Cost of goods sold and of services rendered	(70,394,276)	(53,768,847)
General and administration expenses	(5,607,331)	(585,285)
Financial profit/(loss)	(117,120)	(466,293)
<b>Profit prior to taxation</b>	<b>2,500,001</b>	<b>3,622,472</b>
Income tax expense	(984,312)	(507,824)
<b>Profit for the financial year</b>	<b>1,515,689</b>	<b>3,114,648</b>
The Group's interest in the jointly controlled entity	50%	50%
The Group's share of the joint venture's profit	757,845	1,557,324
The Group's share of the joint venture's comprehensive income	(645,181)	-
Effect on the investment's value	<b>112,664</b>	<b>1,557,324</b>

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**17. OTHER FINANCIAL INVESTMENTS**

The details of the financial assets of the Group are as follows:

Investment name	Basic activity	Place of establishment/ of operations	Share		Historic cost	
			31 December 2014	31 December 2013	31 December 2014	31 December 2013
			%	%	RON	RON
S.C. CERTIND S.A.	Independent certification	Bucharest	7.50%	7.50%	14,400	14,400
Sustainable development partnership	Association	Bistrita. Romania	7.14%	7.14%	1,000	1,000
Association of metal panel producers	Association	Bistrita. Romania	11.11%	11.11%	1,000	1,000
Tera-Tools SRL Bistrita	Trading company	Bistrita, Romania	24.00%	24.00%	72	72
<b>Total</b>					<b>16,472</b>	<b>16,472</b>

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

The Group has undertaken no obligation and has made no payment on behalf of the Companies in which it holds securities as investments in associates.

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

**18. INVENTORIES**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Finished goods	22,494,328	22,516,430
Raw materials	19,413,488	16,207,957
Commodities	2,425,716	2,300,287
Consumables	1,900,705	1,604,018
Inventory items	271,515	273,793
Semi-finished goods	712,887	957,588
Residual products	128,048	187,105
Products in progress	-	-
Goods in transit	2,762,452	3,575,339
Packaging	75,154	89,569
<b>Inventories – gross value</b>	<b>50,184,293</b>	<b>47,712,086</b>
Value adjustments on raw materials and materials	(2,708,904)	(1,672,543)
Value adjustments for finished products	(1,002,662)	(1,140,715)
Value adjustments for commodities	(1,013,136)	(1,273,466)
<b>Total value adjustments</b>	<b>(4,724,702)</b>	<b>(4,086,724)</b>
<b>Total inventories – net value</b>	<b>45,459,591</b>	<b>43,625,362</b>

The value adjustments are made for all categories of inventory (see above), using both general methods and specific methods according to their age and analyses on the chances to use them in the future. The categories of inventories with the age of one year or above are fully adjusted (100%).

The Group's inventories are fully pledged in favor of financing banks.

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**19. TRADE AND OTHER RECEIVABLES**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Trade receivables	51,518,663	45,809,514
Non-chargeable trade notes	32,273,006	27,313,383
Advances paid to suppliers of non-current assets	1,129,549	887,379
Advances paid to suppliers of inventories and services	705,606	709,560
Advances paid to employees	1,069	40,489
Other receivables	1,285,786	1,415,962
Adjustments for trade receivables impairment	(18,728,918)	(17,514,832)
<b>Total</b>	<b>68,184,761</b>	<b>58,661,455</b>

The Group's receivables are pledged in full to creditor banks.

**The changes in adjustment for impairment on doubtful receivables**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
<b>ce at the beginning of the year</b>	<b>(17,514,832)</b>	<b>(20,270,549)</b>
Receivables transferred to expenses during the year	388,909	1,087,608
(Increase)/decrease in impairment adjustments charged to profit and loss	(1,602,995)	1,668,109
t of which:		
For trade receivables	(1,602,995)	1,668,109
For trade notes receivable	-	-
<b>ce at the end of year</b>	<b>(18,728,918)</b>	<b>(17,514,832)</b>

When determining the recoverability of a receivable, the Group takes into consideration any change in the crediting quality of the concerned receivable starting with the credit granting date until the reporting date. The concentration of the credit risk is limited taking into consideration that the client base is large and they are not related to each other. As a result, the Group management is of the view that no adjustment for impairment for credits is needed in addition to the adjustment for doubtful receivables.

**20. SHARE CAPITAL**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
288,875,880 common shares paid in full	28,887,588	28,887,588
The adjustment for the effect of hyperinflation until 31 December 2003	30,092,472	30,092,472
<b>Total</b>	<b>58,980,060</b>	<b>58,980,060</b>

The value of the subscribed share capital of the parent-entity includes 288,875,880 authorized shares issued and paid in full at a value RON 0.1 and having a total nominal value RON 28,887,588. Common shares bear a vote each and give the right to dividends.

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**20. SHARE CAPITAL (continued)**

The share capital was increased in 2008 by a public purchase offering. 49,645,980 new shares with a nominal value RON 0.1 per share were issued with a share premium RON 0.9 per share. The expenses with the listing process on the Bucharest Stock Exchange, in an amount RON 2,436,264, were incurred from the share premium.

In 2009, 4,480,000 shares were purchased for the price RON 1,682,159, to be used for resale to the Company executive management at acquisition price, in accordance with the Shareholder's decision dated 11 December 2008.

In 2010, 4,042,655 shares were purchased for the price RON 1,946,981, accounting for 1.36% of the share capital. In 2011, 526,345 shares were purchased for the price RON 245,713 RON, accounting for 0.17% of the share capital. The shares were purchased to be resold to the Company executive management at acquisition cost, according to the shareholders' decisions dated 11 December 2008 and 11 December 2009.

On 16 December 2010, the shareholders decided on the distribution of these shares free of charge to the Company executive management. To this effect, before implementing this decision, the parent entity has prepared and submitted a simplified prospectus to the competent bodies (CNVM), according to the legal requirements for this case.

The plan included:

- The distribution of 4,500,000 free shares;
- For a 10 year period to the Company management - each year, the management will receive a part of the shares, based on their performance.

Until 31 December 2012, the redeemed shares have not been distributed, being included in retained earnings. In March 2013, the Company decided to cancel the redeemed shares by decreasing the share capital. As a result of this decision, during the period March-September 2013, Teraplast SA prepared and sent, according to the legal provisions in force, the documents required for recording of the decrease in the share capital subscribed and paid-in, by cancelling 9,000,000 own shares which was recorded by the Central Depository on 15 October 2013.

When adjusting the share capital following the cancellation of own shares, the parent entity also adjusted the related hyperinflation effect.

**Shareholding structure**

	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Number of shares</b>	<b>% ownership</b>	<b>Number of shares</b>	<b>% ownership</b>
Goia Dorel	135,124,842	46.78%	102,067,342	35.33%
Viciu Emanoil	25,240,069	8.74%	25,240,069	8.74%
Marley Magyarország (Gemencplast Szekszard)	22,885,589	7.92%	22,885,589	7.92%
SIF Banat Crisana	-	-	32,766,683	11.34%
KJK Fund II Sicav-SIF	29,003,138	10.04%	23,166,500	8.02%
Other individuals and legal entities	76,622,242	26.52%	82,749,697	28.65%
	<b>288,875,880</b>	<b>100.00%</b>	<b>288,875,880</b>	<b>100.00%</b>

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**21. LEGAL RESERVES**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Opening balance (*)	7,266,754	6,887,345
Additions / (Reductions) in the period	525,610	230,909
Other comprehensive income OCI Politub	-	148,500
<b>Total</b>	<b><u>7,792,364</u></b>	<b><u>7,266,754</u></b>

The legal reserve is used for transferring the profits to retained earnings. According to the Romanian legislation, a transfer from the net profit of the Group is needed. The transfer may account up to 5% of the profit before tax, until the reserve becomes 20% of the share capital.

The reserve cannot be distributed to the shareholders, but it may be used in order to absorb operating losses, and, in this case, it becomes taxable starting the date when it was set. The management does not intend to use the legal reserve in order to cover accounting losses carried forward.

(\*) The initial balance includes an amount of RON 2,937,494, representing adjustment for hyperinflation, according to IAS 29.

**22. RETAINED EARNINGS**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
<b>Balance at the beginning of the year</b>	<b><u>1,590,230</u></b>	<b><u>(7,732,071)</u></b>
Additions/Reductions	(523,432)	(230,909)
Net result attributable to the members of the parent entity	15,239,853	5,437,112
Reserves representing revaluation surplus	514,053	22,738
Impact of the cancelation of own shares	-	1,837,538
Other comprehensive income	-	1,294,107
Other comprehensive income OCI Politub	-	1,176,323
Deferred income tax	-	(214,608)
<b>Balance at the end of the year</b>	<b><u>16,818,526</u></b>	<b><u>1,590,230</u></b>

**23. NON-CONTROLLING INTERESTS**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
<b>Balance at the beginning of the year</b>	<b><u>2,865,713</u></b>	<b><u>3,878,468</u></b>
Additions/Reductions	-	69,540
Deferred income tax	-	(11,124)
Result for the year	729,010	(211,550)
Other comprehensive income	-	(859,621)
<b>Balance at the end of the year</b>	<b><u>3,594,723</u></b>	<b><u>2,865,713</u></b>

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**24. LOANS**

	Short-term		Long-term	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
<b>RON loans</b>				
BRD	12,319,533	17,873,399	5,202,857	8,384,163
Unicredit Tiriac Bank	9,769,743	21,283,121	1,800,000	4,199,999
Raiffeisen	-	-	-	-
Porsche Bank	306,525	289,567	693,204	937,691
Transilvania Bank	19,113,692	10,373,426	-	-
ING	-	-	-	-
CEC	-	-	-	-
BCR	-	-	-	-
Lease (see Note 28)	2,344,105	1,821,942	3,771,437	4,011,578
<b>Total</b>	<b>43,853,598</b>	<b>51,641,455</b>	<b>11,467,498</b>	<b>17,533,431</b>

All loans have a floating interest rate.

The classification of loans according to the currencies is as follows:

Currency	2014	2013
EUR	21,485,772	53,384,994
RON	33,835,324	15,789,892
<b>Total</b>	<b>55,321,096</b>	<b>69,174,886</b>

Bank loans per companies as at 31 December 2014 are as follows:

**TERAPLAST**

- A. A short-term credit contract signed with BRD on 10 April 2010 and expressed in EUR for financing the working capital; the initial amount was EUR 1,500,000, supplemented up to EUR 3,300,000 starting 15 April 2011, and the interest rate is the Reference rate Euribor 3M + 2.50 pp for EUR and Euribor 3M + 1.85 for RON; the amount remaining from this amount as at 31 December 2014 is RON 9,127,764 (EUR 2,036,493) (31 December 2013: RON 14,679,833 (EUR 3,273,314)); the maturity is 19 June 2015; the Company is discussing with BRD for the extension of the credit periods by another 12 months.
- B. An investment contract signed with BRD on 19 December 2011 and expressed in EUR; the total amount is EUR 2,500,000 with an interest rate EURIBOR 3M + 3 pp; the amount remaining as at 31 December 2014 under this contract is RON 4,481,825 (EUR 999,939) (31 December 2013: RON 6,726,775 [EUR 1,499,939]); the maturity is 20 December 2016 and the reimbursement is performed in 60 monthly instalments amounting to EUR 41,666.67.



## 24. LOANS (continued)

- C. A credit contract – credit line for supporting the current activity, as renewed with Unicredit Tiriac Bank on 1 October 2013 and expressed in RON; the amount is EUR 2,800,000 resulting from the reduction of the amount EUR 4,800,000, an amount originally consisting in the unification of the revolving credit signed with Unicredit on 4 September 2006 for the amount EUR 3,500,000 and of the short-term credit for financing the working capital, in an amount EUR 1,300,000, divided as follows: EUR 1,000,000 – a credit line usable in RON and EUR 800,000 – overdraft; the interest rate is ROBOR (3M) + 1.5% p.a., for the amount EUR 1,000,000 and EURLIBOR (3M) + 1.5% p.a. for the amount 800,000. The total remaining amount under this contract as at 31 December 2014 is RON 4,206,411. (31 December 2013: RON 2,453,497 (EUR 547,082); the credit line amounting to EUR 1,000,000 as at 31 December 2013 is not used in full; the maturity is 1 October 2015;
- D. An investment contract signed with Unicredit Tiriac Bank on 29 September 2011 and expressed in EUR or USD for investment; the initial amount was EUR 3,000,000 with an interest rate EURIBOR 1M + 5.75% pp; the balance of the credit as at 31 December 2013 was converted in RON and resulted in the amount RON 6,599,999 with an interest rate ROBOR 1M + 2.5 pp; the amount remaining as at 31 December 2014 under this contract is RON 4,199,999 (31 December 2013: RON 6,599,999 [EUR 2,266,666,52]); upon the credit conversion, the maturity was extended by 12 months and, as a result, the maturity is 29 September 2016; the reimbursement was initially due in 45 equal monthly instalments in an amount EUR 66,666 and, subsequent to the conversion and extension by 12 months, the reimbursement is due also in instalments, but in an amount RON 200,000;
- E. An investment contract signed with Porsche Bank on 28 November 2013 and expressed in RON for the purchase of cars; the initial amount is RON 1,189,532.38 and the interest rate ROBOR 1M + 5.5 pp. The amount remaining under this contract as at 31 December 2014 is RON 894,181.03 (31 December 2013: RON 1,167,321). The maturity is November 2017 and the reimbursement schedule is from December 2013 to 27 November 2017.
- F. A credit contract - credit line for financing the current activity signed with Banca Transilvania Bank on 27 August 2013 and expressed in RON. The total amount is of RON 13,250,000 resulted from increasing the initial ceiling of RON 11,250,000 with RON 2,000,000 at prolonging date, respectively 28 August 2014, the amount corresponding to a loan – short-term revolving loan ceiling for funding current activity, signed with Banca Transilvania on 27 August 2013 in RON. The interest rate is ROBOR 3 M + 1.5% p.a. The total amount remaining under this contract as at 31 December 2014 is RON 11,869,367 (31 December 2013: RON 10,373,426). The maturity date is 24 August 2015.

As at 31 December 2014, the Company had credit facilities not used in an amount EUR 1,261,035 and RON 6,586,632.

According to the credit contracts concluded with BRD, the Company must comply with certain financial conditions, otherwise, the bank being entitled to request the immediate reimbursement of the outstanding amounts. The related ratios are as follows:

- Net Financial Liability / EBITDA – at most 3.5 over the financing period, subject to a quarterly check;
- Interest Coverage Ratio ICR (EBITDA / interest expense) – at least 6 over the financing period;
- DSCR (Debt Service Coverage Ratio) – at least 1.2 in 2011 over the financing period;
- Global liquidity – at least 1, subject to a quarterly check;
- Equity /Total Assets – at least 40%, subject to a quarterly check.

As of 31 December 2013 and 2014, the Company complied with the conditions related to the financial ratios in the long term bank loan agreements.

The Company received from BRD a letter, dated 29 December 2014 mentioning that the bank had acknowledged the Company's situation and a new calculation of the ratios would be performed as at 31 December 2015.

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**24. LOANS (continued)**

On 13 February 2014, the Company signed with BRD a seasonal credit contract in an amount EUR 3,500,000 for financing purchases of raw materials, with an interest rate EURIBOR 3M + 2.55%, with the maturity on 30 November 2014 paid in full, according to the approved schedule.

Furthermore, another loan recorded as at 31 December 2013 was fully reimbursed during 2014, according to the approved schedule - a EUR 3,500,000 loan to Unicredit Tiriac Bank.

As of 05 February 2015, the Company signed with Unicredit Tiriac Bank a medium-term investment loan amounting to EUR 2,000,000 which can be used in RON, for the purchase of equipment, with an interest rate of ROBOR 1M + 2.5%, having maturity on 04 February 2020 and a guarantee period of 12 months, reimbursable according to the approved schedule.

As at 31 December 2014, tangible assets and investment properties, with a net carrying amount RON 73,987,028, are pledged for loans and credit facilities (land, buildings and investment properties – RON 50,235,380; equipment, tools and other non-current assets – RON 23,751,648).

The loans received from banks are guaranteed with cash from bank accounts, both current and prospective, and of assignment of current and future inventories stocks and trade receivables balances, deriving from present and future contracts concluded with its customers, having the quality of ceased debtors. Furthermore, the Company pledged its rights from insurance policies in place in relation to movable and immoveable assets set as guarantee.

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- A. A credit contract – credit line for funding the current activity, signed with Banca Transilvania on 26.09.2014 in RON. The borrowed amount is of RON 13,500,000 and the interest rate is ROBOR 3 M + 1,5% p.a. The total remaining amount of this contract as of 31 December 2014 is of RON 7,244,325. The due date is 25 September 2015.
- B. Investment contract signed with BRD on 21.02.2012 in EUR granted for the co-financing of the private contribution to the eligible expenses related to the „Integrated innovative system for constructions: metal structure assembled from light zinc-coated profiles and heat insulating polyurethane foam panel envelope” Project implemented based on the Financing Contract no. 109 of 09.03.2010 concluded with the Management Authority – SOPEEC. The total amount is of EUR 1,200,000, with an interest installment of EURIBOR at 3M + 3.75 pp. The amount used as of 31 December 2014 in this contract is of RON 3,897,479 (EUR 869,565) (31 December 2013: RON 4,835,677 (EUR 1,078,261). The maturity date is 20.02.2019, with a grace period until 09.06.2013, and the reimbursement is done in equal installments having a value of EUR 17,391.
- C. Investment contract signed with Porsche Bank on 29 November 2013 in RON for the purchase of vehicles. The initial amount is of RON 59,936.41 and the interest rate is ROBOR 1M +5.5 pp. The remaining amount of this contract as of 31 December 2014 amounts to RON 45,067 (31 December 2013: RON 59,936.41). The due date is November 2017, and the reimbursement date is from December 2013 to 28 November 2017, according to the schedule.
- D. Investment contract signed with Porsche Bank on 23 December 2014 in RON for the purchase of an auto vehicle. The initial amount is of RON 61,816 and the interest rate is ROBOR 1M +2.85 pp. The remaining amount of this contract as of 31 December 2014 is of RON 60,480. The due date is December 2018, and the reimbursement date is from January 2015 until December 2018, according to the schedule

As of 31 December 2014, the Company has unused loan facilities amounting to RON 6,255,675 (31 December 2013 – RON 1,800,000).

As of 31 December 2014, the Company pledged/mortgaged own tangible assets having a book value of RON 22,526,972 (land and buildings – RON 9,813,829; equipment, machines: RON 12,713,143 (31 December 2013: RON 23,127,665)

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**24. LOANS (continued)**

The short-term loans and credits of Plastsistem are secured with available cash, both present and future, in the current accounts of the banks from where loans were contracted, as well as with assignment of inventories and commercial contracts.

Because all loans have a variable interest rate and from the Company management's experience based on addendums signed with banks and other offers received, we consider that, currently, the cost of loans is approximately at its fair value.

Letters of credit and letters of bank guarantees issued on 31 December 2014:

No.	Beneficiary	Value	Currency	Date of issue	Date of expiry	Remarks
1	AFF middle-size taxpayers	20,850	EUR	15.10.2012	30.09.2015	security necessary for the authorization of pentane excise exemption. SGB opened in 15.10.2012 valid until 22.07.2013, after which it was prolonged until 1.08.2014, 10.08.2015 and 30.09.2015, respectively – issued by UNICREDIT against a collateral deposit
2	AFF middle-size taxpayers	19,902	EUR	19.11.2014	30.09.2015	security necessary for the authorization of pentane excise exemption. SGB opened in 15.10.2012 valid until 22.07.2013, after which it was prolonged until 30.09.2015 and 10.08.2015, respectively - issued in BT from the ceiling
3	Marcegaglia	<u>300,000</u> <u>340,752</u>	EUR	19.12.2014	18.07.2015	valid initially until 31.10.2014, prolonged until 31.07.2015

**25. POST-RETIREMENT BENEFITS LIABILITIES AND CURRENT PROVISIONS**

	Short-term		Long-term	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RON	RON	RON	RON
Employee benefits	-	-	388,962	329,207
Provisions for risks and expenses	3,991,851	4,156,415	-	-
<b>Total</b>	<b>3,991,851</b>	<b>4,156,415</b>	<b>388,962</b>	<b>329,207</b>

The Group has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Group when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis. The main estimates in the actuarial valuation were based on a discount rate of 2.53% for the first 5 years and of 3.47% for the following years and represent the average rate on the interest curve provided by "Bloomberg".

The latest actuarial valuations were performed on 31 December 2014 by Mr. Silviu Matei, a member of the Romanian Actuarial Institute. The present value of the defined benefit obligations and the current and past costs of related services have been measured using the projected unit credit method.

During the financial year 2014, the Group has reversed provisions amounting to RON 59,755 (2013: the Group reversed provisions amounting to RON 47,782) related to the rights to compensate employees based on the actuarial calculation, for the amounts granted to the employees for retirement; these amounts are provided under the collective labor agreement.

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**25. POST-RETIREMENT BENEFITS LIABILITIES AND CURRENT PROVISIONS (continued)**

<b>Employee benefits</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
Opening balance	329,207	376,989
Movements	59,755	(47,782)
<b>Closing balance</b>	<b>388,962</b>	<b>329,207</b>

<b>Current provisions</b>	<b>Movements</b>				<b>31 December 2013</b>
	<b>31 December 2014</b>	<b>Reversal of provision not used</b>	<b>Reversal of provision used</b>	<b>Additional provision</b>	
	RON	RON	RON	RON	RON
Provisions for environmental expenses	2,917,492	(297,223)	-	213,290	3,001,425
Provisions for litigation	559,915	(50,340)	-	608,050	2,205
Other provisions	514,444	(551,855)	(300,739)	214,253	1,152,785
<b>Closing balance</b>	<b>3,991,851</b>	<b>(899,418)</b>	<b>(300,739)</b>	<b>1,035,593</b>	<b>4,156,415</b>

<b>Current provisions</b>	<b>Movements</b>				<b>31 December 2012</b>
	<b>31 December 2013</b>	<b>Reversal of provision not used</b>	<b>Reversal of provision used</b>	<b>Additional provision</b>	
	RON	RON	RON	RON	RON
Provisions for environmental expenses	3,001,425	-	-	127,643	2,873,782
Provisions for litigation	2,205	(619,140)	(48,337)	38,843	630,839
Other provisions	1,152,785	(316,670)	(12,988)	163,868	1,318,575
<b>Closing balance</b>	<b>4,156,415</b>	<b>(935,810)</b>	<b>(61,325)</b>	<b>330,354</b>	<b>4,823,196</b>

**a) Provisions for environmental expenses**

Teraplast SA has set provisions for expenses related to environmental fees, as well as for other expenses related to environmental protection, being probable obligations generated by prior events of the entity.

**b) Provisions for litigation**

The Group has set provisions for different litigations.

**26. TRADE PAYABLES**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	RON	RON
Trade payables	46,403,321	44,732,102
Trade notes payable	2,187,975	2,765,766
Liabilities from the purchase of long-term assets	1,493,351	2,316,916
Other current payables (Note 27)	6,270,763	5,324,037
Advance payments from clients	1,572,387	2,397,688
<b>Total</b>	<b>57,927,797</b>	<b>57,536,509</b>

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**27. OTHER CURRENT PAYABLES**

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Salary-related payables to employees and social security payables	3,538,912	3,167,059
VAT payable	1,930,055	1,192,080
Unclaimed employee rights	85,540	95,546
Sundry creditors	395,686	428,022
Commercial guarantees received	79,399	94,190
Other taxes payable	241,171	347,139
Interests payable	-	-
<b>Total</b>	<b>6,270,763</b>	<b>5,324,036</b>

**28. FINANCIAL LEASE LIABILITIES**

**Lease contracts**

Financial lease refers to vehicle and equipment having lease terms of 5-6 years. The Group has the option of purchasing equipment for a nominal amount at the end of the contractual periods. The Group's obligations related to financial lease are guaranteed with the lessee's property right over the assets.

**Financial lease assets**

The fair value of the financial lease liabilities is approximately equal to their accounting value.

	<b>Minimum lease payments</b>		<b>Discounted value of the minimum lease payments</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>
<b>Current value of lease payments</b>				
Amounts due in a year	2,630,333	2,138,931	2,344,105	1,829,988
Above one year, but less than 5 years	3,950,008	4,330,529	3,718,448	4,003,532
Above 5 years	54,185	-	52,989	-
<b>Total lease liabilities</b>	<b>6,634,526</b>	<b>6,469,460</b>	<b>6,115,542</b>	<b>5,833,520</b>
Minus future financial expenses	(518,984)	(635,940)	-	-
<b>The current value of financial lease liabilities</b>	<b>6,115,542</b>	<b>5,833,520</b>	<b>6,115,542</b>	<b>5,833,520</b>
<i>Included in financial statements(Note 24)</i>				
Short-term loans	2,344,105	1,821,942	-	-
Long-term loans	3,771,437	4,011,578	-	-

## 29. FINANCIAL INSTRUMENTS

The risk management activity within the Group is performed in relation to financial risks (credit risk, market risk, geographic risk, foreign currency risk, interest rate risk and liquidity risk), operational risks and legal risks. The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operational and legal risks is aimed to guarantee the good functioning of the internal policies and procedures for minimizing operational and legal risks.

### (a) Capital risks management

The Group manages its capital to ensure that the Group entities will be able to continue their activity while maximizing income for the shareholders, by way of optimizing the balance of debt and equity.

The structure of the Group capital consists in debts, which include the loans detailed in Note 24, the cash and cash equivalents and the equity attributable to equity holders of the parent. Equity includes the share capital, reserves and retained earnings, as detailed in Notes 20, 21, 22 and 23, respectively.

The management of the Group risks also includes a regular capital structure analysis. As part of this analysis, the management takes into consideration the cost of capital and the risks related to each class of capital. Based on the management recommendations, the Group may balance its general capital structure by paying dividends, issuing new shares and redeeming shares, and also, by contracting new debts or settling existing ones.

Just as other industry representatives, the Group monitors the capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is represented by the total loans (including long-term and short-term loans as detailed on the balance sheet) less the cash and cash equivalents. Total capital represents "equity", as detailed on the consolidated balance sheet plus the net debt.

The degree of indebtedness as at 31 December 2014 and 2013 was as follows:

	<b>2014</b>	<b>2013</b>
Total loans (Note 24)	55,321,096	69,174,886
Less cash and cash equivalents	(5,162,972)	(7,061,525)
<b>Net debt</b>	<b>50,158,124</b>	<b>62,113,361</b>
<b>Total equity (less controlling interests)</b>	<b>147,174,571</b>	<b>132,579,900</b>
<b>Total equity and net debt</b>	<b>197,332,695</b>	<b>194,693,261</b>
<b>Gearing ratio</b>	<b>25%</b>	<b>32%</b>

The Group is subject to capital requirements provided by the legal regulations in force governing the net-asset-to-share-capital ratio. The net asset, calculated as the difference between total assets and total liabilities must exceed 50% of the share capital amount. According to the Company Law 31/1990, as republished, when this requirement is not met, the administrators must immediately convene the Extraordinary General Meeting to decide on whether to increase the share capital or decrease the share capital by an amount at least equal to the losses that cannot be covered from the existing reserves, or to dissolve the company.

The Group met this requirement and needed no share capital increase as at 31 December 2014 and 31 December 2013.

**29. FINANCIAL INSTRUMENTS (continued)**

**(b) Main accounting policies**

The details on the main accounting policies and methods adopted, including the recognition criteria, measurement basis and revenue and expenses recognition basis, concerning each class of financial assets, financial liabilities and capital instruments are presented in Note 2 to the financial statements.

**(c) Objectives of the financial risk management**

The cash function of the Group provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyze the exposure to and extent of the risks. These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

**(d) Market risk**

The Group activities expose it first to the financial risks related to the fluctuation of the exchange rates (see (g) below) and of the interest rate (see (h) below).

The Group management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group from the occurrence of potential losses beyond the foreseeable limits in case of significant fluctuations on the market. There was no change from the prior year in relation to the Group exposure to the market risks or to how the Group manages and measures its risks.

**(e) Foreign currency risk management**

The Group performs transactions expressed in different currencies. Hence, there is the risk of fluctuations in the exchange rate. The exposures to the exchange rate are managed according to the approved policies.

**(f) Interest rate risk management**

The interest-bearing assets of the Group, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Group's interest rate risk relates to its bank loans. The loans with variable interest rate expose the Group to the cash flow interest rate risk. The Group performed no hedging operation with a view to reducing its exposure to the interest rate risk.

The Group continuously monitors its exposure to the interest rate risk. These include simulating various scenarios, including the refinancing, discounting current positions, financing alternatives. Based on these scenarios, the Group estimates the potential impact of determined fluctuations in the interest rate on the profit and loss account. For each simulation, the same interest rate fluctuation is used for all models. These scenarios are only prepared for the debts representing the main interest-bearing positions.

The Group is exposed to the interest rate risk taking into account that the Group entities borrow funds both at fixed, and at floating interest rates. The risk is managed by the Group by maintaining a favorable balance between fixed rates and floating rate interest loans.

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

**29. FINANCIAL INSTRUMENTS (continued)**

**(g) Other price risks**

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

**(h) Credit risk management**

The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Group. The Group has adopted a policy of performing transactions only with trustworthy parties and of obtaining sufficient guarantees, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Group exposure and the credit ratings of third parties to contracts are monitored by the management.

Trade receivables consist in a high number of clients from different industries and geographical areas. The permanent credit assessment is performed in relation to the clients' financial condition and, when appropriate, credit insurance is concluded.

The cash is held in financial institutions which, at the date when it is deposited, are considered to have the lowest reimbursement risk. The Group has policies limiting the value of the exposure for any financial institution.

The carrying amount of receivables, net of the provision for receivables, plus the cash and cash equivalents, are the maximum amount exposed to the credit risk. Although the receivable collection could be influenced by economic factors, the management considers there is no significant loss risk for the Group, beyond the provisions already recorded.

The Group considers the exposure to the credit risk in relation to counterparty or a group of similar counterparties by analyzing the receivables individually and making impairment adjustments together with the client credit management department.

**(i) Liquidity risk management**

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which have developed an appropriate liquidity risk management framework in terms of ensuring funding for the Group on the short, medium and long-term and managing liquidities. The Group manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities. Note 24 includes a list of additional facilities not drawn by the Group, which the Group has in order to further reduce the liquidity risk.

**(j) Fair value of financial instruments**

The financial instruments disclosed on the statement of financial position include trade and other receivables, cash and cash equivalents, short and long-term loans and other debts. The estimated fair values of these instruments approximate their carrying amounts. The carrying amounts represent the maximum exposure of the Company to the credit risk related to the existing receivables.



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**29. FINANCIAL INSTRUMENTS (continued)**

The analysis of the trade receivables and of trade notes is as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<u>RON</u>	<u>RON</u>
Not payable	60,303,735	51,089,487
Overdue, but not impaired	7,881,026	7,580,321
Impaired and provisioned in full	18,706,300	17,514,832
<b>Total</b>	<b><u>86,891,062</u></b>	<b><u>76,184,640</u></b>

(\*) The adjustments are made following an individual analysis on the recoverability of the trade receivable balances.

Overdue, but not impaired:

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<u>RON</u>	<u>RON</u>
Below 3 months	7,008,628	6,747,596
3 to 6 months	353,958	174,706
6 to 9 months	73,425	378,395
Above 9 months	445,015	279,624
<b>Total</b>	<b><u>7,881,026</u></b>	<b><u>7,580,322</u></b>

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<u>RON</u>	<u>RON</u>
Below 6 months	1,302,083	1,010,555
6 to 12 months	1,348,541	1,462,421
Above 12 months	16,055,676	15,041,855
<b>Total</b>	<b><u>18,706,300</u></b>	<b><u>17,514,832</u></b>

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**29. FINANCIAL INSTRUMENTS (continued)**

The carrying amounts of the Company currencies expressed in monetary assets and liabilities at the reporting date are as follows:

	<b>1 EUR= RON 4.4287</b>	<b>1 USD= RON 3.3575</b>	<b>1HUF= RON 0.0151</b>	<b>1 RON</b>	<b>31 December 2014 Total</b>
<b>2014 CONSOLIDATED</b>	<b>EUR</b>	<b>USD</b>	<b>HUF</b>	<b>RON</b>	
<b>ASSETS (Loans and receivables)</b>					
Cash and cash equivalents	800,908	58,038	-	4,304,026	<b>5,162,972</b>
Trade and similar receivables	6,499,279	45,072	-	61,640,411	<b>68,184,761</b>
<b>LIABILITIES (Financial liabilities)</b>					
Trade and other payables	(33,380,446)	(2,425,286)	-	(22,122,065)	<b>(57,927,797)</b>
Short and long-term loans	(21,485,772)	-	-	(33,835,324)	(55,321,096)
	<b>1 EUR= RON 4.4847</b>	<b>1 USD= RON 3.2251</b>	<b>1HUF= RON 0.0151</b>	<b>1 RON</b>	<b>31 December 2013 Total</b>
<b>2013 CONSOLIDATED</b>	<b>EUR</b>	<b>USD</b>	<b>HUF</b>	<b>RON</b>	
<b>ASSETS (Loans and receivables)</b>					
Cash and cash equivalents	3,331,700	240,356	-	3,489,469	<b>7,061,525</b>
Receivables	5,888,440	2,822	-	52,778,548	<b>58,669,809</b>
<b>LIABILITIES (Financial liabilities)</b>					
Trade and other payables	(35,944,317)	(913,704)	-	(20,882,773)	<b>(57,740,795)</b>
Short and long-term loans	(33,231,514)	-	-	(35,943,372)	<b>(69,174,886)</b>

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**29. FINANCIAL INSTRUMENTS (continued)**

2014	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>Between 3 months and 1 year</u>	<u>1-3 years</u>	<u>3 - 5 years</u>	<u>Above 5 years</u>	<u>Total</u>
<b>Non-interest bearing</b>							
Trade and other payables	(32,260,009)	(25,051,491)	(578,402)	(37,895)	-	-	<b>(57,927,797)</b>
<b>Interest bearing instruments</b>							
Long- and short-term loans	(985,935)	(1,917,638)	(40,963,349)	(9,887,105)	(1,567,069)	-	<b>(55,321,096)</b>
Future interests	(287,762)	(569,088)	(2,454,307)	(2,033,318)	-	-	<b>(5,344,475)</b>
<b>Non-interest bearing</b>							
Cash and cash-equivalents	5,162,972	-	-	-	-	-	<b>5,162,972</b>
Receivables	34,898,685	31,544,892	1,738,484	2,700	-	-	<b>68,184,761</b>
<b>2013</b>	<u>Less than 1 month</u>	<u>1-3 months</u>	<u>Between 3 months and 1 year</u>	<u>1-3 years</u>	<u>3 - 5 years</u>	<u>Above 5 years</u>	<u>Total</u>
<b>Interest bearing instruments</b>							
Long- and short-term loans	(954,379)	(1,806,436)	(48,889,157)	(14,300,008)	(3,224,905)	-	<b>(69,174,886)</b>
Future interests	(184,688)	(385,067)	(1,731,879)	(32,730)	-	-	<b>(2,334,364)</b>
<b>Non-interest bearing</b>							
Trade and other payables	(34,699,669)	(20,703,579)	(1,906,788)	(430,758)	-	-	<b>(57,740,795)</b>
Cash and cash-equivalents	7,061,525	-	-	-	-	-	<b>7,061,525</b>
Receivables	19,974,056	32,375,961	6,297,368	22,424	-	-	<b>58,669,809</b>

**29. FINANCIAL INSTRUMENTS (continued)**

The Group is mainly exposed to the EUR-RON exchange rate. The table below details the company sensitivity to a 10% increase and decrease of EUR against RON. 10% is the sensitivity rate used when the internal reporting on the foreign currency risk to the Company is done and it represents the management estimate on the reasonably possible changes in exchange rates. The sensitivity analysis only includes the remaining foreign currency expressed in monetary items and adjusts the conversion at the end of the period for a 10% change in exchange rates. In the table below, a negative value indicates a decrease in profit when the RON depreciates by 10% against the EUR. A 10% strengthening of the RON against the EUR will have an equal opposite impact on profit and other equity, and the balances below will be positive. The changes will be attributable to the exposure related to the loans, trade receivables in payables from foreign partners in EUR at the end of the year.

	31 December 2014		31 December 2013	
	RON	RON	RON	RON
Profit or (loss)	4,756,603	(4,756,603)	5,995,569	(5,995,569)

The Group obtains revenues in EUR based on contracts with foreign clients (as presented in Note 4).

**Tables on liquidity and interest rate risks**

The tables below detail the dates remaining until the maturity of the Company's financial liabilities.

The tables were prepared based on the undiscounted cash flows of the financial liabilities at the nearest date when is possible for the Group to be requested to pay. The table includes both the interest and the cash flows related to the capital.

As at 31 December 2014, in the case of a 1% increase/decrease of the interest rate on loans, with all the other variables held constant, the net profit for the period would fluctuate as follows, mainly as a result of the higher/lower interest expenses on floating interest loans.

	31 December 2014		31 December 2013	
	RON	RON	RON	RON
Profit or (loss)	553,211	(553,211)	691,749	(691,749)

**30. RELATED PARTY TRANSACTIONS**

The transactions between the Parent entity and its subsidiaries, related parties of the Group, were eliminated from the consolidation and are not presented in this note.

Jointly controlled entities as of 31 December 2013 and 2014 - Politub SA.

	31 December 2014	31 December 2013
	RON	RON
Sales of goods and services	577,931	1,624,501
Purchases of goods and services	4,165,510	3,703,387
Debit balances	126,103	12,617
Credit balances	317,056	1,100,508

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**30. RELATED PARTY TRANSACTIONS (continued)**

There are other related parties of the Group which are considered affiliates if a party holds control or exercises significant influence over the other parties.

These are, for 2014: ACI Cluj SA (sales of goods), Ferma Pomicola Dragu SRL, La Casa Ristorante Pizzeria Pane Dolce S.A, Condmag SA, Omniconstruct SA, Art Investment & Management SRL, GM Ecoinstal, Magis Investment, Ditovis Impex SRL, Trasim Consult SRL, Condmag SA, Electrogrup SA.

For 2013, the following affiliates were considered: ACI Cluj SA (sales of goods), Ditovis Impex SRL, Omniconstruct SA, Magis Investment SRL, GM Ecoinstal SRL, TRASIM Consult SRL, Ferma Pomicola Dragu SRL, La Casa Ristorante Pizzeria Pane Dolce S.A, ART Investment&Management S.R.L.

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Sales of goods and services	1,682,051	814,350
Purchases of goods and services	245,894	222,009
Debit balances	578,300	371,929
Credit balances	35,160	42,158

**Compensations to the members of senior management**

The remuneration of directors and other senior management members during the year was in amount of RON 4,004,397 (2013: RON 3,260,316), determined by the shareholders, according to the persons' performance and payment conditions.

**31. CASH AND CASH EQUIVALENTS**

For cash flow statement purposes, the cash and cash equivalents include cash on hand and bank accounts. Cash and cash equivalents at financial year end, as disclosed on the cash flow statement, may be reconciled with the items related to the accounting balance sheet, as follows:

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RON</b>	<b>RON</b>
Cash in bank	5,104,937	7,028,200
Checks	-	-
Amounts receivable	-	-
Cash on hand	29,688	8,789
Cash equivalents	28,347	24,536
<b>Total</b>	<b>5,162,972</b>	<b>7,061,525</b>

The Group's available cash are pledged in full in favor of financing banks.

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**32. COMMITMENTS AND CONTINGENCIES**

**Teraplast SA**

The Company has concluded various contracts for the purchase of new machines, detailed as follows in the table below:

<b>Firm</b>	<b>Subject matter of contract</b>	<b>Date</b>	<b>Value of contract EUR</b>
Elco – Bistrita	Assembling LED lamps	05.12.2014	<b>7,246</b>
Theysohn – Austria	Molds and snecks repairs	07.12.2014	<b>42,303</b>
Theysohn – Austria	Plast units TTS108 2 pieces and repairs	18.12.2014	<b>90,000</b>
IPM – Italy	PVC Factory equipment	19.12.2014	<b>355,000</b>
Bausano – Italy	Granulation line + plasticising unit	22.12.2014	<b>425,000</b>

As at 31 December 2014, the Company has letters of guarantee issued, as detailed below:

<b>Issuer bank</b>	<b>Period of validity</b>	<b>Amount</b>	<b>Currency</b>	<b>Object of the guarantee</b>
BRD	12.08.2010-11.08.2015	9,961	RON	good performance in favor of IMI Cluj Napoca
Banca Transilvania	10.01.2014-12.01.2015	90,000	RON	Good pay in favor of MOL ROMANIA PETROLEUM PRODUCTS SRL

On 27 August 2013, the Company signed with Banca Transilvania a contract – ceiling for issuance of multicurrency letters of guarantee with multiple use and valid until 26 August 2015. The value of the ceiling is RON 1,750,000.

On 10 January 2014, as part of this cap, a letter of bank guarantee amounting to RON 90,000 was issued in favor of MOL ROMANIA PETROLEUM PRODUCTS SRL, as a payment guarantee under the contract and valid during 10.01.2014 - 12.01.2015, with a reissue on 09.02.2015 and valid until 08.02.2016.

As at 31 December 2014, tangible assets and investment properties, with a net carrying amount RON 73,987,028, are set as a security for credits and credit lines (land and buildings – RON 50,235,380; equipment, tools and other non-current assets – RON 23,751,648). For the loans from banks, the Company guaranteed with all bank accounts, the current and future inventories and trade receivable balances, and their accessories arising from current and future contracts with its customer, in capacity of assigned debtors. Moreover, the Company has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

For bank loans, the Company guaranteed with all present and future money available, with the inventories of present and future inventories of merchandise and products and it assigned present and future receivables, as well as their accessories, from present and future contracts with its clients, having the quality of assigned debtors. The company has assigned the rights resulted from the insurance policies issued having as object the real estate assets and buildings brought as security.

The Company has finance lease contracts in progress for which the capital rate is included in short- or long-term liabilities, as applicable.

## **32. COMMITMENTS AND CONTINGENCIES (continued)**

### **Plastsistem SA**

As of 31 December 2014, the Company had issued letters of guarantee and letters of credit in favor of the beneficiaries amounting to RON 1,527,285 (the equivalent of EUR 340,752) (31 December 2013: RON 2,838,927) which become obligations of the Company in case of providing inadequate services.

As of 31 December 2014, the Company has pledged/mortgaged own tangible assets having a book value of RON 22,526,972 (land and buildings – RON 9,813,829-; equipment, machinery: RON 12,713,143 (31 December 2013: RON 23,127,665) which represent securities for loans/credit lines/overdrafts, letters of credit and letters of guarantee from BRG-GSG BISTRITA, BANCA TRANSILVANIA and PORSCHE BANK, see Note 24.

### **Potential tax liabilities**

In Romania, there are several agencies authorized to perform controls (audits). These controls are similar in nature to the tax inspections performed by the tax authorities in many countries, but they may cover not only tax matters, but also legal and regulatory matters, the concerned agency may be interested in. The Company is likely to be occasionally subject to such controls for breaches or alleged breaches of the new and existing laws and regulations. Although the Company may challenge the alleged breaches and related penalties when the management considers they are entitled to take such action, the adoption or implementation of laws and regulations in Romania could have a significant impact on the Company. The Romanian tax system is under continuous development, being subject to constant interpretations and changes, sometimes retrospectively applied. The statute of limitation for tax inspections is 5 years.

The Company administrators are of the view that the tax liabilities of the Company have been calculated and recorded according to the legal provisions.

### **Environmental matters**

The main activity of the Company has inherent effects on the environment. The environmental effects of the Company activities are monitored by the local authorities and by the management. As a result, no provisions were set for any kind of potential obligations currently quantifiable in relation to environmental matters or actions for their remedial, except for those presented in Note 25.

### **Transfer pricing**

The Romanian tax legislation includes the "market value" principle, according to which inter-company transactions must be performed at market value. The local taxpayers that conduct transactions with affiliates must prepare and make available the transfer pricing documentation file to the Romanian tax authorities, on their written request. The failure to submit the transfer pricing documentation file or the submission of an incomplete file may result in penalties for non-conformity; additionally to the transfer pricing documentation file, the tax authorities may interpret the transactions and circumstances differently from the management's interpretation and, as a result, they may determine additional tax obligations resulting from the transfer pricing adjustment. The Company management considers no losses will be recorded in the event of a tax inspection related to transfer pricing. However, the impact of a different interpretation of the tax authorities cannot be reliably measured. This may be significant for the Company financial position and/or the operations.

## **32. COMMITMENTS AND CONTINGENCIES (continued)**

### **Financial crisis**

#### *Recent volatility of the international and Romanian markets*

The current liquidity crisis that started mid-2007 resulted, among other things, into low financing levels on the capital market, low liquidity levels in the financial sector and, occasionally, higher payments for inter-banking loans, as well as very high volatility of stock exchanges. Moreover, the volatility of the exchange rate for RON and for the main currencies used in international exchanges was very high.

To date, the overall impact of the current financial crisis is still impossible to anticipate and prevent in full. This affects mainly in the economic segments dependent on the constructions industry and the infrastructure projects, business filed that are dependent of European Funds absorption rate as well as of investment decision taken at the level of the state budget.

The management cannot reliably estimate the effects on the Company financial position in the event of a potential decrease in the financial markets liquidities, of an increase in the exchange rate for the national currency and of the continued recession. The management considers that the necessary action was taken in order to assure the Company continuity under the current conditions.

#### *Impact on clients*

The clients and other debtors of the Company may be affected by the market conditions, and this may affect their ability to reimburse the amounts owed. This may have an impact on the Company management's forecast of the cash flows and on the assessment of the financial and non-financial asset impairment. To the extent there is available information, the management has appropriately reflected the revised estimates of future cash flows when assessing the impairment.

## **33. EVENTS AFTER THE BALANCE SHEET DATE**

### **Teraplast SA**

Starting with April 2015, the Company plans to transfer the heat insulating masonry business line to a separate entity, the Teraglass Bistrita S.R.L. company. This Company is 100% owned by Teraplast.

The operational segment heat insulating masonry currently has a 10% contribution to Teraplast's total turnover, the rest of the business being generated by installations, granules and masonry profiles. After the activity transfer, the heat insulating masonry will be commercialized under the Teraglass brand.

The transfer of business supposes the renting of the real estate property where the production activity is carried out (land and buildings), and the production machines will be sold to Teraglass Bistrita. Teraplast will retain the property right over the assets sold until the price is paid in full. The heat insulating masonry factory is located in Bistrita, it was built in 2004 and it was not part of the plan for relocation in the Teraplast Industrial Park in Saratel.

On 5 February 2015, the Company signed with Unicredit Tiriac Bank a medium-term investment loan contract of EUR 2,000,000 that can be used in RON, for funding the purchase of equipment, with an interest rate of ROBOR 1M + 2.5%, with maturity on 04 February 2020 and with a grace period of 12 months, refundable according to the approved schedule.

On 6 March 2015, by Decision of the Board of Administration, it was approved for Teraplast SA to participate as shareholder at the establishment of a limited liability company in the Republic of Moldova. Teraplast SA's share in this company will be of 51%.



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**34. INVESTMENT SUBSIDIES**

Investment subsidies refer to investments made mainly by the Plastsistem SA company, mainly for production equipment. There are no conditions that have not been fulfilled or other contingencies attached to these subsidies.

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>As at 1 January</b>	<b>4,757,867</b>	<b>2,490,548</b>	<b>2,096,639</b>
Received during the year	-	2,602,581	559,884
Transferred to profit and loss	(449,898)	(335,262)	(165,976)
<b>As at 31 December</b>	<b><u>4,307,969</u></b>	<b><u>4,757,867</u></b>	<b><u>2,490,548</u></b>
Current	449,898	449,898	335,262
Non-current	3,858,071	4,307,969	2,155,286

These amounts, in the financial statements of the Group, for the financial years ended 31 December 2013 and 2012 were reclassified from the statement of financial position „Trade and similar payables” on separate lines named “Investment subsidies” and they were classified depending on their maturity, on short and long term.

As of 31 December 2014, the total value of the subsidies on balance was of RON 4,307,968, recognized as deferred income in the balance sheet and transferred to profit and loss on a systematic and reasonable basis, during the life of the related assets, out of which:

- RON 4,194,286 related to the Project: “Innovating Integrated System for Metal Structure Constructions assembled from light zinc-coated profiles and heat insulating polyurethane foam panel envelope”, funded through SOP EEC, from which the financing contract no. 109/09.03.2011, concluded with the National Authority for Scientific Research has resulted,
- RON 113,682 related to the Project: Endowment with equipment of the testing laboratory of SC Plastsistem SA, concluded with the Ministry of Economy, Commerce and Business Environment.

**35. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors and authorized for issue on **26 March 2015**.

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**Alexandru Stanean**  
CEO

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**Edit Orban**  
CFO