TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2015

Translation of the Company's financial statements and Management Report issued in Romanian

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Teraplast S.A.

1. We have audited the accompanying consolidated financial statements of Teraplast S.A. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2015, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

6. In our opinion, the consolidated financial statements give a true and fair view of the financial position of Teraplast S.A. and its subsidiaries as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards adopted by the European Union.

Reporting requirements in regards to the Administrators' Report

The Administrators are responsible for the preparation and presentation of the Consolidated Administrators' Report that is free from material misstatement, in accordance with the requirements of the Ministry of Public Finance Order no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1 points 10 - 14, and for such internal control as Administrator's determine is necessary to enable the preparation and presentation of the Consolidated Administrators' Report that is free from material misstatement, whether due to fraud or error.

The Consolidated Administrators' Report is not part of the consolidated financial statements. Our opinion on the consolidated financial statements as at 31 December 2015 does not cover the Consolidated Administrators' Report.

In connection with our audit of the consolidated financial statements as at 31 December 2015 we have read the Consolidated Administrators' Report and report that:

a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2015;

b) the Consolidated Administrators' Report identified above include, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, Annex 1 points 10 - 14;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the consolidated financial statements as at 31 December 2015, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.

On behalf of

Ernst & Young Assurance Services SRL
Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Camera Auditorilor Financiari din România
Sandu Mihaela Elena
Nr. 1610

Name of signing person: Mihaela Sandu

Registered with the Chamber of Financial Auditors in Romania
No. 1610/16 August 2005

Bucharest, Romania
24 March 2016

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TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2015
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	Period ended 31 December 2015	Period ended 31 December 2014
		RON	RON
Revenue	4	393,541,984	329,486,544
Other operating income	5	1,253,131	782,177
Changes in inventories of finished goods and work in progress		3,851,376	164,243
Raw materials and consumables used, and merchandise	6	(272,565,920)	(231,049,751)
Employee benefits expense	9	(32,555,320)	(29,606,133)
Provision expenses, adjustments for depreciation and amortization	8	(15,826,166)	(16,531,448)
Losses from the outflow of tangible and intangible assets	7	(195,472)	(159,635)
(Losses) from the fair value measurement of investment property	7	(1,242,366)	(189,629)
Other expenses	10	(36,257,821)	(32,409,364)
Finance costs	5	(7,433,714)	(6,999,687)
Financial revenues	5	4,168,040	3,534,535
Share of the profit or loss of the joint venture accounted for using the equity method	16	4,119,143	757,844
Profit before tax		**40,856,895**	**17,779,696**
Income tax expense	11	(5,609,498)	(1,810,833)
Profit for the year		**35,247,397**	**15,968,863**
Result for the year			
Attributable to		-	-
Equity holders of the parent		34,473,510	15,239,853
Non-controlling interests		773,887	729,010
Result for the year		**35,247,397**	**15,968,863**
Other comprehensive income			
Group share of the comprehensive income of the joint venture		-	(768,073)
Revaluation of tangible assets		(1,675,290)	-
Deferred tax impact		268,046	122,892
		(1,407,244)	**(645,181)**
Comprehensive income for the year			
Attributable to		33,066,266	14,594,672
Equity holders of the parent		773,887	729,010
Non-controlling interests		**33,840,153**	**15,323,682**
Total comprehensive income		**33,840,153**	**15,323,682**
Number of shares		288,875,880	288,875,880
Result per share attributable to equity holders of the parent		0.12	0.05

The financial statements were approved by the Board of Administration and authorized for publishing on 24 March 2016.

SOCIETATEA TERAPLAST 3 S.A.

Alexandru Stanean
CEO

Edit Orban
CFO

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

Ernst & Young Assurance Services S.R.L.
24. MAR. 2016
Signed for identification
Semnat pentru identificare

TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2015
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	31 December 2015	31 December 2014
		RON	RON
ASSETS			
Non-current assets			
Tangible assets	12	130,064,715	131,186,055
Investment property	14	12,115,195	13,357,561
Intangible assets	13	1,079,527	712,713
Investment in a joint venture accounted for using the equity method	16	15,935,199	13,770,192
Other financial investments		16,472	16,472
Total non-current assets		**159,211,108**	**159,042,993**
Current assets			
Inventories	18	53,356,229	45,459,591
Trade and other receivables	19	86,615,772	68,184,761
Prepayments		388,339	203,160
Cash and short term deposits	31	12,555,770	5,162,972
Total current assets		**152,916,110**	**119,010,484**
Total assets		**312,127,218**	**278,053,477**
Equity and liabilities			
Equity			
Total equity, out of which:	20	**28,887,588**	**58,980,060**
· Subscribed share capital	20	28,887,588	28,887,588
· Share capital adjustments	20	-	30,092,472
Other capital reserves	9	950,500	-
Share premium	20	27,384,726	42,245,118
Revaluation reserves	20	18,566,192	21,338,504
Legal reserves	21	9,853,112	7,792,364
Retained earnings	22	97,590,866	16,818,525
Capital attributable to non-controlling interests		**183,232,984**	**147,174,571**
Non-controlling interests	23	200,122	3,594,723
Total equity		**183,433,106**	**150,769,294**
Long-term liabilities			
Loans and finance lease liabilities	24	10,534,972	11,467,498
Liabilities for employee benefits	25	295,226	388,962
Deferred tax liabilities	11	3,982,011	4,609,769
Investment subsidies –non-current portion	34	3,373,435	3,858,070
Total long-term liabilities		**18,185,644**	**20,324,299**
Current liabilities			
Trade and other payables	26	66,887,634	57,927,796
Loans and finance lease liabilities	24	38,533,423	43,853,598
Income tax payable		1,446,440	736,741
Investment subsidies –current portion	35	467,267	449,898
Provisions	25	3,173,704	3,991,851
Total current liabilities		**110,508,468**	**106,959,884**
Total liabilities		**128,694,112**	**127,284,183**
Total equity and liabilities		**312,127,218**	**278,053,477**

The financial statements were approved by the Board of Administration and authorized for publishing on 24 March 2016.

Alexandru Stanean
CEO

Edit Orban
CFO

SOCIETATEA TERAPLAST S.A.

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

EY
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24. MAR. 2016
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(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Total share capital	Share premium	Revaluation reserves	Legal reserves	Retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
	RON	RON	RON	RON	RON	RON	RON	RON
Balance as of 1 January 2014	**58,980,060**	**42,245,118**	**22,497,738**	**7,266,754**	**1,590,230**	**132,579,900**	**2,865,713**	**135,445,613**
Cancelation of own shares redeemed	-	-	-	-	-	-	-	-
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
Profit/loss for the year	-	-	-	-	15,239,853	15,239,853	729,010	**15,968,863**
Balance as of 31 December 2014	**58,980,060**	**42,245,118**	**21,338,504**	**7,792,364**	**16,818,526**	**147,174,572**	**3,594,723**	**150,769,295**

** The amounts represent: Group share in the comprehensive income of the joint venture and the related deferred income tax.

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

	Total share capital	Other capital reserves	Share premium	Revaluation reserves	Legal reserves	Retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
	RON		RON	RON	RON	RON	RON	RON	RON
Balance as of 1 January 2015	**58,980,060**	**-**	**42,245,118**	**21,338,504**	**7,792,364**	**16,818,526**	**147,174,572**	**3,594,723**	**150,769,295**
Result for the year	-	-	-	-	-	34,473,510	34,473,510	773,887	35,247,397
Other comprehensive income	-	-	-	(1,407,244)	-	-	(1,407,244)	-	(1,407,244)
Total comprehensive income	**-**	**-**	**-**	**(1,407,244)**	**-**	**34,473,510**	**33,066,266**	**773,887**	**33,840,153**
Legal reserves	-	-	-	-	2,060,748	(2,060,748)	-	-	-
Covering accounting losses*	(30,092,472)	-	(14,860,392)	-	-	44,952,864	-	-	-
Benefits to employees in the form of shares	-	950,500	-	-	-	-	950,500	-	950,500
Reserves representing realized revaluation surplus	-	-	-	(1,365,068)	-	1,365,068	-	-	-
Cash dividends	-	-	-	-	-	(71,644)	(71,644)	-	(71,644)
Increase of the investment in the subsidiary	-	-	-	-	-	2,113,290	2,113,290	(4,168,488)	(2,055,198)
Balance as of 31 December 2015	**28,887,588**	**950,500**	**27,384,726**	**18,566,192**	**9,853,112**	**97,590,866**	**183,232,984**	**200,122**	**183,433,106**

* The amounts represent: the covering in full of the losses carried forward from prior years, as disclosed in Note 20.

As of 31 December 2014 and 2015, the revaluation reserves include amounts representing the realized revaluation surplus related to tangible assets.

The financial statements were approved by the Board of Administration and authorized for publishing on 24 March 2016.

SOCIETATEA TERAPLAST S.A. 3

Alexandru Stanean
CEO

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

	Note	Year ended as at 31 December 2015	Year ended as at 31 December 2014
		RON	RON
Cash flows from operating activities			
Profit before tax		**40,856,895**	**17,779,696**
Interest expenses	5	1,492,521	2,601,468
Interest income and other financial revenues	5	(36,382)	(8,011)
Loss from the sale or disposal of fixed assets	7	195,472	(157,288)
Loss from the impairment of trade receivables	19	539,262	1,214,086
Adjustment of expenses with inventory impairment provisions	18	777,788	637,978
Amortization and depreciation of long-term assets	12	15,748,022	15,533,844
Setting/Reversal of fixed asset impairment provision	12	(420,799)	(685,418)
(Revenue)/Expense from the provisions for the retirement benefits obligations	9	(93,736)	59,755
Adjustment of provision for risks and charges		(818,147)	(164,564)
Share of the profit of the joint venture accounted for using the equity method	16	(4,119,143)	(757,844)
Loss from investment property valuation	14	1,242,366	189,629
Investment revenues		-	(580,574)
Revenues from operating subsidies for other operating expenses	34	(467,266)	(449,899)
Foreign exchange losses	5	996,255	438,761
Benefits granted to employees in the form of financial instruments	35	950,500	-
		56,843,608	**35,651,619**
Movements in working capital			
Increase of trade and other receivables		(19,272,137)	(10,507,247)
Increase in inventories		(8,674,426)	(2,472,207)
Increase of trade and other payables		3,597,456	228,494
Cash generated by operating activities		**32,494,501**	**22,900,659**
Interest paid		(1,492,521)	(2,601,468)
Income tax paid		(5,259,511)	(2,078,179)
Net cash generated by operating activities		**25,742,469**	**18,221,012**
Cash flow used in investment activities			
Received interest	5	36,382	8,011
Payments related to tangible assets		(17,494,576)	(5,556,054)
Receipts from the sale of tangible and intangible assets	7	144,878	1,628,964
Dividends received		2,070,821	580,574
Net cash used in investment activities		**(15,242,495)**	**(3,338,505)**
Cash flows used in finance activities			
Net receipts / reimbursements of loans		1,773,515	(14,087,116)
Financial lease payments		(2,753,849)	(2,693,944)
Dividends paid		(71,644)	-
Increase of the investment in the subsidiary	23	(2,055,198)	-
Net cash used in finance activities		**(3,107,176)**	**(16,781,060)**
Net increase/(decrease) in cash and cash equivalents		**7,392,798**	**(1,898,553)**
Cash and cash equivalents at the beginning of the financial year	31	**5,162,972**	**7,061,525**
Cash and cash equivalents at the end of the financial year	31	**12,555,770**	**5,162,972**

The financial statements were approved by the Board of Administration and authorized for publishing on 24 March 2016.

SOCIETATEA TERAPLAST S.A.

Alexandru Stanean
CEO

Edit Orban
CFO

Ernst & Young Assurance Services S.R.L.
24. MAR. 2016
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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") Plastsistem SA ("subsidiary"), Teraglass Bistrita SRL (subsidiary), Teraplast Group SRL Republica Moldova (subsidiary) and Politub SA ("jointly-controlled unit").

S.C. Teraplast SA 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 Parent became the major shareholder of Plastsistem SA (Plastsistem) through the purchase of 52.77% of the shares. As of 31 December 2013, Teraplast's holding in Plastsistem increased to 78.71%. During the period February-October 2015, Teraplast SA purchased from natural persons 19.24% of Plastsistem SA's share capital and, therefore, as of 31 December 2015, the percentage held by Teraplast SA in Plastsistem SA reached 97.95%.

Plastsistem's main activity is the production of heat insulating panels with polyurethane foam for the construction of warehouses.

The Parent 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, ceased until March 2015 when, following the transfer of the Insulated Joinery business line within the Parent entity, Teraglass Bistrita SRL.

On 06 March 2015 the Board of Directors approved through a Decision Teraplast SA's participation as shareholder in setting a limited liability company in the Republic of Moldova: Teraplast Group SRL Republic of Moldova. Teraplast SA's participation in this company is of 51%. Through the current report to the Bucharest Stock Exchange on 10 March 2015, the Company's Board of Administration informed the shareholders and the potential investors concerning this decision.

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").

The consolidated financial statements were prepared based on the historic cost convention, except for the fair value measurement of investment property, of land and buildings classified as tangible assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Functional currency

The functional currency, which reflects the substance of the concerned events and relevant circumstances for Teraplast SA, Plastsistem SA, Teraglass Bistrita SRL and Politub SA is the Romanian Leu ("RON"). The functional currency for Teraplast Group SRL Republic of Moldova is the Moldovan Leu („MDL").

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.

2.3. 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 2015, the current assets exceed the current liabilities of the Group by RON 42,407,642 (as of 31 December 2014, current liabilities exceeded the current assets by RON 12,050,600).

As detailed in Note 29, the Group degree of indebtedness is of 17% (31 December 2014: 25%), 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 2016 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. 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 and of its subsidiaries as at 31 December 2015. 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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2.4. Standards, amendments and new interpretations of the standards

A) Changes in accounting policy 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 2015. Only those IFRS amendments that are relevant for the Group due to its scope of business and the transactions performed were presented.

➢ **Annual Improvements to IFRSs - 2011-2013 Cycle**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

- 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. Management has analyzed the impact of each amendment considering the scope of business and the transactions made by the Group and assessed that these amendments will not have a significant impact on the financial position and performance of the Group.

    ➢ ***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.

    ➢ ***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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. The amendment provides additional guidance on how the depreciation or amortization of property, plant and equipment and intangible assets should be calculated. 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, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. Management has assessed that this amendment will not have a significant impact on the financial position and performance of the Group.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
  The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. Management has assessed that this amendment will not have a significant impact on the financial position and performance of the Group.

- **IFRS 9 Financial Instruments: Classification and Measurement**
  The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 Financial Instruments 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 amendment has not yet been endorsed by the EU. Management is still assessing the potential impact on the financial position and performance of the Group.

- **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. Management has assessed that this amendment will not have a significant impact on the financial position and performance of the Group.

- **IFRS 15 Revenue from Contracts with Customers**
  The standard is effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a new 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.

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. In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. Management is still assessing the potential impact on the financial position and performance of the Group

- **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 this amendment will not have a significant impact on the financial position and performance of the Group

- **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. Management has assessed that this will not have a significant impact on the financial statements 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. Management has assessed that this will not have a significant impact on the financial statements 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***IAS 16 Property Plant & Equipment:*** The improvement 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 net carrying amount.
- ***IAS 24 Related Party Disclosures:*** The improvement 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 improvement 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 net carrying amount.

- **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. Management has assessed that there will not be a significant impact on the financial statements of the Group.
  - ***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 simplified 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 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The standard has not been yet endorsed by the EU. Management is assessing the potential impact on the financial position and performance of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Investment in joint ventures

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 cash at bank, petty cash and 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.

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;

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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:

	31 December 2014	31 December 2015
EUR 1	4.4821	4.5245
USD 1	3.6868	4.1477
CHF 1	3.7273	4.1797
MDL 1	0.2359	0.2107

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

2.12. 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Any revaluation reserve relating to the asset being sold is transferred to retained earnings only upon disposal.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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

Licenses	1 – 5 years

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 chef 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 and receivables

This category is the most relevant for the Group. Loans and receivables are non-derivative financial assets with fixed or identifiable payments and which are not quoted on an active market. After initial recognition, these financial assets are subsequently recognized at depreciated cost, using the effective interest rate method, minus the impairment. The depreciated cost is computed by taking into account any reduction or purchase premium and any commissions and costs that are an integrant part of the effective interest rate. The depreciation based on the effective interest rate is included in profit and loss under financial revenues. Depreciation losses are recognized in profit and loss under costs to fund loans and the cost of goods sold or under other operating expenses.

Borrowings and liabilities

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 liablity at the same time.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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, subsequently, as at 31 December 2014 and 31 December 2015.

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 December 2014 and as at 31 December 2015. Investment properties (land and buildings) 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.

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

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.

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 8.18% and 11.65% (2014: between 8.39% and 12.1%), 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 2016, the Group continues to estimate an increase from 2015 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.

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

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 9%;
- For the cash generating unit Granules, the management has estimated an annual average increase of 5.05% for the following five years;
- For the cash generating unit Insulated Joinery, the management estimates that the sales will increase by an average 11.65% 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 2015 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;
- The cash generating unit Joinery Profiles has an estimated annual average increase rate of the turnover for the projection period of 15.08%.
- For the cash generating unit Plastsistem, the management estimates an increase rate of 10.5% 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 2015, 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 2015, the Group no longer recorded fiscal losses carried forward, which were recovered during 2014 (fiscal losses carried forward as at 31 December 2014: RON nil, as at 31 December 2013: RON 1,497,327, at 31 December 2012: RON 805,126 and at 1 January 2012: RON 2,905,541).

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 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.

The salary increase rate is constant over the medium and long term, identifying the following periods – the first year of growth of 4%, for the following year of growth of 3% and 2% for the following years. The discount rate is the curve of interests in RON without adjustments provided by EIOPA for December 2015. Employee rotation in the last year was considered constant in time.

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4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Sales from own production	353,804,743	312,048,381
Revenues from sale of commodities	40,051,347	18,887,167
Revenues from other activities	2,158,424	868,997
Commercial discounts awarded	(2,472,530)	(2,318,001)
Total	393,541,984	329,486,544

Geographical analysis

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Sales on the internal market (Romania)	322,714,702	263,171,132
Sales on the external market (Europe)	70,827,282	66,315,412
Total	393,541,984	329,486,544

The information on the operational policy as reported to the responsible parties form 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 2014	Installations and fittings	Joinery Profiles	Granules	Teraglass	Thermal Insulation Panels and Metallic Structures	Non-allocated amounts	Total
Total revenue	**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)
Total revenue	**127,021,842**	**42,868,742**	**40,244,532**	**22,411,945**	**97,721,660**	-	**330,268,721**
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
Total operating expenses	**(113,979,290)**	**(41,050,330)**	**(35,833,551)**	**(25,377,766)**	**(93,540,780)**	-	**(309,781,717)**
Operating result	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 of the joint venture accounted for using the equity method	-	-	-	-	-	-	**757,844**
Profit before tax	-	-	-	-	-	-	**17,779,696**
Profit tax	-	-	-	-	-	-	**(1,810,833)**
Result for the year							**15,968,863**
Assets	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)**
Total assets	**102,372,066**	**40,068,963**	**24,841,448**	**24,482,196**	**59,144,579**	**27,144,225**	278,053,477
Liabilities	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)**
Total	**46,975,272**	**15,721,833**	**17,315,317**	**10,237,475**	**37,034,287**	-	**127,284,184**

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4. REVENUES AND OPERATING SEGMENTS (continued)

Year ended 31 December 2015	Installations and fittings	Joinery Profiles	Granules	Teraglass	Thermal Insulation Panels and Metallic Structures	Non-allocated amounts	Total
Total revenue	166,053,067	42,319,231	49,906,700	24,928,166	114,345,406	-	397,552,570
Elimination of inter-segment transactions	-	-	(2,757,455)	-	-	-	(2,757,455)
Total revenue	166,053,067	42,319,231	47,149,245	24,928,166	114,345,406	-	394,795,115
Expenses with sales, indirect and administrative	(145,898,581)	(38,686,790)	(41,420,671)	(28,218,167)	(103,324,934)	-	(357,549,143)
Elimination of inter-segment transactions	-	-	-	2,757,455	-	-	2,757,455
Total operating expenses	(145,898,581)	(38,686,790)	(41,420,671)	(25,460,712)	(103,324,934)	-	(354,791,689)
Operating result	20,154,486	3,632,441	5,728,574	(532,546)	11,020,472	-	40,003,426
Financial result	-	-	-	-	-	-	(3,265,674)
Share of the profit of the joint venture accounted for using the equity method	-	-	-	-	-	-	4,119,143
Profit before tax	-	-	-	-	-	-	40,856,895
Profit tax	-	-	-	-	-	-	(5,609,498)
Result for the year	-	-	-	-	-	-	35,247,397
Assets	128,710,122	43,623,831	32,268,065	20,944,115	60,391,720	28,066,866	314,004,720
Elimination of inter-segment transactions	-	-	-	(1,877,501)	-	-	(1,877,501)
Total assets, out of which:	128,710,122	43,623,831	32,268,065	19,066,615	60,391,720	28,066,866	312,127,218
Non-current assets	51,716,898	26,560,746	13,259,793	10,542,378	29,064,428	28,066,866	159,211,108
Current assets	76,993,224	17,063,085	19,008,272	8,524,237	31,327,292	-	152,916,110
Liabilities	60,428,420	16,012,389	17,701,163	3,938,106	32,491,534	-	132,892,241
Elimination of inter-segment transactions	-	-	(1,877,501)	-	-	-	(1,877,501)
Total liabilities, out of which:	60,428,420	16,012,389	15,823,662	3,938,106	32,491,534	-	128,694,112
Non-current liabilities	7,517,631	1,803,315	1,964,484	181,313	6,718,901	-	18,185,644
Current liabilities	52,910,789	14,209,074	13,859,074	3,756,793	25,772,633	-	110,508,467

The non-allocated amounts relate investment properties, investments in subsidiaries and in jointly controlled units, as well as other financial assets (2015 and 2014).

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5. SUNDRY INCOME

Financial revenues

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Revenue from foreign exchange differences	4,014,973	2,929,438
Other financial income	22,484	4,895
Investment revenues	-	580,574
Interest revenues	13,898	8,011
Gains on operations with derivatives held for trading	-	11,617
Dividend revenues	116,685	-
Total	**4,168,040**	**3,534,535**

Finance costs

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Expenses with foreign exchange differences	5,011,228	3,368,199
Other financial expenses	20,195	129,627
Financial discounts granted	909,770	888,776
Interest expense	1,492,521	2,601,468
Losses on financial instruments	-	11,617
Total	**7,433,714**	**6,999,687**
Net financial loss	**(3,265,674)**	**(3,465,152)**

Other operating income

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Compensations, fines and penalties	43,727	91,716
Revenues from inventory surpluses	728,484	234,062
Other revenues	480,920	456,399
Total	**1,253,131**	**782,177**

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6. RAW MATERIALS, CONSUMABLES USED AND COMMODITIES

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Raw material expenses	228,978,858	201,841,304
Consumable expenses	16,458,653	14,706,785
Commodity expenses	26,494,674	13,921,332
Consumed packaging	633,735	580,330
Total	**272,565,920**	**231,049,751**

7. OTHER GAINS AND LOSSES

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Revenues from the disposal of the tangible and intangible assets	144,878	1,628,964
Expenses with the disposal of tangible and intangible assets	(340,350)	(1,788,599)
Net loss from the disposal of tangible and intangible assets	**(195,472)**	**(159,635)**
Gain from the fair value measurement of investment properties	158.552	18.614
Loss on fair value measurement of investment properties	(1.400.918)	(208.243)
Net loss from valuation of investment properties at fair value	**(1.242.366)**	**(189.629)**

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Impairment adjustments for current assets and provisions		
Setting and reversals of impairment adjustments for current assets	1,317,089	1,847,587
Net movement in provisions for risks and expenses	(818,147)	(164,564)
Total impairment adjustments for current assets and provisions	**498,942**	**1,683,023**
Setting/(reversal) of impairment allowance, net (Note 12)	(420,797)	(685,420)
Amortization expenses (Note 12 and Note 13)	15,748,021	15,533,845
Total provisions, impairment adjustments and amortization	**15,826,166**	**16,531,448**

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9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Wages	23,896,708	22,366,342
Contributions to the public social security fund	5,944,273	6,126,975
Meal tickets	1,108,075	1,053,061
Other employee benefits	(93,736)	59,755
Expenses in the form of profit appropriation to employees as share-based benefits	950,500	-
Expenses with premiums in the form of profit appropriation to employees	377,500	-
Contributions for profit appropriation to employees	372,000	-
Total	32,555,320	29,606,133

The total amount of the performance bonus for 2015 is RON 1,328,000.

The amount RON 950,500 will be settled in shares and was included in the reserve of share-based benefits as at 31 December 2015. See Note 35.

10. OTHER EXPENSES

	Period ended 31 December 2015	Period ended 31 December 2014
	RON	RON
Transport costs	14,698,305	12,127,662
Expenses with utilities	6,141,890	5,777,770
Expenses with third party services	5,756,805	5,134,017
Expenses with compensations, fines and penalties	17,004	235,599
Entertainment, promotion and advertising expenses	1,566,160	1,975,790
Other general expenses	3,302,624	2,566,826
Expenses with other taxes and duties	1,036,965	1,279,798
Repair expenses	1,032,626	881,305
Travelling expenses	795,617	713,489
Rent expenses	779,854	729,743
Mail and telecommunication expenses	456,972	433,656
Insurance premium expenses	672,999	553,709
Total	36,257,821	32,409,364

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11. INCOME TAX

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

	Period ended 31 December 2015	Period ended 31 December 2014
	RON	RON
Profit before tax	40.856.895	17.779.696
Tax calculated at 16%	6,537,103	2,844,751
Items assimilated to income	92,401	204,332
Deductions	(2,446,551)	(2,599,761)
Non-taxable revenues	(2,390,752)	(1,570,110)
Non-deductible expenses	4,667,901	3,460,060
Fiscal loss to be recovered from prior years	(10,174)	(240,023)
Sponsorship (tax credit)	(840,430)	(288,416)
Total income tax - expense	5,609,498	1,810,833
Current income tax recognized in the profit and loss account - expense	5,969,210	2,781,783
Deferred income tax – revenue	(359,712)	(970,950)
Total income tax - expense	5,609,498	1,810,833

The tax rate applied for the reconciliation mentioned above related to 2015 and 2014 is 16% and is payable by Romanian legal entities.

The components of the net deferred tax liabilities

2014	Opening balance	Recorded in the income statement	Charged to the revaluation reserve	Closing balance
	RON	RON	RON	RON
Tangible and intangible assets and 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	-	-	-	-
Recognized deferred tax net liabilities	(5,580,719)	970,950	-	(4,609,769)

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.

2015	Opening balance	Recorded in the income statement	Charged to the revaluation reserve	Closing balance
	RON	RON	RON	RON
Tangible and intangible assets and investment properties	(5,171,982)	346,917	268,046	(4,557,019)
Investments in subsidiaries	392,000	-	-	392,000
Employee benefit liabilities	62,234	(17,606)	-	44,628
Trade and similar payables	107,979	30,401	-	138,380
Recognized deferred tax net liabilities	(4,609,769)	359,712	268,046	(3,982,011)

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12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools and equipment and vehicles	Installations and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
COST						
Balance as at 1 January 2014	**9,799,809**	**66,990,850**	**168,114,215**	**1,390,125**	**2,042,509**	**248,337,508**
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
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)
Transfers from inventory items	-	-	41,838	-	-	41,838
Balance as at 31 December 2014	**9,364,051**	**66,354,202**	**162,112,823**	**1,341,241**	**3,042,449**	**242,214,766**
Balance as at 1 January 2015	**9,364,051**	**66,354,202**	**162,112,823**	**1,341,241**	**3,042,449**	**242,214,766**
Increases:	-	-	328,495	-	15,506,199	15,834,694
out of which:						
Increases from the internal production of non-current assets	-	-	10,033	-	1,812,410	1,822,442
Transfers in/from tangible assets in progress	-	1,505,540	13,793,164	162,175	(15,460,879)	-
Transfers in/from other fixed asset categories	-	120,029	(87,615)	(32,414)	-	-
Transfers from inventory items	-	-	20,763	-	-	20,763
Decreases from value adjustments with impact on reserves	-	(1,675,290)	-	-	-	(1,675,290)
Elimination of accumulated depreciation	-	(817,993)	-	-	-	(817,993)
Disposals and other decreases	(529)	(954,379)	(1,254,926)	(1,835)	-	(2,211,668)
Balance as at 31 December 2015	**9,363,522**	**64,532,109**	**174,912,704**	**1,469,167**	**3,087,769**	**253,365,272**

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment and vehicles	Installations and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2014	**-**	**5,674,221**	**102,981,069**	**721,193**	**-**	**109,376,483**
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
Balance as at 31 December 2014	**346**	**8,026,805**	**102,298,844**	**779,028**	**(76,312)**	**111,028,711**
Balance as at 1 January 2015	**346**	**8,026,805**	**102,298,844**	**779,028**	**(76,312)**	**111,028,711**
Depreciation recorded during the year	346	2,760,569	12,486,365	128,122	-	15,375,402
Elimination of accumulated depreciation	-	(817,993)	-	-	-	(817,993)
Disposals and decreases	-	(635,465)	(1,248,229)	(1,833)	-	(1,885,527)
Impairment	-	(318,696)	(102,103)	-	-	(420,799)
Transfers to/from other fixed asset categories	-	80,397	(155,644)	(1,065)	76,312	-
Transfers from inventory items	-	-	20,763	-	-	20,763
Balance as at 31 December 2015	**692**	**9,095,616**	**113,299,996**	**904,252**	**-**	**123,300,557**
NET CARRYING AMOUNT						
Net carrying amount as at 1 January 2015	**9,363,705**	**58,327,397**	**59,813,979**	**562,213**	**3,118,761**	**131,186,055**
Net carrying amount as at 31 December 2015	**9,362,830**	**55,436,493**	**61,612,708**	**564,915**	**3,087,769**	**130,064,715**

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2015, the Group assessed the internal and external impairment indicators for assets. Impairment indicators were identified for a building, for which the impairment was recorded in an amount RON 1,675,290, based on the report issued by an independent valuer as at 31 December 2015.

The tangible assets include vehicles and equipment used as part of finance lease contracts, and include technical equipment and machinery, as follows:

	31 December 2015	31 December 2014
	RON	RON
Net value – vehicles	1,830,988	1,104,559
Net value – equipment	6,678,943	8,938,450

As at 31 December 2014, the Group had pledged in favor of financial institutions non-current assets with a net carrying amount RON 95,870,732 (31 December 2013: RON 96,541,000).

Significant data used for the valuation which are not directly observable:

Price per square meter for land	Range EUR 4.5 – 101 /sq. m.

Significant increases/(decreases) of the estimated market price for only one property may result in the significant increase/(decrease) of the fair value.

For the valuation of buildings, the direct capitalization method was used.

As at 31 December 2015, the land and buildings, as part of the non-current assets, were not valued.

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13. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
	RON	RON	RON
Cost			
Balance as at 1 January 2014	5,292,727	-	5,292,727
Increases	173,525	113,909	287,434
Transfers	53,377	(53,377)	-
Disposals and other decreases	(680,181)	-	(680,181)
Corrections	-	-	-
Balance as at 31 December 2014	4,839,448	60,532	4,899,980
Balance as at 1 January 2015	4,839,448	60,532	4,899,980
Increases	527,994	211,552	739,546
Transfers	76,507	(76,507)	-
Disposals and other decreases	(282,284)	-	(282,284)
Corrections	-	-	-
Balance as at 31 December 2015	5,161,665	195,575	5,357,242
Accumulated amortization			
Balance as at 1 January 2014	4,134,971	-	4,134,971
Amortization expense	730,130	-	730,130
Decreases	(677,834)	-	(677,834)
Corrections	-	-	-
Balance as at 31 December 2014	4,187,267	-	4,187,267
Balance as at 1 January 2015	4,187,267	-	4,187,267
Amortization expense	372,619	-	372,619
Decreases	(282,171)	-	(282,171)
Corrections	-	-	-
Balance as at 31 December 2015	4,277,715	-	4,277,715
Net carrying amount			
As at 31 December 2014	652,181	60,532	712,713
As at 31 December 2015	883,950	195,576	1,079,527

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14. INVESTMENT PROPERTIES

Investment properties include the following items:

- The Group holds a piece of land and a building, located in Str. Romana, Bistrita (previously used for the head office). Starting 2012, the final purpose of the land was to be held in order to obtain an increase in its value and to be 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), And the subsequent changes in value were charged to the profit and loss statement.

- The piece of land took over from SC Teracota Bistrita SRL (after it became bankrupt) is held in order to obtain an increase in its value and to be 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 that date. The increase in the fair value was charged to the revaluation reserves (according to IAS 16 and IAS 40).

- The Group holds land and buildings (previously used as regional warehouses) in Bucharest, Oradea and Constanta. In September 2013 (Bucharest), November 2013 (Oradea) and January 2013 (Constanta), the management decided that the final purpose of these land and buildings was to be held in order to obtain an increase and value and to be subsequently materialized through sale. As a result, the land and buildings were classified in 2013 as investment properties. The revaluations as at 31 December 2013 were recognized in the profit and loss statement, in accordance with IFRS.

As at 31 December 2015 and 2014, the fair value of investment properties is based on the valuation report prepared by an independent valuator and the impact of this valuation was charged to the profit and loss account. The valuation methods used are compliant with the International Valuation Standards.

The valuation methods used are in accordance with the International Valuation Standards using significant input that is unobservable (Level 3 – see Note 2.25).

For land, the valuation performed considered the market comparison approach, as follows:

Price per square meter for land Range: EUR 14 – 100 /sq m

Fair value of buildings resulting from the income approach as follows:

Rent for industrial and commercial premises	EUR 2-4 /sq. m.
Non occupancy rate for logistic and industrial premises	10 – 20%
Non occupancy rate for commercial premises	25 – 30%
Average rate of return for industrial premises	10 – 13%
Average rate of return for commercial premises	9 – 11%

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14. INVESTMENT PROPERTIES (continued)

	Year ended 31 December 2015	Year ended 31 December 2014
	RON	RON
Opening balance at 1 January 2015	13,357,561	13,602,716
Reclassifications from tangible assets		(55,526)
Decreases		
Net loss from valuation of investment properties at fair value (Note 7)	(1,242,366)	(189,629)
Closing balance at 31 December 2015	12,115,195	13,357,561

15. SUBSIDIARIES

As at 31 December 2015, the Group holds investments in three subsidiaries: (Plastsistem SA, Teraglass Bistrita SA and Teraplast Group SRL Republic of Moldova). As at 31 December 2014, 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 insulated with polyurethane foam for the building of industrial halls and warehouses.

In 2008, the Group participated in 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% through small value 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 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%.

During the period February-October 2015, Teraplast SA acquired, from individuals, 19.24% of the share capital of Plastsistem SA; therefore, as at 31 December 2015, the percentage held by Teraplast SA in Plastsistem SA reached 97.95%.

Subsidiary	Place of incorporation and of operations	Main activity	Shareholding 31 December 2015 (%)	Shareholding 31 December 2014 (%)
Plastsistem S.A. Bistrita	Romania	Production of insulation panels	97,95%	78,71%

Subsidiaries acquired	Main activity	Acquirement date	Share of acquired shares	Cost of acquisition
Opening balance			71.14%	6.381.391
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
SC PLASTSISTEM SA	Production/trade	February – October 2015	19.24%	2,055,675
Closing balance			97.95%	10,960,083

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15. SUBSIDIARIES (continued)

Teraglass Bistrita SRL Company was established in 2011 and is owned 100% by Teraplast SA. The main activity was the production of plastic items for constructions and it had a share capital RON 50,000. In December 2011, the activity of Teraglass Bistrita SRL was integrated into Teraplast SA. During the period 2012-March 2015, Teraglass Bistrita SRL performed no activity. It was resumed following the transfer of the Insulated Joinery business line from the parent.

On 6 March 2015, a Board of Directors Decision approved the participation of Teraplast SA, in capacity of shareholder, to the set-up of a limited-liability company, Teraplast Group SRL Republic of Moldova, in the Republic of Moldova. The Teraplast SA shareholding in this company is 51%. By the current report submitted to the Bucharest Stock Exchnage dated 10 March 2015, the Group Board of Directors informed shareholders and potential investors on this decision.

16. JOINTLY-CONTROLLED ENTITY

The Group holds 50% of the shares of a jointly controlled entity - Politub SA, with the head office in Bistrita, Romania. Romania. Politub'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.

The investment in Politub SA is accounted for using the equity method. In 2015, Politub SA Company distributed dividends to the Teraplast Group in an amount RON 1,954,136.

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 are detailed below:

Balance Sheet

	31.12.2015	31.12.2014
	RON	RON
Non-current assets	16,442,044	11,996,323
Current assets, including cash and short-term deposits RON 8,536,428 (31 December 2014: RON 3,501,215)	37,632,183	29,855,166
Current liabilities, including profit tax payable RON 393,061 (31 December 2014: RON 231,527)	18,699,489	13,517,324
Long-term liabilities, including deferred tax liabilities: RON 96,840 (31 December 2014: RON 222,950)		
Total equity	**31,870,398**	**27,540,383**
Group's interest in jointly-controlled entity	50%	50%
Group share in the net assets of the joint venture	15,935,199	13,770,192

Profit and loss account

	2015	2014
	RON	RON
Revenue	95,135,855	78,618,728
Cost of goods sold and of services rendered	(81,772,998)	(70,394,276)
General administration expenses	(3,088,712)	(5,607,331)
Financial loss	(272,853)	(117,120)
Profit before tax	**10,001,292**	**2,500,001**
Income tax expense	(1,763,006)	(984,312)
Profit for the year	**8,238,286**	**1,515,689**
Group's interest in jointly-controlled entity	50%	50%
Group's share of the joint venture's profit	4,119,143	757,845
Group's share of the joint venture's comprehensive income	-	(645,181)
Effect on the investment value	**4,119,143**	**112,664**

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17. OTHER FINANCIAL INVESTMENTS

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

Investment description	Main activity	Place of incorporation and of operations	Investment 31 December 2015	Investment 31 December 2014	Historical cost 31 December 2015	Historical cost 31 December 2014
			%	%	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
Total					**16,472**	**16,472**

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 investment in the companies mentioned above.

18. INVENTORIES

	31 December 2015	31 December 2014
	RON	RON
Finished goods	24,935,366	22,494,328
Raw materials	24,196,453	19,413,488
Commodities	5,003,631	2,425,716
Consumables	2,210,560	1,900,705
Inventory items	192,381	271,515
Semi-finished goods	742,186	712,887
Residual products	122,266	128,048
Goods to be purchased	1,340,756	2,762,452
Packaging	115,120	75,154
Inventories – gross value	**58,858,719**	**50,184,293**
Value adjustments on raw materials and materials	(2,284,698)	(2,708,904)
Value adjustments for finished products	(2,226,130)	(1,002,662)
Value adjustments for commodities	(991,662)	(1,013,136)
Total value adjustments	**(5,502,490)**	**(4,724,702)**
Total inventories – net value	**53,356,229**	**45,459,591**

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 100% adjusted.

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

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19. TRADE AND OTHER RECEIVABLES

	31 December 2015	31 December 2014
	RON	RON
Trade receivables	62,435,618	51,518,663
Non-chargeable trade notes	40,422,593	32,273,006
Advances paid to suppliers of assets	131,138	1,129,549
Advances paid to suppliers of inventories and services	498,528	705,606
Advances paid to employees	3,099	1,069
Other receivables	2,392,976	1,285,786
Adjustments for trade receivables impairment	(19,268,180)	(18,728,918)
Total	**86,615,772**	**68,184,761**

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

The changes in adjustment for impairment on doubtful receivables

	31 December 2015	31 December 2014
	RON	RON
Balance at the beginning of the year	**(18,728,918)**	**(17,514,832)**
Receivables transferred to expenses during the year	301,808	388,909
Impairment adjustment charged to profit and loss for trade receivables	(841,070)	(1,602,995)
Balance at the end of year	**(19,268,180)**	**(18,728,918)**

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, but 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

	31 December 2015	31 December 2014
	RON	RON
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
Total	28,887,588	**58,980,060**

As at 31 December 2015, the value of the share capital called-up of the Company 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.

The share capital was increased in 2008 by an 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 on the Bucharest Stock Exchange, in an amount RON 2,436,264, were incurred from the share premium.

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20. SHARE CAPITAL (continued)

In 2009, 4,480,000 shares were purchased for the price RON 1,682,159, to be used for resale to the Group executive management at acquisition cost, 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.

Until 31 December 2012, the redeemed shares have not been distributed, being included in retained earnings.

In March 2013, the Group 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 the decrease in the share capital called-up and paid-in, by cancelling 9,000,000 own shares, this cancellation being recorded by the Central Depository on 15.10.2013.

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

Shareholding structure

	31 December 2015		31 December 2014	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	135,124,842	46.78%	135,124,842	46.78%
Viciu Emanoil	25,240,069	8.74%	25,240,069	8.74%
Marley Magyarorszag (Gemencplast Szekszard)	22,885,589	7.92%	22,885,589	7.92%
SILVANIA CENTER SA	10,578,610	3.66%	-	-
KJK Fund II Sicav-SIF	29,000,000	10.04%	29,003,138	10.04%
Other individuals and legal entities	66,046,770	22.86%	76,622,242	26.52%
	288,875,880	**100.00%**	**288,875,880**	**100.00%**

21. Legal reserves

	31 December 2015	31 December 2014
	RON	RON
Opening balance (*)	7,792,364	7,266,754
Increases / (decreases) in the period	2,060,748	525,610
Total	**9,853,112**	**7,792,364**

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 opening balance includes an amount RON 2,937,494, representing adjustment for hyperinflation, according to IAS 29.

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22. RETAINED EARNINGS

	31 December 2015	31 December 2014
	RON	RON
Balance at the beginning of the year	**16,818,526**	**1,590,230**
Offsetting the accounting loss carried forward	44,952,864	(523,432)
Legal reserve setting	(2,060,748)	
Net result attributable to the members of the parent entity	34,473,510	15,239,853
Realized revaluation reserve	1,365,068	514,053
Dividends granted	(71,644)	-
Acquirement of non-controlling interests	2,113,290	-
Balance at the end of year	**97,590,866**	**16,818,526**

23. NON-CONTROLLING INTERESTS

	31 December 2015	31 December 2014
	RON	RON
Balance at the beginning of the year	**3,594,723**	**2,865,713**
Increases/decreases	-	-
Deferred income tax	-	-
Result for the year	773,887	729,010
Other comprehensive income	-	-
Acquirement of non-controlling interests	(4,168,488)	-
Balance at the end of year	**200,122**	**3,594,723**

Acquirement of an additional interest in Plastsistem SA

During the period February-October 2015, Teraplast SA acquired an additional interest of 19.24% of the voting shares of Plastsistem SA, increasing its shareholding to 97.95%. Shareholders holding non-controlling interests benefited from a cash consideration of RON 2,055,198. The carrying amount of the share of Plastsistem's net assets related to the acquired shares was RON 4,168,488. The additional interest acquired in Teraplast SA is detailed below:

Cash consideration paid to non-controlling shareholders	2,055,198
Carrying amount of additional interest in Plastsistem SA	4,168,488
Difference charged to retained earnings in equity	2,113,290

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24. LOANS

	Short-term		Long-term	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
BRD	17,642,040	12,319,533	2,045,860	5,202,857
Unicredit Tiriac Bank	7,186,650	9,769,743	5,615,144	1,800,000
Porsche Bank	365,777	306,525	401,355	693,204
Transilvania Bank	11,322,398	19,113,692	-	-
Leasing (see Note 28)	2,016,558	2,344,105	2,472,613	3,771,437
Total	**38,533,423**	**43,853,598**	**10,534,972**	**11,467,498**

All loans have a floating interest rate.

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

Currency	2015	2014
EUR	23,343,083	21,485,772
RON	25,725,312	33,835,324
Total	**49,068,395**	**55,321,096**

Bank loans per companies as at 31 December 2015 were as follows:

TERAPLAST

Bank loans as at 31 December 2015 are as follows:

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. The amount remaining from this amount as at 31 December 2015 is RON 14,430,926 (EUR 3,189,507.27) (31 December 2014: RON 9,127,764 [EUR 2,036,493]). On 18 June 2015, the credit line was converted into a Multicurrency (RON, EUR, USD) Multioption Cap (Credit Line, Letter of Bank Guarantee, Letters of Credit) with the maturity 19 June 2016.

B. An investment contract signed with BRD on 19 December 2011 and expressed in EUR. The total approved amount is EUR 2,500,000. The amount remaining as at 31 December 2015 under this contract is RON 2,261,973 (EUR 499,939) (31 December 2014: RON 4,481,825 [EUR 999,939]). The maturity is 19 December 2016 and the reimbursement is performed in 60 monthly instalments amounting to EUR 41,666.67.

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 for the amount EUR 2,800,000, divided as follows: EUR 2,000,000 – a credit line portion usable in RON and EUR 800,000 – a credit line portion usable in EUR. The amount used under this contract as at 31 December 2015 was RON 0 for the credit line usable in RON (31 December 2014: RON 4,206,411) and RON 3,565,523 (EUR 788,047.90) for the credit line usable in EUR (31 December 2014: RON 3,148,552 [EUR 702,473]). The maturity is 1 October 2016.

24. LOANS (continued)

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 and was converted on 31 December 2013 into RON 6,599,999. The used as at 31 December 2015 under this contract is RON 1,800,000 (31 December 2014: RON 4,199,999). Upon the credit conversion, the maturity was extended by 12 months and, as a result, the maturity is 29 September 2016. Following the conversion and 12 month extension, the repayment is performed in monthly equal instalments of RON 200,000.

E. An investment contract signed with Unicredit Tiriac Bank on 5 February 2015 and expressed in EUR and usable in RON. The approved amount was EUR 2,000,000 with a 12 month use and grace period, respectively. From the approved amount, the amount drawn until 31 December 2015 was RON 7,436,271.65. The credit repayment is performed in monthly equal instalments starting the month following the expiry of the grace period until the maturity, i.e., 4 February 2020.

F. An investment contract signed with Porsche Bank on 28 November 2013 and expressed in RON for the purchase of cars. The initial amount was RON 1,189,532. The amount remaining under this contract as at 31 December 2015 is RON 601,617 (31 December 2014: RON 894,181). The maturity is November 2017 and the repayment schedule is December 2013 through 27 November 2017.

G. An investment contract signed with Porsche Bank on 31 March 2015 and expressed in RON for the purchase of cars. The initial amount was RON 111,596. The amount remaining under this contract as at 31 December 2015 is RON 89,290 (31 December 2014: RON 104,752). The maturity is March 2019.

H. A credit contract - credit line relating to a revolving short-term credit cap for financing the current activity signed with Banca Transilvania Bank on 27 August 2013 and expressed in RON for the amount RON 13,250,000. The total amount remaining under this contract as at 31 December 2015 is RON 3,990,931 (31 December 2014: RON 11,337,863). The maturity is 25 August 2016.

I. On 27 August 2013, the Company signed with Banca Transilvania Bank a contract – cap multicurrency letters of bank guarantee with multiple use and valid until 24 August 2015, which was extended for 24 months starting 20 August 2015. The value of the cap is RON 1,750,000.

As at 31 December 2015, the Company has non-used credit facilities in an amount EUR 22,445 and RON 18,629,657.

As at 31 December 2015, tangible assets and investment properties, in a net carrying amount RON 70,010,180 are set as a security for credits and credit lines (land, buildings and investment properties – RON 47,464,160; equipment, tools and other non-current assets – RON 22,546,020).

For the loans from banks, the Group guaranteed by means of all current and future cash, the merchandise and product inventories, either current or future, and assigned the current and future rights of debt, and their accessories arising from current and future contracts with its clients, in capacity of assigned debtors. Moreover, the Group has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

PLASTSISTEM

A. A credit contract - credit line for financing the current activity signed with Banca Transilvania Bank on 26 September 2015 in RON for the amount RON 13,500,000 and supplemented on 21 October 2015 by RON 1,000,000. The amount is RON 14,500,000 with an interest rate ROBOR 3 M + a margin. The total amount remaining under this contract as at 31 December 2015 is RON 7,159,204. The maturity is 23 September 2016.

24. LOANS (continued)

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 Project „Integrated innovative system for constructions: metal structure assembled from light zinc-coated profiles and heat insulating polyurethane foam panel envelope" implemented under the Financing Contact no.109 of 9 March 2010 concluded with the Management Authority – SOPEEC. The total amount is EUR 1,200,000, with an interest rate EURIBOR at 3M + a margin. The amount used as at 31 December 2015 under this contract is RON 3,031,392 (EUR 660,869) (31 December 2014: RON 3,897,479 [EUR 869,565]). The maturity is 20 February 2019 with a grace period until 9 June 2013, and the repayment is performed in equal installments of EUR 17,391.

C. An investment contract signed with Porsche Bank on 29 November 2013 and expressed in RON for the purchase of cars. The initial amount is RON 59,936.41, with an interest rate ROBOR 1M + a margin. The amount remaining under this contract as at 31 December 2015 is RON 32,643 (31 December 2014:. RON 45,067). The maturity is November 2017 and the repayment date is December 2013 through 28 November 2017, according to the schedule.

D. An investment contract signed with Porsche Bank on 23 November 2014 and expressed in RON for the purchase of a car. The initial amount is RON 61,816, with an interest rate ROBOR 1M + a margin. The amount remaining under this contract as at 31 December 2015 is RON 43,580. The maturity is November 2017 and the repayment date is January 2015 through December 2018, according to the schedule.

As at 31 December 2015, the Group has unused loan facilities amounting to RON 7,340,796 (31 December 2014 – RON 6,255,675).

The short-term loans and credits of Plastsistem are secured by means of the cash availabilities, both current and prospective, of the current accounts corresponding to the banks which the credits were contracted from, and of assignment of inventories and commercial contracts.

As of 31 December 2015, the Group had issued letters of guarantee / letters of credit amounting to EUR 2,000,000, expiring on 2 December 2016. This amount includes the following letters of guarantee / letters of credit:

Letters of credit and letters of guarantee issued as at 31 December 2015:

No.	Beneficiary	Amount	Currency	Date of issue	Date of expiry	Remarks
1	KAMARIDIS STEEL	322,300	EUR	05.08.2015	03.02.2016	IMPORTATION LETTER OF CREDIT
2	KAMARIDIS STEEL SA	60,225	EUR	05.08.2015	30.04.2016	IMPORTATION LETTER OF CREDIT
3	Marcegaglia	300,000	EUR	19.12.2014	15.05.2016	LETTER OF GUARANTEE – Initially valid until 31 October 2014 and extended until 18 July 2015 and 15 May 2016, respectively
4	ANAF	140,319	RON	09.11.2015	15.09.2016	LETTER OF GUARANTEE

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

25. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

	Short-term		Long-term	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RON	RON	RON	RON
Employee benefits	-	-	295,226	388,962
Provisions for risks and expenses	3,173,704	3,991,851	-	-
Total	**3,173,704**	**3,991,851**	**295,226**	**388,962**

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 latest actuarial valuations were performed on 31 December 2015 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 2015, the Group reversed provisions amounting to RON 93,736 (2014: the Group reversed provisions amounting to RON 59,755) related to the rights to compensate employees based on the actuarial calculation, for the amounts granted to the employees on retirement; these amounts are provided under the collective labor agreement.

Employee benefits	31 December 2015	31 December 2014
	RON	RON
Opening balance	388,962	329,207
Movements	(93,736)	59,755
Closing balance	**295,226**	**388,962**

Current provisions	31 December 2014	Movements: Reversal of provision not used	Movements: Reversal of provision used	Additional provision	31 December 2013
	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
Closing balance	**3,991,851**	**(899,418)**	**(300,739)**	**1,035,593**	**4,156,415**

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

25. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS (continued)

		Movements		Additional provision	31 December 2014
Current provisions	**31 December 2015**	**Reversal of provision not used**	**Reversal of provision used**		
	RON	RON	RON	RON	RON
Provisions for environmental expenses	2,232,209	(826,216)	-	140,933	2,917,492
Provisions for litigation	557,710	(158,524)	-	156,319	559,915
Other provisions	383,785	(163,124)	-	32,465	514,444
Closing balance	**3,173,704**	**(1,147,864)**	**-**	**329,717**	**3,991,851**

a) Provisions for environmental expenses

b) Provisions for litigation

The Group has set provisions for different litigations.

26. TRADE PAYABLES

	31 December 2015	31 December 2014
	RON	RON
Trade payables	54,310,938	46,403,321
Trade notes payable	1,114,492	2,187,975
Liabilities from the purchase of non-current assets	587,112	1,493,351
Other current payables (Note 27)	7,885,599	6,270,763
Advance payments from clients	2,989,493	1,572,387
Total	**66,887,634**	**57,927,797**

27. OTHER CURRENT LIABILITIES

	31 December 2015	31 December 2014
	RON	RON
Salary-related payables to employees and social security payables	3,684,636	3,538,912
VAT payable	3,195,108	1,930,055
Unclaimed employee rights	86,626	85,540
Sundry creditors	465,344	395,686
Commercial guarantees received	110,485	79,399
Other taxes payable	332,906	241,171
Dividends payable	10,494	-
Total	**7,885,599**	**6,270,763**

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

28. FINANCIAL LEASE OBLIGATIONS

Lease contracts

Finance leases relate to motor vehicles and equipment on lease periods 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.

Finance lease liabilities

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

	Minimum lease payments		Discounted value of the minimum lease payments	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	RON	RON	RON	RON
Present value of minimum lease payments				
Amounts payable in one year	2,174,788	2,630,333	2,016,558	2,344,105
More than one year but less than five years	2,535,850	3,950,008	2,472,613	3,718,448
Above 5 years	-	54,185	-	52,989
Total lease liabilities	**4,710,638**	**6,634,526**	**4,489,171**	**6,115,542**
Minus future financial expenses	(221,467)	(518,984)	-	-
The current value of financial lease liabilities	**4,489,171**	**6,115,542**	-	**6,115,542**
Included in financial statements (Note 24)				
Short-term loans	2,016,558	2,344,105	-	-
Long-term loans	2,472,613	3,771,437	-	-

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), operating 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 operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

***(a)* Capital risks management**

The Group manages its capital to ensure that the entities within the Group will be able to continue their activity and, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities 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.

Managing the Group's risks also includes a regular analysis of the capital structure. As part of the same analysis, management considers the cost of capital and the risks associated to each class of capital. Based on the management recommendations, the Group may balance its general capital structure through the payment of dividends, by issuing new shares and repurchasing shares, as well as by contracting new liabilities and settling the existing ones.

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

29. FINANCIAL INSTRUMENTS (continued)

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 gearing ratio as at 31 December 2015 and 2014 was as follows:

	2015	2014
	RON	RON
Total loans (Note 24)	49,068,395	55,321,096
Less cash and cash equivalents	(12,555,770)	(5,162,972)
Net debt	**36,512,625**	**50,158,124**
Total equity (less non-controlling interests)	**183,232,984**	**147,174,571**
Total equity and net debt	**219,745,609**	**197,332,695**
Gearing ratio	**17%**	**25%**

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 2015 and 31 December 2014.

(b) Summary of significant 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 (d) below) and of the interest rate (see [f] below).

29. FINANCIAL INSTRUMENTS (continued)

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.

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 and payables with foreign partners, and denominated in EUR at the end of the year.

	31 December 2015		31 December 2014	
	RON	RON	RON	RON
Profit or (loss)	5,493,592	(5,493,592)	4,756,603	(4,756,603)

The Group obtains revenues in RON based on the contracts signed with foreign clients (as detailed in Note 4).

(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 rate 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.

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

29. FINANCIAL INSTRUMENTS (continued)

As at 31 December 2015, 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 2015		31 December 2014	
	RON	RON	RON	RON
Profit or (loss)	490,684	(490,684)	553,211	(553,211)

(g) Other price risks

The Group is not exposed to the equity price risks arising from equity investments. The financial 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, a 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 a 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 Company, which the Group has in order to further reduce the liquidity risk.

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

29. FINANCIAL INSTRUMENTS (continued)

(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 carrying amounts represent the maximum exposure of the Group to the credit risk related to the existing receivables.

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

	31 December 2015	31 December 2014
	RON	RON
Not payable	77,041,511	60,303,735
Overdue, but not impaired	7,100,473	7,881,026
Impaired and provisioned in full	19,268,180	18,706,300
Total	**103,410,164**	**86,891,062**

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

Overdue, but not impaired:

	31 December 2015	31 December 2014
	RON	RON
Below 3 months	7,026,274	7,008,628
3 to 6 months	60,816	353,958
6 to 9 months	123	73,425
Above 9 months	13,260	445,015
Total	**7,100,473**	**7,881,026**

Impaired and provisioned in full

	31 December 2015	31 December 2014
	RON	RON
Below 6 months	1,175,429	1,302,083
6 to 12 months	230,244	1,348,541
Above 12 months	17,862,507	16,055,676
Total	**19,268,180**	**18,706,300**

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29. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

The tables below detail the dates remaining until the maturity of the Company 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.

2015	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Above 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(28,533,873)	(30,425,446)	831,399	(58,395)	-	-	**(58,186,315)**
Interest-bearing instruments							
Short and long-term loans	(838,614)	(1,695,982)	(35,998,827)	(8,366,977)	(2,167,995)	-	**(49,068,395)**
Future interest	(300,416)	(591,772)	(2,508,596)	(1,186,950)	(89,427)	-	**(4,677,161)**
Non-interest bearing							
Cash and cash equivalents	12,555,770	-	-	-	-	-	**12,555,770**
Receivables	37,143,123	43,906,722	3,820,416	119,796	-	-	**84,990,057**

2014	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Above 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(32,260,009)	(25,051,491)	(578,402)	(37,895)	-	-	**(57,927,797)**
Interest-bearing instruments							
Short and long-term loans	(985,935)	(1,917,638)	(40,963,349)	(9,887,105)	(1,567,069)	-	**(55,321,096)**
Future interest	(287,762)	(569,088)	(2,454,307)	(2,033,318)	-	-	**(5,344,475)**
Non-interest bearing							
Cash and cash equivalents	5,162,972	-	-	-	-	-	**5,162,972**
Receivables	34,898,685	31,544,892	1,738,484	2,700	-	-	**68,184,761**

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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 2014 and 2015 - Politub SA

	31 December 2015	31 December 2014
	RON	RON
Sales of goods and services	4,291,840	577,931
Purchases of goods and services	2,727,635	4,165,510
Debit balances	399,734	126,103
Credit balances	819,185	317,056

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. For 2015 these are as follows: 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, Electrogrup SA, RSL Capital Advisors SRL, KJK Caramida SRL, Eurohold AD and 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, Electrogrup SA.

	31 December 2015	31 December 2014
	RON	RON
Sales of goods and services	1,428,383	1,682,051
Purchases of goods and services	88,300	245,894
Debit balances	823,700	578,300
Credit balances	4,384	35,160

Compensations to the members of senior management

The remuneration of the directors, other members of senior management and executive personnel amounts to RON 3,936,681 (2014: RON 4,004,397) is determined by the shareholders, according to the persons' performance and payment conditions.

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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:

	31 December 2015	31 December 2014
	RON	RON
Cash in bank	12,403,778	5,104,937
Cash on hand	61,443	29,688
Cash equivalents	90,549	28,347
Total	12,555,770	5,162,972

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

32. COMMITMENTS AND CONTINGENT LIABILITIES

Teraplast SA

The Group has concluded various contracts for the purchase of new tools/works, detailed as follows in the table below:

Firm	Subject matter of contract	Date	Value of contract
			EUR
Plasmec - Italy	Cooler adjustment parts	03.12.2015	3,700
Circuit SRL -Bistrita	Electrical project PVC Factory	21.12.2015	8,539

As at 31 December 2015, the Group has letters of guarantee issued, as detailed below:

Issuer	Validity period	Amount	Currency	Guarantee object
Banca Transilvania	17.06.2015-16.06.2016	360,000	RON	good performance in favor of ROMPETROL DOWNSTREAM
Banca Transilvania	09.02.2015-08.02.2016	90,000	RON	good performance in favor of MOL ROMANIA PETROLEUM PRODUCTS SRL

On 27 August 2013, the Company signed with Banca Transilvania Bank a contract – cap multicurrency letters of bank guarantee with multiple use and valid until 26 August 2016. The value of the cap is RON 1,750,000.

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32. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Plastsistem SA

As of 31 December 2015, the Group had issued letters of guarantee / letters of credit amounting to EUR 2,000,000, expiring on 2 December 2016. This amount includes the following letters of guarantee / letters of credit issued according to the details below:

Issuer	Validity period	Amount	Currency	Guarantee object
Banca Transilvania	19.12.2014-15.05.2016	300,000	EUR	MARCEGALIA CARBON STEEL
Banca Transilvania	09.11.2015-15.09.2016	140,319	RON	ANAF
Banca Transilvania	05.08.2015-03.02.2016	322,300	EUR	KAMARIDIS STEEL
Banca Transilvania	05.08.2015-30.04.2016	60,225	EUR	KAMARIDIS STEEL SA

Teraplast Group SRL Republic of Moldova

As at 31 December 2015, the Group has letters of guarantee issued, as detailed below:

Issuer	Validity period	Amount	Currency	Beneficiary
BCR Chisinau	19.08.2015-22.02.2016	11,978	EUR	Pestan d.o.o.

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 Group companies are likely to be occasionally subject to such controls for breaches or alleged breaches of the new and existing laws and regulations. Although the Group 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 Group. 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 Group activities are monitored by the local authorities and by the Group management. As a result, no provisions were set for any kind of potential obligations currently unquantifiable in relation to environmental matters or actions for their remedial, excepting those detaild in Note 25.

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32. COMMITMENTS AND CONTINGENT LIABILITIES

Transfer pricing

The Romanian fiscal legislation includes the "arm's length" principle, according to which inter-company transactions should be performed at market value. Local taxpayers that perform inter-company transactions should prepare and submit the transfer pricing file with the Romanian tax authorities, upon written request of the latter. Failure to submit the transfer pricing documentation file or submission of an incomplete file may lead to penalties for non-compliance; in addition to the contents of the transfer pricing documentation file, the tax authorities may interpret the transactions and circumstances in a manner different than that of the company and, as a result, they may determine additional fiscal obligations resulting from transfer pricing adjustments. The Company management considers they will not record losses in the case of a fiscal review of transfer pricing. However, the impact of a different interpretation from the tax authorities cannot be reliably measured. It could be significant for the Group's financial position and/or operations.

33. EVENTS AFTER THE BALANCE SHEET DATE

Teraplast SA

On 7 December 2015, by an ESGM Decision, the increase in the share capital by RON 8,874,589 was approved through the issue of 88.745.890 new shares with a nominal value RON 0.10/share. The share capital increase was performed by embedding the reserves in an amount RON 8,874,589, set from the net profit for 2014.

The newly-issued shares did not change the shareholdings and were distributed free of charge to all Company shareholders recorded on the Shareholders' Register as at 29 January 2016.

Following this decision, the called-up and paid-in share capital of Teraplast SA is RON 37,762,177, divided into 377,621,770 nomative shares with a nominal value RON 0.10 each.

The share capital increase was recorded with the Bistrita Nasaud Trade Register Office under the Confirmation of Company Details no. 2853/9 February 2016 and with the FSA, Instruments and Financial Investments Sector under the Securities Registration Certificate no. AC-3420-3 of 24.02.2016.

Under the ESGM Decision dated 7 December 2015, the redemption by Teraplast SA of at most 2,000,000 own shares at a minimum price equal to the Bucharest Stock Exchange market price and a maximum price RON 1/share.

The redeemed shares will be used for the implementation of a remuneration system ensuring compliance with the principle of the long-term performance and of an employee loyalty program (see Note 35).

On 26 November 2015, under a Board of Directors Decision, the participation of Teraplast SA, in capacity of shareholder, together with Plastsistem SA, in the set-up of a limited-liability company with the head office in Romania, which to undertake the Teraplast Group companies logistics.

The name of the new company, the articles of incorporation, the head office, the activities, the shareholdings of the two shareholders in Teraplast Logistic SRL were approved by the Board of Directors Decision no. 4 of 28 January 2016.

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

34. INVESTMENT SUBSIDIES

Investment subsidies refer to investments made mainly by the **Plastsistem SA** Company mainly for production equipment. There are no unfulfilled conditions or other contingencies related to such subsidies.

	2015	2014
As at 1 January	**4,307,969**	**4,757,867**
Received during the year	-	-
Transferred to profit and loss	(467,267)	(449,898)
As at 31 December	**3,840,702**	**4,307,969**
Current	467,267	449,898
Long-term	3,373,435	3,858,071

As of 31 December 2015, the total value of the subsidies recorded was of RON 3,840,702, 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 3,752,983 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 by SOP EEC, from which the financing contract no. 109/09.03.2011, concluded with the National Authority for Scientific Research has been derived.
- RON 87,719 related to the Project: Provision with equipment of the testing laboratory of SC Plastsistem SA, concluded with the Ministry of Economy, Commerce and Business Environment

35. SHARE-BASED PAYMENT

As at 31 December 2015, the management reached an agreement with the employees eligible to receive the 2015 performance bonus for this bonus to be paid in the form of shares, as part of the General Share Options Plan (GSPO).

As a result, the amount RON 950,500 will be settled in shares and was included in the reserve of share-based benefits as at 31 December 2015. The total value of the performance bonus for 2015 is RON 1,328,000.

The Group has had no share compensation plans in the past.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board of Administration and authorized for issue on 24 March 2016.

SOCIETATEA TERAPLAST S.A.

Alexandru Stanean	**Edit Orban**
CEO	CFO

Ernst & Young Assurance Services S.R.L.
24. MAR. 2016
Signed for identification
Semnat pentru identificare