

**TERAPLAST S.A.**

**SEPARATE FINANCIAL STATEMENTS**

**Prepared in accordance with the provisions of Order no. 1286/2012  
on the approval of the accounting regulations compliant with  
The International Financial Reporting Standards**

**31 DECEMBER 2015**

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

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of Teraplast S.A.

1. We have audited the accompanying stand alone financial statements of Teraplast S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2015, and statement of comprehensive income, statement of changes in equity and 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 financial statements in accordance with the Order of the Minister of Public Finance 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, and for such internal control as management determines is necessary to enable the preparation and fair presentation of 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 financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. 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 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 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 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 financial statements give a true and fair view of the financial position of Teraplast S.A. as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with the Order of the Minister of Public Finance 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.

### Reporting requirements in regards to the Administrators' Report

The Administrators are responsible for the preparation and presentation of the 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 Administrators' Report that is free from material misstatement, whether due to fraud or error.

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

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

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

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

**TERAPLAST SA**

**Separate Financial Statements**

Prepared in accordance with the provisions of Order no. 1286/2012

on the approval of the accounting regulations compliant with the

International Financial Reporting Standards

**31 December 2015**

---

<b>CONTENTS</b>	<b>PAGE</b>
Statement of comprehensive income	3
Statement of financial position	4
Statement of changes in equity	5
Cash flow statement	6
Notes to the separate financial statements	7 - 52

**TERAPLAST SA**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**31 December 2015**

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

	Notes	Year ended as at	Year ended as at
		31 December 2014	31 December 2015
		RON	RON
Revenue	4	232,469,309	267,974,860
Other operating income	5	230,802	8,672,432
Changes in inventories of finished goods and work in progress	6	(505,390)	3,569,237
Raw materials and consumables used	7	(155,883,292)	(181,116,720)
Employee benefits expense	11	(23,781,068)	(22,757,385)
Provision expenses, adjustments for depreciation and amortization	10	(13,365,169)	(12,161,215)
(Losses)/Gains from the outflow of tangible and intangible assets	8	(88,385)	27,506
Losses from the fair value measurement of investment property	9	(189,629)	(1,242,366)
Other operating expenses	13	(24,953,435)	(33,153,455)
Finance costs	12	(5,431,165)	(5,518,339)
Financial revenues	12	2,893,872	8,207,669
<b>Profit before tax</b>		<b>11,396,449</b>	<b>32,502,224</b>
Income tax expense	14	(1,981,997)	(4,120,239)
<b>Profit for the year</b>		<b>9,414,452</b>	<b>28,381,985</b>
<b>Other comprehensive income</b>			
Revaluation of tangible assets		-	(1,853,175)
Impact of deferred tax		-	296,508
		-	(1,556,667)
<b>Total comprehensive result</b>		<b>9,414,452</b>	<b>26,825,318</b>
<b>Number of shares</b>		<b>288,875,880</b>	<b>288,875,880</b>
<b>Result per share</b>	31	<b>0.033</b>	<b>0.098</b>

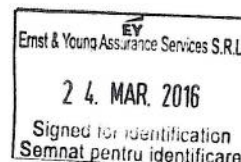
The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's Decision on 24 March 2016.

Alexandru Stanean  
CEO



Edit Orban  
CFO

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



**TERAPLAST SA**  
**STATEMENT OF FINANCIAL POSITION**  
**31 December 2015**

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

	Notes	31 December 2014	31 December 2015
		RON	RON
<b>ASSETS</b>			
<b>Non-current assets</b>			
Tangible assets	15	100,641,904	90,934,897
Investment property	16	13,357,561	19,623,009
Intangible assets	17	636,771	559,253
Investments in subsidiaries and jointly controlled entities	18	9,199,408	11,255,745
Other financial investments	19	15,472	15,472
Non-current trade receivables	30	-	6,956,956
<b>Total non-current assets</b>		<b>123,851,116</b>	<b>129,345,332</b>
<b>Current assets</b>			
Inventories	20	33,656,618	34,327,035
Trade and other receivables	21	53,241,094	69,663,633
Prepayments		168,946	302,426
Cash and short term deposits	32	3,457,505	11,101,333
<b>Total current assets</b>		<b>90,524,163</b>	<b>115,394,427</b>
<b>Total assets</b>		<b>214,375,279</b>	<b>244,739,759</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<b>Total equity, out of which:</b>		<b>58,980,060</b>	<b>28,887,588</b>
Subscribed share capital	22	28,887,588	28,887,588
Share capital adjustments	22	30,092,472	-
Other equity items			950,500
Share premium	22	42,245,118	27,384,726
Revaluation reserves		18,708,074	17,045,966
Legal reserves	23	4,101,240	5,443,617
Retained earnings	24	(579,354)	71,518,559
<b>Total equity</b>		<b>123,455,138</b>	<b>151,230,956</b>
<b>Long-term liabilities</b>			
Interest bearing loans and borrowings	25	8,187,154	8,062,764
Liabilities for employee benefits	26	346,402	236,361
Deferred tax liabilities	14	3,482,135	2,948,367
<b>Total long-term liabilities</b>		<b>12,015,691</b>	<b>11,247,492</b>
<b>Current liabilities</b>			
Trade and other payables	28	39,127,164	48,195,020
Interest bearing loans and borrowings	25	35,427,937	30,077,116
Income tax payable		357,498	815,471
Provisions	27	3,991,851	3,173,704
<b>Total current liabilities</b>		<b>78,904,450</b>	<b>82,261,311</b>
<b>Total liabilities</b>		<b>90,920,141</b>	<b>93,508,803</b>
<b>Total equity and liabilities</b>		<b>214,375,279</b>	<b>244,739,759</b>

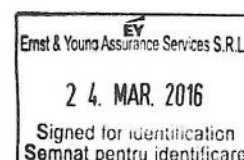
The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's Decision on 24 March 2016.

Alexandru Stanean  
 CEO



Edit Orban  
 CFO

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



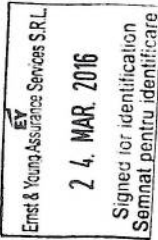
**TERAPLAST SA**  
**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**for the financial years ended 31 December 2014 and 31 December 2015**  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

	Subscribed share capital	Share capital adjustments	Other equity items	Share premium	Revaluation reserves	Legal reserves	Retained earnings	Total
	RON	RON	RON	RON	RON	RON	RON	RON
<b>Balance as of 1 January 2014</b>	<b>28,887,588</b>	<b>30,092,472</b>	-	<b>42,245,118</b>	<b>18,708,074</b>	<b>3,561,377</b>	<b>(9,453,943)</b>	<b>114,040,685</b>
Recognition of legal reserve	-	-	-	-	-	539,863	(539,863)	-
Profit for the year	-	-	-	-	-	-	9,414,452	9,414,452
<b>Balance as of 31 December 2014</b>	<b>28,887,588</b>	<b>30,092,472</b>	-	<b>42,245,118</b>	<b>18,708,074</b>	<b>4,101,240</b>	<b>(579,354)</b>	<b>123,455,137</b>
<b>Subscribed share capital</b>	<b>28,887,588</b>	<b>30,092,472</b>	<b>Other equity items</b>	<b>Share premium</b>	<b>Revaluation reserves</b>	<b>Legal reserves</b>	<b>Retained earnings</b>	<b>Total</b>
<b>RON</b>	<b>28,887,588</b>	<b>30,092,472</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>	<b>RON</b>
Result for the year	-	-	-	-	-	-	28,381,985	28,381,985
Other comprehensive income	-	-	-	-	(1,556,667)	-	-	(1,556,667)
<b>Total comprehensive income</b>	<b>28,887,588</b>	<b>30,092,472</b>	<b>28,887,588</b>	<b>42,245,118</b>	<b>17,151,407</b>	<b>4,101,240</b>	<b>27,802,631</b>	<b>150,280,456</b>
Recognition of legal reserve	-	-	-	-	-	1,342,377	(1,342,377)	-
Settlement of accounting losses *	-	(30,092,472)	-	(14,860,392)	-	-	44,952,864	-
Benefits awarded to employees in the form of financial instruments	-	-	950,500	-	-	-	-	950,500
Reserves representing realized revaluation surplus	-	-	-	-	(105,441)	-	105,441	-
<b>Balance as of 31 December 2015</b>	<b>28,887,588</b>	<b>30,092,472</b>	<b>950,500</b>	<b>27,384,726</b>	<b>17,045,966</b>	<b>5,443,617</b>	<b>71,518,559</b>	<b>151,230,956</b>

\*During 2015, through the decision of the General Shareholders' Meeting on 23 March 2015, the Company has decided to cover in full the retained losses from prior years amounting to RON 44,952,911, by using the reserves set for share capital adjustments relating to the adjustments for hyperinflation until 31 December 2003 amounting to RON 30,092,472 and the issue premiums amounting to RON 14,860,393. As of 31 December 2015, revaluation reserves include amounts representing the realized revaluation surplus related both to tangible assets and investment property until the date of their reclassification.

The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's Decision on 24 March 2016.

**Alexandru Stanean**  
CEO



**Edit Orban**  
CFO

**TERAPLAST SA**  
**CASH FLOW STATEMENT**  
for the financial year ended 31 December 2015  
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Notes	Year ended as at 31 December 2014 RON	Year ended as at 31 December 2015 RON
<b>Cash flows from operating activities</b>			
Profit before tax	14	11,396,449	32,502,224
Interest expenses	12	1,907,160	1,126,345
Interest income	12	(5,371)	(10,432)
Loss/(Gains) from the sale or disposal of fixed assets	8	91,120	(27,506)
Profit from the sale of the Teraglass line			(537,927)
Value adjustments related to trade receivables	10	619,883	458,274
Losses from receivables and sundry debtors		218,358	125,237
Value adjustments related to inventories	10	414,118	818,940
Amortization and depreciation of long-term assets	10	12,277,374	12,236,504
Value adjustments for non-current assets	10		(420,796)
Value decreases following revaluation			86,440
Adjustments of provision for risks and charges, net	10	(164,564)	(818,147)
Loss from the fair value measurement of investment property	9	189,629	1,242,366
Expense/(Revenue) from the provisions for the retirement benefits obligations	26	60,177	(110,041)
Share based revenues	33		950,000
Investment revenues	12	(580,574)	(5,496,136)
Unrealized exchange rate differences		88,768	(53,179)
<b>Profit before adjustments to working capital</b>		<b>26,512,528</b>	<b>42,072,665</b>
Movements in working capital			
Increase of trade and other receivables		(7,188,229)	(20,237,372)
Increase of inventories		(1,353,593)	(1,489,357)
(Decrease)/Increase of trade and other payables		(317,205)	3,680,365
<b>Cash generated by operating activities</b>		<b>17,653,501</b>	<b>24,026,302</b>
Interest paid		(1,889,308)	(1,126,345)
Income tax paid		(1,631,683)	(3,897,931)
<b>Net cash flow generated by operating activities</b>		<b>14,132,510</b>	<b>19,002,026</b>
<b>Net cash flow generated from investment activities</b>			
Received interest		5,371	10,432
Payments for the acquisition of tangible and intangible assets		(5,070,050)	(15,152,791)
Receipts from the sale of tangible and intangible assets		179,206	135,890
Purchase of Plastsistem shares			(2,056,337)
Dividends received		580,574	5,496,136
<b>Net cash flow used in investment activities</b>		<b>(4,304,900)</b>	<b>(11,566,670)</b>
<b>Net cash flow from finance activities</b>			
Net receipts / (reimbursements) of loans		(6,883,895)	2,734,705
Financial lease payments		(2,378,037)	(2,526,233)
<b>Net cash flow generated from / (used in) finance activities</b>		<b>(9,261,933)</b>	<b>208,472</b>
<b>Net variation of cash and cash equivalents</b>		<b>565,677</b>	<b>7,643,828</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>	32	<b>2,891,828</b>	<b>3,457,505</b>
<b>Cash and cash equivalents at the end of the financial year</b>	32	<b>3,457,505</b>	<b>11,101,333</b>

The financial statements were approved by the Board of Administration and authorized for publishing according to the Administrator's decision on 24 March 2016.

**Alexandru Stanean**  
CEO

**Edit Orban**  
CFO

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



## **1. GENERAL INFORMATION**

Teraplast SA (the Company) is a joint stock company established in 1992. The Company's head office is in the „Terapiast Industrial Park”, DN 15A (Reghin-Bistrita), km 45+500, Bistrita- Nasaud County, Romania.

The Company's main activities include the production of PVC pipes and profiles, plasticized and rigid granules, polypropylene pipes, fittings and the trading of cables, polyethylene pipes, steel parts.

Starting with 2 July 2008, Teraplast Company is listed at the Bucharest Stock Exchange under the symbol TRP. The Company holds 50% of the shares of Politub SA (Politub). 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. Prior to the transition to IFRS 11, Politub was classified as jointly controlled unit. Starting with 1 January 2014 (the date of transition to IFRS 11), the Group has decided to classify Politub as joint venture, to which it applies the equity method for consolidation purposes.

In March 2007, the Company has become the major shareholder of Plastsistem SA (Plastsistem) through the purchase of 52.77% of the shares. Plastsistem's main activity is the production of heat insulating panels with polyurethane foam for the construction of warehouses. As of 31 December 2014, Teraplast SA's holding in Plastsistem was of 78.71%. During the period February-October 2015, Teraplast SA purchased from natural persons 19.24% of Plastsistem SA's share capital and, as a result, as of 31 December 2015, the percentage held by Terapiast SA in Plastsistem SA reached 97.95%.

The Company holds another subsidiary, Teraglass Bistrita SRL which was established in 2011, operated for a few months, having as scope of business the production and trading of windows and doors from PVC and aluminum. In August 2011, Teraplast SA has reintegrated in its activity the production and trading of heat insulating glass, windows and doors from PVC and aluminum, as the activity of Teraglass Bistrita SRL has ceased until March 2015, when, following the transfer of the Heat insulating carpentry business line within the parent company, Teraglass Bistrita SRL has recommenced its activity.

On 6 March 2015, by Decision of the Board of Administration, the participation of Teraplast SA as shareholder in setting a limited liability company in the Republic of Moldova was approved. Teraplast SA's participation in this company is of 51%. Through the current report to the Bucharest Stock Exchange from 10 March 2015, the Board of Directors has informed the shareholders and the potential investors about this decision.

The Company is preparing consolidated financial statements for Teraplast SA starting with 2007. These financial statements are available on the company's website ([www.teraplast.ro](http://www.teraplast.ro)).

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

### **2.1 Statement of compliance**

The Company's separate financial statements have been prepared in accordance with the provisions of Order no. 1286/2012 on the approval of the Accounting regulations compliant with the International Financial Reporting Standards applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended and supplemented. These provisions are compliant with the provisions of the International Financial Reporting Standards adopted by the European Union („EU IFRS”), except for the provisions of IAS 21 *The effects of changes in foreign exchange rates* concerning the functional currency.

For the purpose of preparing these financial statements according to the Romanian legal provisions, the Company's functional currency is considered to be the Romanian Leu (RON).

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Basis of accounting

The financial statements have been prepared on a going concern basis, according to the historical cost convention adjusted to the effects of hyperinflation until 31 December 2003 for tangible and intangible assets, share capital and reserves, except for certain items of tangible assets and investment property, as presented in the notes. The financial statements are prepared based on the statutory accounting evidence kept in accordance with Order no. 1286/2012 (as aligned with the EU IFRS principles). The main accounting policies are presented below.

### 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, as well. In order to assess the applicability of this assumption, management analyzes the forecasts concerning future cash inflows.

As of 31 December 2015, the Company's current assets exceed its current liabilities by RON 32,931,523 (as of 31 December 2014, current assets had exceeded current liabilities by RON 11,619,713). At the same date, the Company has registered positive comprehensive income of RON 26,825,318 (2014: positive comprehensive income of RON 9,414,452).

As detailed in Note 29a), the Company's degree of indebtedness is of 15% (31 December 2014: 25%), which indicates a moderate dependence of the Company on financing banks, as also described in Note 25.

The budget prepared by the Company 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 Company to fulfill its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity under normal conditions, on a going concern basis.

Based on these analyses, management believes that the Company 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.

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

### 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 Company as of 1 January 2015. Only those IFRS amendments that are relevant for the Company 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 Company and assessed that these amendments will not have a significant impact on the financial position and performance of the Company.
  - **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.

#### 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 Company.
- **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 Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• **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 Company.

• **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 Company.

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

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. Management is assessing the potential impact on the financial position and performance of the Company.

• **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 Company.

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 Company.

- **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 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 Company.
    - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
    - **IFRS 7 Financial Instruments: Disclosures.** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the 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. Cash and cash equivalents

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

### 2.6. 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 Company has substantially transferred to the buyer all risks and benefits related to the property right over the goods;
- The Company 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;

#### Revenues from the sale of services and other revenues

Revenues related to the rendering services are recognized as the services are provided.

Royalties are recognized according to the accrual basis of accounting, depending on the economic substance of the related contracts.

#### 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.

### 2.7. 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

### 2.8. Foreign currency transactions

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

For the preparation of the Company'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:

	<u>31 December 2014</u>	<u>31 December 2015</u>
EUR 1	4.4821	4.5245
USD 1	3.6868	4.1477
CHF 1	3.7273	4.1797

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

### 2.9. 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Revenues from temporary investments of loans, until such loans are used for investments in long-term 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 depreciated cost for all financial assets and liabilities is computed using the effective interest rate method. The computation takes into account any premium or discount upon acquisition and includes the costs of the transaction and fees that are an integral part of the effective interest rate.

### 2.10 Government grants

Government grants are not recognized until there is reasonable assurance that the Company will comply with the conditions related to these grants and until the grants are received.

Other government grants are recognized systematically as revenues in the same period as the costs it intends to compensate.

In 2015, the Company has obtained a government grant for apprentices, to cover the salary expenses of eligible employees.

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

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

Based on the collective labor contract, the Company is under the obligation to pay retirement benefits to its employees depending on their seniority within the Company, between 2 and 3.5 salaries. The Company has registered loss for such payments and reviews the value of this liability each year depending on the employees' seniority within the Company.

### **2.12. Employees' contribution**

The Company 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.

### **2.13. Distribution of profit to the employees**

The Company recognizes a liability and an expense to distribute the profit to employees, based on a formula taking into account the profit distributable to the holders of the Company's equity, following certain adjustments considered necessary. The Group recognizes a liability when it is under the obligation through contract or when there is a constructive liability due to a practice applied in the past.

### **2.14. 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 Company'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 Company 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.



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

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 Company 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 Company intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

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

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

### 2.15. 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 Company 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 revalued value of the asset.

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

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

A tangible asset item and any significant part recognized initially are derecognized upon disposal or when no economic benefits are expected from their use or disposal.

Any gain or earning resulting from the derecognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognized.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, if appropriate.

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

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

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

### 2.16. 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.

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 Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 12. 17. Intangible assets

Intangible assets purchased separately are reported at cost minus accumulated amortization and impairment 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

### 2.18. Impairment of tangible and intangible assets

The Company 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 Company 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, except for revalued assets for which there is a revaluation that can be decreased with the impairment loss.

If an impairment 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.

A revaluation surplus is recognized as an item of comprehensive income and credited to the asset's revaluation reserves, except for the cases in which a decrease in value was previously recognized in profit and loss for a revalued asset, case in which the surplus can be recognized in profit and loss within the limit of this prior decrease.

### 2.19. 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 an appropriate portion of 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, packaging materials, consumables.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.20 Investments in subsidiaries and jointly controlled entities

Investments in subsidiaries and jointly controlled entities represent shares owned in these entities.

A jointly controlled entity is an entity of whose shareholders are having joint control upon and have rights to the entity's net assets based on the ownership percentage.

These investments are initially recognized as purchase price and subsequently at purchase cost less accumulated impairment losses.

### 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.

### 2.22. Dividends

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

### 2.23. Provisions

Provisions are recognized when the Company 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 Company to settle the obligation and a reliable estimate can be made of the amount of the respective obligation.

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

### 2.24. Segment reporting

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

### 2.25. Financial assets and liabilities

The Company'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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Loans and receivables

This category is the most relevant for the Company. 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 integral 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 recognize din profit and loss under costs to fund loans and the cost of goods sold or under other operating expenses.

### Borrowings and liabilities

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 Company has a legal applicable right to offset them and it intends to offset them either on a net basis or to realize the asset and settle the liability at the same time.

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

### 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 Company'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, for 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 Company 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 company derecognizes financial liabilities only if the Company's liabilities have been paid, canceled or they have expired.

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

### 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 principal or the most advantageous market must be accessible by the Company.

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.

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

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

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

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

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

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

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

Company's management, in conjunction with the Company'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 Company 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. Use of estimates**

The preparation of the 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 Company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the separate financial statements:

#### **Investment property**

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

- The Company holds a piece of land and a building (previously used for the head office), located in Str. Romana, Bistrita. In January 2012, the management decided that 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.
- In December 2012 the assets previously transferred to Teracota Bistrita SRL were reversed. The management decided that the final purpose of the reversed 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 December 2012 as an investment property, being valued at fair value as of that date.
- The Company holds land and buildings (previously used as regional warehouses) in Oradea, Constanta and Bucharest. In 2013, the management decided that 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 and buildings were classified in 2013 as investment properties, when they were measured at fair value.
- Starting 31 March 2015, the buildings and land located in Bistrita, str. Tarpiului 27A, which were the object of a premises rental contract concluded with Teraglass Bistrita SRL, were reclassified as investment properties.

For more details on these assets and their classification, see Note 9 and Note 16.

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

#### 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 Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

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

The Company 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. The Company engaged independent valuation specialists to assess fair value as at 31 January 2013 for land and buildings and for investment properties, this action was performed on an annual basis, including 31 December 2015. Investment properties (land and buildings) and land and buildings (recorded as non-current assets) were valued by reference to market-based information, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

On 1 April 2015, the building rented to Teraglass was transferred to investment properties. The decrease in value resulting from the revaluation as of that date has been recorded according to IAS 16, by decreasing the current revaluation reserve and the impairment expense.

#### 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 Company compares the carrying amount of these intangible or tangible assets, to the higher of the CGU fair value less costs of disposal 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 Company for each cash generating unit for impairment measuring purposes was represented by its value in use.

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

The impairment testing performed by the Company is based on the determination of the value in use considering the present value of the cash flow. The cash flows have been determined based on the budget for 2016 and of the forecasts for the following four years. The terminal value was determined based on the cash flows forecasted for 2020, using a 2.5% growth rate.

The cash generating units identified are:

- The cash generating unit Installations and arrangements;
- The cash generating unit Granules;
- The cash generating unit Joinery Profiles



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

The pre-tax discount 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 12.10%), representing the Company's best estimate concerning the standard applicable to the concerned 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 Company 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, estimated increases for each year have been taken into consideration. When estimating the volumes on the forecast horizon, scenarios featuring different increase rhythms in volumes were considered, taking into account past experience and future plans of the management.

For 2016, the Company continues to estimate an increase from 2015 due to the actions taken and projects performed for increasing the market-share.

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

The considered average increase rates of the Company have been used as follows:

- For the cash generating unit Installations and arrangements, the management estimates that the turnover will increase in the following five years by an annual 9% rate;
- For the cash generating unit Granules, the management has estimated an annual average increase of 5.05% for the following five years;
- The cash generating unit Joinery Profiles has an estimated average increase rate of the turnover for the projection period of 15.08%.

#### 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 complexity of 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 salary increase rate is constant on the average and long term, identifying the following periods – 4% first year increase – 3% for the following increase year, and for the following years – 2%. The discount rate is the RON interest rate curve without adjustments as provided by EIOPA for December 2015. The employee turnover in the last year was considered to be constant in time.

#### 4. REVENUES

An analysis of the Company revenues is detailed below:

	Year ended 31 December 2014 RON	Year ended 31 December 2015 RON
Sales from own production	217,163,879	239,056,598
Income from sale of goods	16,679,848	29,959,066
Revenues from other activities	368,106	225,327
Rent and royalty revenues	89,806	711,743
Commercial discounts granted	(1,832,331)	(1,977,874)
<b>Total</b>	<b>232,469,309</b>	<b>267,974,860</b>

#### Geographical analysis

	Year ended 31 December 2014 RON	Year ended 31 December 2015 RON
Sales on the internal market (Romania)	199,497,221	246,262,350
Sales on the foreign market	32,972,088	21,712,510
<b>Total</b>	<b>232,469,309</b>	<b>267,974,860</b>

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

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

Financial year ended 31 December 2014	Installations and arrangements	Joinery profiles	Granules	Insulated joinery	Non- allocated amounts	Total
<b>Total revenues</b>	<b>127,174,892</b>	<b>42,868,742</b>	<b>40,244,532</b>	<b>22,411,945</b>	-	<b>232,700,111</b>
Expenses with sales, indirect and administrative expenses	(116,506,536)	(41,050,330)	(35,833,551)	(25,375,951)	-	(218,766,368)
<b>Operating result</b>	<b>10,668,356</b>	<b>1,818,412</b>	<b>4,410,981</b>	<b>(2,964,006)</b>	-	<b>13,933,743</b>
Financial result	-	-	-	-	-	(2,537,294)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,396,449</b>
Profit tax	-	-	-	-	-	(1,981,997)
<b>Result for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,414,452</b>
<b>Operating assets</b>	<b>102,425,777</b>	<b>40,068,963</b>	<b>24,841,448</b>	<b>24,466,650</b>	<b>22,572,441</b>	<b>214,375,279</b>
Non-current assets	50,089,962	27,906,175	8,854,169	14,428,369	22,572,441	123,851,116
Current assets	52,335,815	12,162,788	15,987,279	10,038,281	-	90,524,163
<b>Operating liabilities</b>	<b>47,643,347</b>	<b>15,721,833</b>	<b>17,315,317</b>	<b>10,239,644</b>	-	<b>90,920,141</b>
Long-term liabilities	6,577,333	2,215,500	2,078,022	1,144,836	-	12,015,691
Current liabilities	41,066,014	13,506,333	15,237,295	9,094,808	-	78,904,450

**TERAPLAST SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2015  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**4. REVENUES (continued)**

Financial year ended 31 December 2015	Installations and arrangement s	Joinery profiles	Granules	Insulated joinery	Non- allocated amounts	Total
<b>Total revenues</b>	<b>164,660,697</b>	<b>46,980,048</b>	<b>47,146,039</b>	<b>9,314,675</b>	<b>8,545,833</b>	<b>276,647,292</b>
Expenses with sales, indirect and administrative expenses	(144,082,780)	(43,361,642)	(41,420,671)	(9,961,399)	(8,007,906)	(246,834,398)
<b>Operating result</b>	<b>20,577,917</b>	<b>3,618,406</b>	<b>5,725,368</b>	<b>(646,724)</b>	<b>537,927</b>	<b>29,812,894</b>
Financial result	-	-	-	-	-	2,689,330
<b>Profit before tax</b>	-	-	-	-	-	<b>32,502,224</b>
Profit tax	-	-	-	-	-	(4,120,239)
<b>Result for the year</b>	-	-	-	-	-	<b>28,381,985</b>
<b>Operating assets</b>	<b>128,371,177</b>	<b>44,340,133</b>	<b>34,177,268</b>	-	<b>37,851,182</b>	<b>244,739,759</b>
Non-current assets	51,673,612	26,560,746	13,259,793	-	37,851,182	129,345,332
Current assets	76,697,565	17,779,387	20,917,475	-	-	115,394,427
<b>Operating liabilities</b>	<b>59,795,250</b>	<b>16,012,389</b>	<b>17,701,163</b>	-	-	<b>93,508,797</b>
Long-term liabilities	7,479,695	1,803,315	1,964,484	-	-	11,247,492
Current liabilities	52,315,556	14,209,074	15,736,679	-	-	82,261,305

The non-allocated revenues and expenses mainly relate to the transfer of the insulated joinery line to Teraglass (Note 5).

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

**5. OTHER OPERATING INCOME**

	Year ended 31 December 2014 RON	Year ended 31 December 2015 RON
Compensations, fines and penalties	80,039	33,100
Other operating revenues (business line transfer)	-	8,545,833
Other revenues	150,764	93,499
<b>Total</b>	<b>230,802</b>	<b>8,672,432</b>

In 2015, the Company transferred the insulated joinery line to Teraglass Bistrita SRL. The selling price was determined to be the fair value of transferred assets, as determined by an independent appraiser. The transferred assets relate to:

- Tangible assets, mostly equipment, with a net carrying amount as at the transfer date RON 3,321,187. The transfer fair value was RON 3,859,114.
- Inventories with a carrying amount RON 4,686,563. The transfer fair value equaled the carrying amount.

The property, plant and equipment and the inventories have been sold, and the receivable will be recovered in installments over five years starting 2016. The long-term portion of this receivable is disclosed under Non-current trade receivables and the present value is computed according to the interest rate applied for the loans received by Teraglass Bistrita.

The net carrying amount of non-current assets and inventories transferred to Teraglass, in an amount RON 8.007.750 is included under Other operating expense (Note 13).

Also, trade receivables and payables related with clients and suppliers have been transferred to the insulated joinery and a finance lease agreement has been novated.

**6. CHANGES IN INVENTORIES OF FINISHED GOODS AND WORK IN PROGRESS**

	Year ended 31 December 2014	Year ended 31 December 2015
	RON	RON
Changes in inventories of finished goods and work in progress	(505,390)	3,569,237
<b>Total</b>	<b>(505,390)</b>	<b>3,569,237</b>

In 2015, the cost of inventories of finished goods and production in progress increased by RON 844.600 (Note 16). The value of the changes in the inventories of finished goods and production in progress, i.e., RON 3,569,237, does not include:

- The cost of finished goods transferred to Teraglass, in an amount RON 2,464,099, which is included under Other operating expenses
- The cost of finished goods granted in the form of free items (samples, sponsorship), in an amount RON 260,538.

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

	Year ended 31 December 2014	Year ended 31 December 2015
	RON	RON
Raw material expenses	132,036,355	146,221,555
Consumable expenses	11,072,525	11,903,080
Commodity expenses	12,194,082	22,410,200
Consumed packaging	580,330	581,885
<b>Total</b>	<b>155,883,292</b>	<b>181,116,720</b>

**8. OTHER GAINS AND LOSSES**

Gains/losses from disposal of tangible and intangible assets	Year ended 31 December 2014	Year ended 31 December 2015
	RON	RON
Revenues from the disposal of the tangible and intangible assets	179,206	135,890
Expenses with the disposal of the tangible and intangible assets	(267,591)	(108,384)
<b>Total</b>	<b>(88,385)</b>	<b>27,506</b>

The expenses with the disposal of assets include the net carrying amount of buildings, tools and machinery disposed in an amount RON 108,272 and the license of RON 112. These disposals of assets do not include the transfer to Teraglass, which is separately detailed in Note 15 and Note 16.

The net carrying amount of assets transferred to Teraglass is:

The net carrying amount of tangible assets transferred (Note 15)	3,339,709
The net carrying amount of intangible assets transferred (Note 16)	316,872
<b>Total net carrying amount</b>	<b>3,656,581</b>
The cost of assets related to the transferred finance lease agreement	(335,394)
<b>The net carrying amount included under Other operating expenses (Note 13)</b>	<b>3,321,187</b>

**9. GAINS AND LOSSES ON THE FAIR VALUE MEASUREMENT OF INVESTMENT PROPERTIES**

	Year ended 31 December 2014 <u>RON</u>	Year ended 31 December 2015 <u>RON</u>
Gain from the fair value measurement of investment properties	18,614	212,314
(Loss) on the fair value measurement of investment properties	(208,243)	(1,454,680)
<b>Total</b>	<u>(189,629)</u>	<u>(1,242,366)</u>

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

	Year ended 31 December 2014 <u>RON</u>	Year ended 31 December 2015 <u>RON</u>
<b>Impairment adjustments for current assets and provisions</b>		
Setting of inventory impairment adjustments (Note 19)	632,476	818,940
Setting of receivables impairment adjustments (Note 20)	619,883	458,274
Provisions for risks and expenses (Note 26 and Note 27) - reversals	(164,564)	(818,147)
<b>Total impairment adjustments for current assets and provisions</b>	<u>1,087,795</u>	<u>459,067</u>
Expenses with impairment, net (Note 15 and Note 17)	(685,420)	(334,356)
Amortization expenses (Note 15 and Note 17)	12,962,794	12,236,504
<b>Total provisions, impairment adjustments and amortization</b>	<u>13,365,170</u>	<u>12,161,215</u>

**11. EMPLOYEE BENEFIT EXPENSES**

	Year ended 31 December 2014 <u>RON</u>	Year ended 31 December 2015 <u>RON</u>
Wages	17,849,985	16,729,332
Contributions to the public social security fund	4,786,853	3,501,828
Other taxes and contributions related to the salaries	162,749	161,301
Meal tickets	921,304	788,619
Other employee benefits, provision for pensions	60,177	(110,041)
Revenues from operating subsidies for employees' salaries	-	(13,654)
Expenses in the form of share-based benefits	-	950,500
Expenses with premiums in the form of profit appropriation to employees	-	377,500
Contributions for profit appropriation to employees and share-based benefits	-	372,000
<b>Total</b>	<u>23,781,068</u>	<u>22,757,385</u>

**TERAPLAST SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2015  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**12. FINANCIAL COSTS AND REVENUES**

	Period ended 31 December 2014 RON	Period ended 31 December 2015 RON
<b>Finance costs</b>		
Interest expense	1,907,160	1,126,345
Expenses with exchange rate differences	2,548,825	3,488,959
Financial discounts granted	834,931	584,178
Losses on operations with derivatives held for trading	11,617	-
Other financial expenses	128,632	318,857
<b>Total</b>	<b>5,431,165</b>	<b>5,518,339</b>

Other financial expenses for 2015 include the amount RON 307,007 representing the difference between the nominal value and the present value of the receivable to Teraglass, as resulting from the sale of the insulated joinery line.

	Period ended 31 December 2014 RON	Period ended 31 December 2015 RON
<b>Financial revenues</b>		
Interest revenues	5,371	10,432
Revenues from exchange rate differences	2,291,415	2,678,619
Investment revenues	580,574	5,496,136
Gains on operations with derivatives held for trading	11,617	-
Other financial income	4,894	22,483
<b>Total</b>	<b>2,893,872</b>	<b>8,207,689</b>
<b>Net financial gain/(loss)</b>	<b>(2,537,293)</b>	<b>2,689,330</b>

Investment revenues include dividends received from Plastisistem in an amount RON 1,954,136 and from Polltub in an amount RON 3,425,315.

**13. OTHER OPERATING EXPENSES**

	Period ended 31 December 2014 RON	Period ended 31 December 2015 RON
Transport costs	8,220,293	9,307,412
Expenses with utilities	5,487,168	5,641,983
Expenses with third party services	3,922,428	3,179,452
Expenses with compensations, fines and penalties	234,056	13,866
Entertainment, promotion and advertising expenses	1,564,680	981,211
Expenses with other taxes and duties	1,151,128	902,325
Repair expenses	731,050	814,824
Travelling expenses	454,639	490,277
Rent expenses	851,725	863,799
Mail and telecommunication expenses	288,135	271,145
Insurance premium expenses	439,265	534,430
Other general expenses	1,608,867	2,145,001
Carrying amount of the fixed assets transferred to Teraglass (Note 8)		3,321,187
Carrying amount of the inventories transferred to Teraglass		4,686,563
<b>Total</b>	<b>24,953,435</b>	<b>33,153,455</b>

14. INCOME TAX

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

	Period ended	Period ended
	31 December	31 December
	2014	2015
	RON	RON
<b>Profit before tax</b>	<b>11,396,449</b>	<b>32,502,224</b>
Theoretical tax calculated in a 16% quota	1,823,432	5,200,356
Elements assimilated to income (realized revaluation reserve)	77,798	92,013
Deductions	(2,184,828)	(2,004,244)
Non-taxable revenues	(1,208,154)	(2,036,597)
Non-deductible expenses	3,589,762	3,787,668
Sponsorship (tax credit)	(141,966)	(681,699)
<b>Total current profit tax</b>	<b>1,956,044</b>	<b>4,357,499</b>
Current profit tax recognized in the profit and loss statement	(1,956,044)	(4,357,499)
Deferred profit tax recognized in the profit and loss statement- (expense)/revenue	(25,953)	237,260
<b>Profit tax recognized in the profit and loss statement</b>	<b>(1,981,997)</b>	<b>(4,120,239)</b>

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

The components of the net deferred tax liabilities

	Statement of financial position		Recorded in the income statement		Charged to the revaluation reserve	
	2014	2015	2014	2015	2014	2015
Tangible assets and investment properties	(4,037,538)	(3,516,565)	(189,356)	224,465	-	296,508
Investments in subsidiaries	392,000	392,000	-	-	-	-
Employee benefit liability	55,424	37,818	55,424	(17,606)	-	-
Trade and similar liabilities	107,979	138,380	107,979	30,401	-	-
<b>Total</b>	<b>(3,482,135)</b>	<b>(2,948,367)</b>	<b>(25,953)</b>	<b>237,260</b>	<b>-</b>	<b>-</b>
<b>Reconciliation of deferred tax liabilities, net</b>	<b>2014</b>	<b>2015</b>				
Balance as at 1 January	(3,456,182)	(3,482,136)				
Revenues from/(expenses with) the tax during the period recognized in the profit and loss statement	(25,953)	237,260				
Revenues from/(expenses with) the tax during the period recognized in other comprehensive income	-	296,508				
<b>Closing balance at 31 December</b>	<b>(3,482,136)</b>	<b>(2,948,368)</b>				

As at 31 December 2015, the Company has no tax losses carried forward.

IKEMPLAS SA  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2015  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**15. PROPERTY AND EQUIPMENT**

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST	RON	RON	RON	RON	RON	RON
Balance as at 1 January 2014	8,109,148	54,603,645	142,005,481	1,203,367	1,729,619	207,651,260
Increase:	-	9,190	316,031	-	6,735,421	7,060,641
Out of which:						
Increases from the internal production of non-current assets	-	-	15,602	-	1,088,283	1,103,885
Transfers	-	402,819	5,263,485	10,675	(5,676,979)	-
Transfers from inventory items	-	-	41,838	-	-	41,838
Disposals and other decreases	(37,059)	(48,022)	(12,235,221)	(86,889)	(151,124)	(12,558,314)
Transfers - tangible assets in progress	-	-	-	-	(68,688)	(68,688)
Transfers - investment properties	-	48,022	-	-	-	48,022
Balance as at 31 December 2014	8,072,089	55,015,654	135,391,613	1,127,153	2,568,249	202,174,759
<b>ACCUMULATED DEPRECIATION</b>						
Balance as at 1 January 2014	-	5,062,993	96,413,096	583,494	-	102,059,583
Depreciation recorded during the year	346	2,399,777	9,867,583	137,137	-	12,404,843
Disposals and other decreases	-	-	(12,201,100)	(86,889)	-	(12,287,989)
Impairment	-	(379,322)	(264,261)	-	-	(643,583)
Balance as at 31 December 2014	346	7,083,449	93,815,318	633,742	-	101,532,854
Net carrying amount as at 1 January 2014	8,109,148	49,540,652	45,592,385	619,873	1,729,619	105,591,677
Net carrying amount as at 31 December 2014	8,071,743	47,932,205	41,576,296	493,411	2,568,249	100,641,905

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



IEKAPLASI SA  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2015  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**15. PROPERTY, PLANT AND EQUIPMENT (continued)**

COST	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
Balance as at 1 January 2015	8,072,090	55,015,654	135,391,613	1,127,153	2,568,249	202,174,759
<b>Increases:</b>						
Out of which: Increases from the internal production of non-current assets	-	-	219,040	-	14,481,164	14,700,204
Transfers in/from tangible assets in progress	-	10,033	-	-	1,450,704	1,460,737
Transfers in/from other fixed asset categories	-	1,084,367	13,049,162	148,983	(14,282,512)	-
Transfers from inventory items	-	120,029	(87,615)	(32,414)	-	-
Accumulated depreciation for revalued tangible assets	-	(539,116)	20,763	-	-	20,763
Revaluation decreases having an impact on reserves	-	(1,853,175)	-	-	-	(539,116)
Revaluation decreases having an impact on the profit and loss account	-	(86,440)	-	-	-	(86,440)
Transfers – investment properties	(1,321,074)	(6,186,740)	-	-	-	(7,507,814)
Transfer of joinery line Teraglass	-	-	(9,932,682)	(15,413)	-	(9,948,095)
Disposals and other decreases	-	(113,648)	(1,123,825)	-	-	(1,237,473)
<b>Balance as at 31 December 2015</b>	<b>6,751,016</b>	<b>47,440,931</b>	<b>137,536,456</b>	<b>1,228,310</b>	<b>2,766,901</b>	<b>195,723,614</b>
<b>ACCUMULATED DEPRECIATION</b>						
Balance as at 1 January 2015	346	7,083,449	93,815,318	633,742	-	101,532,854
Depreciation recorded during the year	346	2,142,070	9,684,183	105,998	-	11,932,596
Transfers in/from other fixed asset categories	-	80,397	(79,332)	(1,065)	-	-
Transfers from inventory items	-	-	20,763	-	-	20,763
Accumulated depreciation for revalued tangible assets	-	(539,116)	-	-	-	(539,116)
Transfer of joinery line Teraglass	-	(11,049)	(6,600,487)	(7,900)	-	(6,608,387)
Disposals and other decreases	-	(318,694)	(1,118,152)	-	-	(1,129,201)
Impairment	-	-	(102,101)	-	-	(420,796)
<b>Balance as at 31 December 2015</b>	<b>691</b>	<b>8,437,057</b>	<b>95,620,191</b>	<b>730,776</b>	<b>-</b>	<b>104,788,714</b>
<b>Net carrying amount as at 1 January 2015</b>	<b>8,071,744</b>	<b>47,932,206</b>	<b>41,576,296</b>	<b>493,411</b>	<b>2,568,249</b>	<b>100,641,905</b>
<b>Net carrying amount as at 31 December 2015</b>	<b>6,750,325</b>	<b>39,003,875</b>	<b>41,916,264</b>	<b>497,534</b>	<b>2,766,901</b>	<b>90,934,899</b>

#### 15. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment include vehicles and equipment used as part of finance leases with values detailed below:

	31 December 2014 RON	31 December 2015 RON
Net value – vehicles	832,003	1,379,004
Net value – equipment	8,337,955	5,744,473

As at 31 December 2015, the Company had pledged in favor of financial institutions non-current assets and investment properties with a net carrying amount RON 65,644,376 (31 December 2014: RON 73,987,028).

In April 2015, the building rented to Teraglass was transferred to investment properties. On the disposal date, it was revalued according to IAS 16.

The land and buildings were revalued as at 31 December 2013. The Company management decided they represented a single class of assets for fair value revaluation purposes under IFRS 13. This analysis took into consideration the characteristics and risks associated to the revalued properties.

As at 31 December 2015, the Company performed an analysis of the land market value concluding that their net carrying amount is not significantly different than the market value and, as a result, no revaluation is required as at 31 December 2015.

The impairment adjustments set in 2015 related to assets not used.

#### 16. INVESTMENT PROPERTIES

Investment properties include the following items:

- The Company holds a piece land located in Str. Romana, Bistrita (previously, the Company head office was located on this land). 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 Company 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.

**16. INVESTMENT PROPERTIES (continued)**

- Starting 31 March 2015, the buildings and land located in Bistrita, str. Tarpiului 27A, which were the object of a premises rental contract concluded with Teraglass Bistrita SRL, were reclassified as investment properties. On the initial recognition date - 31 March 2015, the revaluation results were recorded according to IAS 16 and as at 31 December 2015, they were charged to the income statement, as appropriate.

As at 31 December 2015 and 2014, the fair value of investment properties is based on the valuation report prepared by an independent appraiser and the impact of these valuations was charged to the income statement. 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%

Taking into consideration the complexity of the computation needed for the sensitivity analysis on unobservable inputs (change in assumptions and variables used), the Company considers that the potential impact would not exceed 10%-15% of the valued amount of the buildings classified as investment properties (RON 19,623,009).

	<b>31 December 2014</b>	<b>31 December 2015</b>
	<b>RON</b>	<b>RON</b>
Opening balance at 1 January	13,602,716	13,357,561
Increases/(Reductions)	(55,526)	7,507,814
Net loss from valuation of investment properties at fair value	(189,629)	(1,242,366)
<b>Closing balance at 31 December</b>	<b>13,357,561</b>	<b>19,623,009</b>

	<b>31 December 2014</b>	<b>31 December 2015</b>
Rental revenues from investment properties	34,811	543,266
Direct operational expenses	(10,360)	(121,871)
<b>Net profit resulting from investment properties recorded at fair value</b>	<b>24,451</b>	<b>421,395</b>

17 OTHER INTANGIBLE ASSETS

Cost	Intangible assets		Total RON
	Licenses RON	in progress RON	
Balance as at 1 January 2014	4,558,795		4,558,795
Increases	171,179	41,900	213,079
Transfers	53,375	15,313	68,688
Disposals and other decreases	(644,587)	-	(644,587)
Balance as at 31 December 2014	4,138,762	57,213	4,195,975
Accumulated amortization			
Balance as at 1 January 2014	3,645,839	-	3,645,839
Amortization expense	557,952	-	557,952
Decreases	(644,587)	-	(644,587)
Corrections	-	-	-
Balance as at 31 December 2014	3,559,204	-	3,559,204
Net carrying amount as at 1 January 2014	912,956	-	912,956
Net carrying amount as at 31 December 2014	579,558	57,213	636,771

Cost	Intangible assets		Total RON
	Licenses RON	in progress RON	
Balance as at 1 January 2015	4,138,762	57,213	4,195,975
Increases	374,291	169,082	543,373
Transfers	37,339	(37,339)	-
Teraglass Transfer	(612,869)	-	(612,869)
Disposals and other decreases	(282,283)	-	(282,283)
Balance as at 31 December 2015	3,655,239	188,956	3,844,195
Accumulated amortization			
Balance as at 1 January 2015	3,559,204	-	3,559,204
Amortization expense	303,907	-	303,907
Teraglass Transfer	(295,997)	-	(295,997)
Decreases	(282,171)	-	(282,171)
Balance as at 31 December 2015	3,284,943	-	3,284,943
Net carrying amount as at 1 January 2015	579,558	57,213	636,771
Net carrying amount as at 31 December 2015	370,297	188,956	559,253

**18 INVESTMENTS IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITIES**

As at 31 December 2015 and 31 December 2014, the Company holds investments in three subsidiaries and one jointly controlled entity.

Subsidiary	Country	Share	31 December	Share	31 December
		shareholdin g	2014	shareholdin g	2015
		%	RON	%	RON
Plastsistem S.A. Bistrita	Romania	78,71%	8,904,408	97,95%	10,960,083
Teraglass Bistrita SRL	Romania	100%	50,000	100%	50,000
Politub SA	Romania	50%	245,000	50%	245,000
	Republic of				
Teraplast Group SRL	Moldova	-	-	51%	662
			<b>9,199,408</b>	-	<b>11,255,745</b>

**Plastsistem SA**

In March 2007, the Company became the majority shareholder of Plastsistem SA (Plastsistem) by purchasing 52.77% of the shares. As at 31 December 2014, the Teraplast shareholding in Plastsistem is 78.71%. 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 Company participated in the increase of the share capital of Plastsistem, which resulted in an increase in shareholding by 0.71%. Additionally, the Company increased its investment in Plastsistem by 1.4% in 2008.

In 2010, changes in the percentages held by Teraplast SA in the share capital of 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 2011, the shareholding of Teraplast in Plastsistem was 78.71%, this percentage being applicable until 31 December 2014.

During the period February-October 2015, Teraplast SA acquired, from individuals, for the amount RON 2,055,674, 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%.

**Teraglass Bistrita SRL**

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 has a share capital of 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 starting March 2015 following the transfer of the Insulated Joinery business line from the parent.

**Teraplast Group SRL Republic of Moldova**

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 in the Republic of Moldova. The Teraplast SA shareholding in this company is 51%.

**Politub SA**

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

## 19 OTHER FINANCIAL ASSETS

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

Investment description	Country	Share	31 December	Share	31 December
		sharehold ing	2014	g	2015
		%	RON	%	RON
CERTIND SA Sustainable development partnership	Romania	7.50%	14,400	7.50%	14,400
Tera Tools SRL	Romania	7.14%	1,000	7.14%	1,000
	Romania	24%	72	24%	72
<b>Total</b>			<b>15,472</b>		<b>15,472</b>

CERTIND Company is an independent certification body accredited by Greek Accreditation Body / ESXD 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 Company has undertaken no obligation and has made no payment on behalf of the entities in which it holds securities as investments in associates.

## 20 INVENTORIES

	31 December 2014	31 December 2015
	RON	RON
Finished goods	19,958,065	20,779,219
Raw materials	11,752,568	10,195,305
Commodities	2,162,102	4,607,661
Consumables	1,553,888	1,785,567
Inventory items	268,506	66,253
Semi-finished goods	712,887	742,114
Residual products	128,047	122,266
Goods to be purchased	943,326	641,626
Packaging	75,154	103,889
<b>Inventories – gross value</b>	<b>37,554,543</b>	<b>39,043,900</b>
Value adjustments on raw materials and materials	(2,075,052)	(1,549,350)
Value adjustments for finished products	(855,688)	(2,222,640)
Value adjustments for commodities	(967,184)	(944,875)
<b>Total</b>	<b>33,656,618</b>	<b>34,327,035</b>

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

The Company inventories are pledged in favor of the banks.

21 TRADE AND SIMILAR RECEIVABLES

	31 December 2014	31 December 2015
	RON	RON
Trade receivables	37,654,343	44,744,164
Non-chargeable trade notes	26,083,372	34,655,342
Advances paid to suppliers of assets	1,129,549	122,316
Advances paid to suppliers of inventories and services	653,884	396,194
Commercial guarantees paid	239,869	78,187
Advances paid to employees	569	3,099
Other receivables	821,547	3,464,642
Adjustments for trade receivables impairment	(13,342,038)	(13,800,312)
<b>Total</b>	<b>53,241,094</b>	<b>69,663,633</b>

The changes in adjustment for impairment on doubtful receivables

	31 December 2014	31 December 2015
	RON	RON
<b>Balance at the beginning of the year</b>	<b>(12,503,798)</b>	<b>(13,342,038)</b>
Increase in impairment adjustment charged to profit and loss	(838,241)	(458,274)
<b>Balance at the end of year</b>	<b>(13,342,038)</b>	<b>(13,800,313)</b>

When determining the recoverability of a receivable, the Company 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. The Company management considers that the adjustment for doubtful receivables is sufficient to bring trade and similar receivables to their recoverable amount.

The Company receivables are pledged in favor of the banks.

22 SHARE CAPITAL

	31 December 2014	31 December 2015
	RON	RON
Share capital called-up and paid in full	28,887,588	28,887,588
The adjustment for the effect of hyperinflation until 31 December 2003	30,092,472	-
<b>Total</b>	<b>58,980,060</b>	<b>28,887,588</b>

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

## 22 SHARE CAPITAL

In 2009, 4,480,000 shares were purchased for the price RON 1,682,159, to be used for resale to the Company executive management at acquisition 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 distributed 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 Company decided to cancel the redeemed shares by decreasing the share capital. As a result of this decision, during the period March-September 2013, Teraplast SA prepared and sent, according to the legal provisions in force, the documents required for recording of the decrease in the share capital 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 Company also adjusted the related hyperinflation effect.

### Shareholding structure

	31 December 2014		31 December 2015	
	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%	29,000,000	10.04%
Other individuals and legal entities	76,625,380	26.53%	66,046,770	22.86%
<b>Total</b>	<b>288,875,880</b>	<b>100.00%</b>	<b>288,875,880</b>	<b>100.00%</b>

## 23 LEGAL RESERVE

	31 December 2014	31 December 2015
	RON	RON
Opening balance	3,561,377	4,101,240
Set during the period	539,863	1,342,377
<b>Total</b>	<b>4,101,240</b>	<b>5,443,617</b>

The legal reserve is used for transferring the profits to retained earnings. According to the Romanian legislation, a transfer from the net profit of the Company 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.



24 RETAINED EARNINGS

	31 December 2014	31 December 2015
	RON	RON
Balance at the beginning of the year	(9,453,943)	(579,356)
Realized revaluation reserve	-	105,442
Coverage of the loss carried forward from share capital inflation	-	30,092,472
Coverage of the loss carried forward from share premium		14,860,393
Legal reserves	(539,863)	(1,342,377)
Result for the year	9,414,452	28,381,985
<b>Balance at the end of year</b>	<b>(579,356)</b>	<b>71,518,559</b>

25 LOANS AND FINANCE LEASE LIABILITIES

	Short-term		and intangible assets	
	31	31	31	31
	December	December	December	December
	2014	2015	2014	2015
	RON	RON	RON	RON
Bank loans	4,966,047	6,246,666	4,641,521	5,971,281
Credit line	28,352,094	22,132,797	-	-
Lease liabilities	2,109,795	1,697,653	3,545,633	2,091,484
<b>Total</b>	<b>35,427,936</b>	<b>30,077,116</b>	<b>8,187,154</b>	<b>8,062,765</b>

Bank loans are classified as follows:

BANK	Balance as at		Balance as at	
	31 December 2014		31 December 2015	
	Short term	Long term	Short-term	Long-term
	RON	RON	RON	RON
Banca Transilvania	11,869,367	-	4,121,793	-
BRD	11,380,404	2,240,775	16,702,035	-
Unicredit	9,774,936	1,800,000	7,220,572	5,615,436
Porsche Bank	293,435	600,746	335,063	355,845
Leasing	2,109,795	3,545,633	1,697,653	2,091,484
<b>Total</b>	<b>35,427,937</b>	<b>8,187,154</b>	<b>30,077,116</b>	<b>8,062,765</b>

All loans have a floating interest rate.

The classification according to the currencies is as follows:

Currency	31 December 2014	31 December 2015
EUR	17,375,531	20,299,677
RON	26,239,560	17,840,204
<b>Total</b>	<b>43,615,091</b>	<b>38,139,881</b>

**25. LOANS AND FINANCE LEASE LIABILITIES (continued)**

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.
- 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.
- 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 89,290.86 (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.

**25. LOANS AND FINANCE LEASE LIABILITIES (continued)**

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 65,644,376 are set as a security for credits and credit lines (land, buildings and investment properties – RON 43,176,176; equipment, tools and other non-current assets – RON 22,468,200).

For the loans from banks, the Company 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 Company has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

**Lease contracts**

Finance leases relate to motor vehicles and equipment for 5-6 years. The Company has the option to buy the equipment for a nominal amount at the end of the contractual periods. The Company finance lease obligations are secured with the lessee's ownership on the assets.

**Finance lease liabilities**

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

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2014	31 December 2015	31 December 2014	31 December 2015
	RON	RON	RON	RON
<b>Present value of minimum lease payments</b>				
Amounts payable in one year	2,363,445	1,824,169	2,109,796	1,697,654
More than one year but less than five years	3,750,299	2,139,178	3,545,633	2,091,484
<b>Total lease liabilities</b>	<b>6,113,744</b>	<b>3,963,347</b>	<b>5,655,429</b>	<b>3,789,138</b>
Minus future financial expenses	458,315	174,209		

The present value of finance lease liabilities, as included on the financial statements:

Short-term loans	2,109,796	1,697,654
Long-term loans	3,545,633	2,091,484

**26 EMPLOYEE BENEFIT LIABILITIES**

The Company has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Company when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis. The main estimates in the actuarial valuation were based on a discount rate of 4% for the first year, of 3% for the following year and of 2% for the following years and represent the average RON interest rate curve without adjustments as provided by EIOPA.

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.

26 EMPLOYEE BENEFIT LIABILITIES (continued)

During the financial year 2015, Teraplast SA Company reversed provisions amounting to RON 110,041 (2012: setting of RON 60,177) 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 2014	31 December 2015
Opening balance	286,225	346,402
(Decreases) / increases	60,177	(110,041)
<b>Closing balance</b>	<b>346,402</b>	<b>236,361</b>

27 CURRENT PROVISIONS

	31 December 2014	Movements			1 January 2014
	RON	Reversal of provision not used RON	Reversal of provision used RON	Provision in addition RON	RON
Provisions for environmental expenses	2,917,492	(297,223)	-	213,290	3,001,425
Provisions for litigation	559,915	-	-	557,710	2,205
Other provisions	514,444	(551,855)	(300,739)	214,253	1,152,785
<b>Closing balance</b>	<b>3,991,851</b>	<b>(849,078)</b>	<b>(300,739)</b>	<b>985,253</b>	<b>4,156,415</b>

	31 December 2015	Movements			1 January 2015
	RON	Reversal of provision not used RON	Reversal of provision used RON	Provision in addition RON	RON
Provisions for environmental expenses	2,232,207	(826,216)	-	140,933	2,917,490
Provisions for litigation	557,711	(158,524)	-	156,319	559,916
Other provisions	383,786	(163,124)	-	32,465	514,445
<b>Closing balance</b>	<b>3,173,704</b>	<b>(1,147,864)</b>	<b>-</b>	<b>329,717</b>	<b>3,991,851</b>

Teraplast SA has set provisions for sundry expenses related to environmental protection, being probable certain obligations generated by prior events of the entity.  
 Furthermore, the Company has set provisions for different litigations.

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

28 TRADE AND SIMILAR LIABILITIES

	31 December 2014	31 December 2015
	RON	RON
Trade payables	31,484,943	40,249,775
Trade notes payable	1,016,562	318,169
Liabilities from the purchase of long-term assets	1,482,524	574,003
Advance payments from clients	839,340	922,638
Other payables	4,303,795	6,130,435
<b>Total</b>	<b>39,127,164</b>	<b>48,195,020</b>

Other payables

	31 December 2014	31 December 2015
	RON	RON
Salary-related payables to employees and social security payables	2,745,401	2,952,778
VAT payable	959,861	2,514,514
Unclaimed employee rights	84,988	86,074
Sundry creditors	389,177	458,836
Commercial guarantees received	79,399	90,431
Other taxes payable	44,969	27,802
<b>Total</b>	<b>4,303,795</b>	<b>6,130,435</b>

29 FINANCIAL INSTRUMENTS

The risk management activity within the Company 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 Company manages its capital to ensure the going concern principle and, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities and equity.

The structure of the Company's capital consists of liabilities, which include the loans presented in note 25, cash and cash equivalents and equity belonging to the parent-entity equity holders. Equity includes share capital, reserves and retained earnings, as presented in notes 22, 23 and 24, respectively.

Managing the Company'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's recommendations, the Company 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.

Just as other industry representatives, the Company 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 balance sheet plus the net debt.

**29 FINANCIAL INSTRUMENTS (continued)**

The degree of indebtedness as at 31 December 2015 and 2014 was as follows:

	2014	2015
Total loans	43,615,091	38,139,881
Cash	(3,457,505)	(11,101,333)
Net debt	40,157,586	27,038,548
<b>Total equities</b>	<b>123,455,138</b>	<b>150,967,408</b>
<b>Total equity and net debt</b>	<b>163,612,725</b>	<b>178,005,956</b>
<b>Gearing ratio</b>	<b>25%</b>	<b>15%</b>

The Company 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 Company met this requirements and needed no share capital increase as at 31 December 2015 and 31 December 2014.

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

The cash function of the Company provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Company 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.

**(c) Market risk**

The Company 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 (e) below).

The Company management continuously monitors its exposure to risks. However, the use of this approach does not protect the Company 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 Company exposure to the market risks or to how the Company manages and measures its risks.

**(d) Foreign currency risk management**

The Company 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.

**29 FINANCIAL INSTRUMENTS (continued)**

The Company 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 2014		31 December 2015	
	RON	RON	RON	RON
Profit or (loss)	(3,502,621)	3,502,621	(4,785,419)	4,785,419

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

**(e) Interest rate risk management**

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

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

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

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 2014		31 December 2015	
	RON	RON	RON	RON
Profit or (loss)	436,151	(436,151)	381,399	(381,399)

## 29 FINANCIAL INSTRUMENTS (continued)

### (f) Other price risks

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

### (g) Credit risk management

The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Company. The Company 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 Company 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 Company 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 Company, beyond the provisions already recorded.

The Company 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. The Company defines the counterparties as having similar characteristics when they are affiliated entities.

### (h) 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 Company on the short, medium and long-term and managing liquidities. The Company 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 25 includes a list of additional facilities not drawn by the Company, which the Company has in order to further reduce the liquidity risk.

### (i) Fair value of financial instruments

The financial instruments disclosed on the balance sheet include trade and other receivables, cash and cash equivalents, short and long-term loans and other debts, including liabilities/receivables related to derivative financial instruments. The carrying amounts represent the maximum exposure of the Company to the credit risk related to the existing receivables.



**TERAPLAST SA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
for the financial year ended 31 December 2015  
*(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)*

**29 FINANCIAL INSTRUMENTS (continued)**

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

	<b>31 December 2014</b>	<b>31 December 2015</b>
	<b>RON</b>	<b>RON</b>
Not payable	47,552,280	63,438,219
Overdue, but not impaired	5,688,814	2,481,320
Impaired and provisioned in full	13,342,038	13,800,312
<b>Total</b>	<b>66,583,132</b>	<b>79,719,851</b>
Overdue, but not impaired		
Below 3 months	4,927,491	2,459,665
3 to 6 months	288,643	5,455
6 to 9 months	31,311	-
Above 9 months	441,369	16,200
<b>Total</b>	<b>5,688,814</b>	<b>2,481,320</b>
Impaired and provisioned in full		
Below 6 months	1,016,098	804,111
6 to 12 months	711,264	221,635
Above 12 months	11,614,676	12,774,566

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 Company to be requested to pay. The table includes both the interest and the cash flows related to the capital.

2014	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Total
<b>Non-interest bearing</b>						
Trade payables and other liabilities	(21,810,785)	(16,712,098)	(566,385)	(37,895)	-	39,127,164
<b>Interest-bearing instruments</b>						
Short and long-term loans	(880,894)	(1,701,270)	(32,845,773)	(7,779,282)	(407,871)	(43,615,091)
Future interest	(227,657)	(447,551)	(1,885,273)	(358,676)	(5,559)	(2,924,715)
<b>Non-interest bearing</b>						
CASH AND CASH EQUIVALENTS	3,457,505	-	-	2,700	-	3,457,505
RECEIVABLES	26,099,886	25,356,248	1,782,261	2,700	-	53,241,094
2015	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Total
<b>Non-interest bearing</b>						
Trade payables and other liabilities	(20,906,180)	(24,258,719)	835,073	(29,975)	-	(44,359,802)
<b>Interest-bearing instruments</b>						
Short and long-term loans	(730,927)	(1,421,509)	(27,883,038)	(6,054,968)	(2,049,439)	(38,139,881)
Future interest	(215,827)	(423,343)	(1,769,090)	(244,104)	(88,974)	(2,741,339)
<b>Non-interest bearing</b>						
CASH AND CASH EQUIVALENTS	11,101,333	-	-	-	-	11,101,333
RECEIVABLES	27,202,205	37,742,697	4,398,944	119,796	-	69,463,642

### 30. RELATED-PARTY TRANSACTIONS

The related and affiliated entities of the Company are as follows:

#### 31 December 2014

##### **Subsidiaries**

Plastsistem SA Bistrita

Politub SA Bistrita

Teraglass Bistrita SRL Bistrita

##### **Related entities (shareholding/joint decision-maker)**

Omniconstruct S.A.

Magis Investment SRL

Ditovis Impex SRL

ACI Cluj S.A

Ferma Pomicola Dragu SRL

GM Ecoinstal SRL

La Casa Ristorante Pizzeria Pane Dolce S.A

Art Investment& Management S.R.L

Trasim Consult SRL

Condmag SA

Electrogrup SA

#### 31 December 2015

##### **Subsidiaries**

Plastsistem SA Bistrita

Politub SA Bistrita

Teraglass Bistrita SRL Bistrita

Terapiast Group SRL Republic of Moldova

##### **Related entities (shareholding/joint decision-maker)**

Omniconstruct S.A.

Magis Investment SRL

Ditovis Impex SRL

ACI Cluj S.A

Ferma Pomicola Dragu SRL

GM Ecoinstal SRL

La Casa Ristorante Pizzeria Pane Dolce S.A

Art Investment& Management S.R.L

Condmag SA

Electrogrup SA

RSL Capital Advisors SRL

KJK Caramida SRL

Eurohold AD

30. RELATED-PARTY TRANSACTIONS (continued)

Transactions and balances with subsidiaries	31 December	31 December
	2014	2015
	RON	RON
Sales of inventories and services	2,471,631	13,083,329
Purchases of inventories and services	3,165,938	5,053,989
Purchases of fixed assets	21,694	-
Sale of insulation joinery line to Teraglass		8,545,833
Debit balances from transactions with inventories and services	842,723	4,151,083
Credit balances from transactions with inventories and services	783,815	216,977
Debit balances from the insulation joinery line	-	8,238,821

The selling price for the insulation joinery line, amounting to RON 9,180,844, will be collected by the Company in 60 monthly payments starting April 2016. The difference between the selling price and the related debit balance arises from the receivable adjustment to the present value. The long-term portion, amounting to RON 6,956,956 is disclosed under Long-term trade receivables.

**Compensations to the members of senior management**

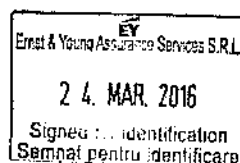
The remuneration of the directors, other members of senior management and executive personnel amounts to RON 3,058,932 (2014: RON 3,326,085) is determined by the shareholders, according to the persons' performance and payment conditions.

31. EARNINGS PER SHARE

The basic earnings per share are calculated by dividing the profit of the Company shareholders to the weighted average number of ordinary shares being issued during the year, excepting the ordinary shares purchased by the Company and held as equity.

	31 December	31 December
	2014	2015
	RON	RON
Profit attributable to the Company shareholders	9,414,452	26,623,725
Average number of shares	288,875,880	288,875,880
<b>Earnings per share</b>	<b>0.033</b>	<b>0.098</b>

The diluted earnings per share equals the basic earnings per share.



**32. CASH AND CASH EQUIVALENTS**

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

	<b>31 December 2014 RON</b>	<b>31 December 2015 RON</b>
Cash in bank	3,431,174	11,071,368
Cash on hand	13,576	24,410
Cash equivalents	12,755	5,555
<b>Total</b>	<b>3,457,505</b>	<b>11,101,333</b>

**33. SHARE-BASED PAYMENT**

As at 31 December 2015, an agreement was reached 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 Company has no share option plans in the past.

**34. COMMITMENTS AND CONTINGENT LIABILITIES**

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

Firm	Contract object	Date	Contract value EUR
Plasmec - Italy	Cooler adjustment parts	03.12.2015	3,700
Circuit SRL -Bistrita	Electrical project PVC Factory	21.12.2015	8,539

Letters of bank guarantees issued:

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.

#### 34. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

As at 31 December 2015, tangible assets and investment properties, in a net carrying amount RON 65,644,376, are set as a security for credits and credit lines. For the loans from banks, the Company 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 Company has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

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

##### **Potential tax liabilities**

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

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

##### **Environmental matters**

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

##### **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. This may be significant for the Company financial position and/or the operations.

**35. EVENTS AFTER THE BALANCE SHEET DATE (continued)**

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 common 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 33).

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.

**36. APPROVAL OF THE FINANCIAL STATEMENTS**

These financial statements were approved by the Board of Directors on 24 March 2016.

\_\_\_\_\_  
**Alexandru Stanean**  
CEO



\_\_\_\_\_  
**Edit Orban**  
CFO

