

TERAPLAST S.A.
INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2011

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Teraplast SA

Condensed consolidated Statement of comprehensive income for the six month period ended June 30, 2011

	Six month period ended June 30, 2011 <u>RON</u>	Six month period ended June 30, 2010 <u>RON</u>
Revenues	135,283,266	122,821,023
Investment revenues	112,743	88,186
Other gains and losses	2,062,620	1,736,551
Changes in inventories of finished goods and work in progress	6,191,421	4,894,819
Raw materials, consumables used and merchandise	(104,959,239)	(88,389,531)
Provisions, depreciation and amortization expense	(10,113,949)	(15,734,695)
Employee benefits expenses and social charges	(14,672,863)	(13,631,119)
Finance costs	(1,684,516)	(1,685,725)
Other expenses	(17,404,562)	(13,264,615)
Loss before tax	<u>(5,185,079)</u>	<u>(3,165,106)</u>
Income tax expense	(392,138)	106,010
Loss for the year/ Total comprehensive loss	<u>(5,577,217)</u>	<u>(3,059,096)</u>
Loss for the year/ Total comprehensive loss is attributable to:		
Equity holders of the parent	(5,759,089)	(2,431,864)
Non-controlling interest	181,872	(627,232)
Loss for the year/ Total comprehensive loss	<u>(5,577,217)</u>	<u>(3,059,096)</u>
Loss per Share	<u>(0.019)</u>	<u>(0.010)</u>
Average number of shares	<u>288,895,880</u>	<u>292,231,032</u>

The financial statements were approved by the board of directors and authorized for issue on August 31st, 2011.

Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

Teraplast SA

Condensed consolidated statement of financial position
at June 30, 2011

	June 30, 2011	December 31, 2010
	RON	RON
ASSETS		
Non-current assets		
Property, plant and equipment	166,233,033	173,179,216
Intangible assets	1,763,830	1,978,064
Deferred income tax asset	201,628	203,762
Other financial assets	16,400	16,400
Total non-current assets	168,214,891	175,377,442
Current assets		
Inventories	49,283,485	34,709,691
Trade and other receivables	77,935,847	74,094,125
Current income tax receivable	1,564,442	1,170,245
Other current assets	649,147	948,954
Cash and bank balances	3,827,215	3,562,601
Total current assets	133,260,136	114,485,616
Total assets	301,475,027	289,863,058
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	60,817,598	60,817,598
Shares premium	42,245,118	42,245,118
Reserves	6,811,510	6,771,814
Retained earnings	19,566,570	25,601,468
Equity attributable to equity holders of the parent	129,440,796	135,435,998
Non-controlling interest	3,916,839	3,734,967
Total equity	133,357,635	139,170,965
Non-current liabilities		
Borrowings – long term	28,674,640	18,214,443
Retirement benefit obligation	346,854	346,854
Deferred tax liabilities	2,462,380	2,261,760
Total non-current liabilities	31,483,874	20,823,057

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

Teraplast SA

Condensed consolidated statement of financial position at June 30, 2011

	<u>Notes</u>	<u>June 30, 2011</u> RON	<u>December 31, 2010</u> RON
Current liabilities			
Trade and other payables	28	71,955,650	57,432,508
Borrowings – short term	25	49,115,574	58,848,869
Current provisions	26	1,781,557	1,852,592
Other current liabilities	27	<u>13,780,737</u>	<u>11,735,066</u>
Total current liabilities		<u>136,633,518</u>	<u>129,869,035</u>
Total liabilities		<u>168,117,392</u>	<u>150,692,092</u>
Total equity and liabilities		<u>301,475,027</u>	<u>289,863,057</u>

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Stefan Bucataru
General Manager

Cristina Stoian
Financial Manager

Teraplast SA

Condensed consolidated statement of changes in equity for the six month period ended June 30, 2011

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Attributable to equity holders of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
	RON	RON		RON	RON	RON	RON
Balance at 31 December 2010	60,817,598	6,771,814	42,245,118	25,601,468	135,435,998	3,734,967	139,170,965
Issue of new shares	-	39,696	-	(39,696)	-	-	-
Share buy back	-	-	-	(236,113)	(236,113)	-	(236,113)
Profit for the year	-	-	-	(5,759,089)	(5,759,089)	181,872	(5,577,217)
Balance 30 June 2011	60,817,598	6,811,510	42,245,118	19,566,570	129,440,796	3,916,839	133,357,635

	<u>Share capital</u>	<u>Legal reserve</u>	<u>Share premium</u>	<u>Retained earnings</u>	<u>Attributable to equity holders of the parent</u>	<u>Non-controlling interest</u>	<u>Total</u>
	RON	RON		RON	RON	RON	RON
Balance at 31 December 2009	60,817,598	6,370,802	42,245,118	32,066,814	141,500,332	4,662,174	146,162,506
Share buy back	-	-	-	(676,904)	(676,904)	-	(676,904)
Profit for the year	-	-	-	(2,431,864)	(2,431,864)	(627,232)	(3,059,096)
Balance at 31 December 2010	60,817,598	6,370,802	42,245,118	28,958,046	138,391,564	4,034,942	142,426,506

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Stefan Bucataru
 General Manager

Cristina Stoian
 Financial Manager

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Teraplast SA

Condensed consolidated statement of cash flows for the six months period ended June 30, 2011

	Notes	Six month period ended 30/06/11 RON	Six month period ended 30/06/10 RON
Cash flows from operating activities			
Profit for the year		(5,185,079)	(3,165,106)
Finance costs recognised in profit or loss		1,399,942	1,368,903
Investment revenue recognised in profit or loss		(5,643)	(7,186)
(Gain)/loss on sale or disposal of property, plant and equipment		221,764	188,616
Impairment loss (reversed) recognised on trade receivables		1,689,304	6,610,211
Impairment loss (reversed) recognised on inventories		-	1,042,410
Depreciation and amortisation of non-current assets		8,783,623	7,430,193
Impairment of non-current assets recognised in profit or loss			
Expense recognised in profit or loss in respect of retirement benefit obligation		-	-
Increase/(decrease) of the provisions		(71,035)	607,871
Net foreign exchange		(90,503)	(959,954)
Movements in working capital			
(Increase)/decrease in trade and other receivables		(5,418,841)	(19,437,219)
(Increase)/decrease Inventories		(14,573,794)	(8,430,571)
(Increase)/decrease in other assets		299,807	(1,608,763)
Decrease in trade and other payables		13,983,860	17,248,828
Increase/(decrease) in other liabilities		2,045,669	5,231,554
Cash generated from operations		3,079,074	6,119,787
Interest paid		(1,399,942)	(1,368,903)
Income taxes paid		(583,581)	(153,380)
Net cash generated by operating activities		1,095,551	4,597,504
Cash flows from investing activities			
Interest received		5,643	7,186
Payments for property, plant and equipment		(2,324,587)	(8,750,015)
Proceeds from disposal of property, plant and equipment		698,848	11,791
Payments for intangible assets		(219,230)	(301,754)
Net cash used in investing activities		(1,839,326)	(9,032,792)

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Teraplast SA

Condensed consolidated statement of cash flows for the six months period ended June 30, 2011

	Notes	Six month period ended 30/06/11 RON	Six month period ended 30/06/10 RON
Cash flows from financing activities			
Buy-back of own shares		(236,113)	(676,904)
Inflow from borrowings		1,996,553	4,966,064
Payments of leases		<u>(752,051)</u>	<u>(664,631)</u>
Net cash generated by financing activities		<u>1,008,389</u>	<u>3.624.529</u>
Net increase/ (decrease) in cash and cash equivalents		<u>264,614</u>	<u>(810.759)</u>
Cash and cash equivalents at the beginning of the period		<u>3.562.601</u>	<u>3,485,715</u>
Cash and cash equivalents at the end of the period		<u>3.827.215</u>	<u>2,674,956</u>

The financial statements were approved by the board of directors and authorized for issue on August 31st, 2011.

Stefan Bucataru
 General Manager

Cristina Stoian
 Financial Manager

Teraplast SA

Notes to the condensed consolidated financial statements for the six month period ended June 30, 2011

1. BACKGROUND AND GENERAL BUSINESS

SC Teraplast SA (the Company) is a joint stock company established in 1992. The registered office of the Company is in 17 A Romana street, in Bistrita, Romania.

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

The Company has a joint venture with SC Politub SRL (Politub). The main activities of Politub include manufacturing of polyethylene pipes of medium and high density for transportation and distribution networks of: water, natural gas, telecommunication, sewage and other fluids.

In March 2007, the Company became the majority shareholder in SC Plastsitem SA (Plastsistem) by acquiring 52.77% of its shares. Plastsistem's main activity is that of manufacturing thermo-insulating steel panels for warehouse construction.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting.

Basis of preparation

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

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended December 31, 2010.

Going concern

The accompanying condensed consolidated financial statements have been prepared based on the going concern principle, which assumes that the Company will continue to operate in the foreseeable future. In order to assess the reasonability of this assumption, the management reviews the forecasts of the future cash inflows.

As at 30 June 2011, the Group's current liabilities exceeded its current assets by RON 3,373,380, and during the year then ended, the Group incurred a net loss of RON 5,577,217. The going concern of the Company depends on the improvement of its operational performance, for which the Group's management has plans, such as: changes in the commercial strategy, contract new credit facilities, reschedule payment terms for long-term borrowings.

Based on these reviews, the management believes that the Company will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these financial statements.

Teraplast SA

Notes to the condensed consolidated financial statements for the six month period ended June 30, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

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

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

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

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

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

Teraplast SA

Notes to the condensed consolidated financial statements for the six month period ended June 30, 2011

3. REVENUES AND OPERATING SEGMENTS

An analysis of the Group's revenue as follows:

	Six month period ended June 30, 2011	Six month period ended June 30, 2010
	RON	RON
Sales of own production	109,545,008	103,309,700
Revenue from sale of merchandise	24,085,528	18,864,188
Income from other activities	1,652,730	647,135
Total	135,283,266	122,821,023

Geographical analysis

	Six month period ended June 30, 2011	Six month period ended June 30, 2010
	RON	RON
Sales on local market (Romania)	115,713,306	106,371,661
Sales on external market (Europe)	19,569,960	16,449,362
Total	135,283,266	122,821,023

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows.

Teraplast SA

Notes to the condensed consolidated financial statements for the six month period ended June 30, 2011

3. REVENUES AND OPERATING SEGMENTS (continued)

Revenues from Segmentation and Profiles	Revenues from Segmentation		Profit from Segmentation	
	Six month period ended June 30, 2011	Six month period ended June 30, 2010	Six month period ended June 30, 2011	Six month period ended June 30, 2010
	RON	RON	RON	RON
Gross income	97,868,941	94,852,430		
Inter-segment transactions	(605,188)	(313,234)		
PVC pipes and profiles	97,263,753	94,539,197	14,008,315	15,839,021
Gross income	28,267,606	19,417,858		
Inter-segment transactions	(653,505)	(996,560)		
Thermo-insulating panels and metallic structure	26,614,101	18,421,298	5,282,792	1,259,247
Gross income	11,786,993	11,659,148		
Inter-segment transactions	(1,381,581)	(1,798,619)		
Polyethylene pipes	10,405,412	9,860,529	1,836,446	2,397,542
Total from operations	135,283,266	122,821,023	21,127,553	19,495,810
Income from investments	-	-	112,743	88,186
Administrative costs and Salaries, out of which	-	-	(24,740,859)	(21,063,378)
Financial expenses	-	-	(1,684,516)	(1,685,725)
Profit/(loss) before tax	-	-	(5,185,079)	(3,165,106)

Notes to the condensed consolidated financial statements for the six month period ended June 30, 2011

3. REVENUES AND OPERATING SEGMENTS (continued)

Segment Assets and Liabilities	Segment assets		Segment liabilities	
	30/06/11	31/12/10	30/06/11	31/12/10
	RON	RON	RON	RON
PVC pipes and profiles				
Gross amount	241,225,064	240,277,986	123,360,594	111,473,173
Inter-segment transactions and other eliminations	(3,167,551)	(2,445,533)	(6,202,274)	(3,729,905)
Net amount	238,057,513	237,832,453	117,158,320	107,743,268
Thermo-insulating panels and metallic structure				
Gross amount	55,403,659	49,635,122	37,580,424	31,949,878
Inter-segment transactions and other eliminations	(11,048,762)	(11,880,339)	(258,173)	(496,580)
Net amount	44,354,897	37,754,783	37,322,251	31,453,298
Polyethylene pipes				
Gross amount	19,970,280	17,417,243	11,273,075	9,235,064
Inter-segment transactions and other eliminations	(1,109,291)	(3,345,183)	(98,634)	(1,298)
Net amount	18,860,989	14,072,060	11,174,441	9,233,766
Unallocated	201,628	203,762	2,462,380	2,261,760
Total Assets/Liabilities	301,475,027	289,863,058	168,117,390	150,692,092
Segment depreciation and assets additions - Long term	Segment depreciation		Segment of long term assets additions	
	30/06/11	30/06/10	30/06/11	30/06/10
	RON	RON	RON	RON
PVC pipes and profiles	8,858,384	12,749,027	1,681,237	7,267,734
Thermo-insulating panels and metallic structure	935,099	2,792,966	635,233	1,119,514
Polyethylene pipes	320,465	192,701	8,117	515,033
Total	10,113,949	15,734,695	2,324,587	8,902,281