

**TERAPLAST S.A.**

**STAND ALONE ANNUAL FINANCIAL  
STATEMENTS FOR THE YEAR  
ENDED AS AT 31 DECEMBER 2011**

**Prepared in accordance with the Order of  
the Romanian Minister of Public Finance  
no. 3055/2009 and subsequent  
amendments**

**TERAPLAST SA**

**STAND ALONE ANNUAL FINANCIAL STATEMENTS**

**31 DECEMBER 2011**

---

<b>CONTENTS</b>	<b>PAGE</b>
Balance sheet	1 - 3
Statement of income	4 - 6
Statement of cash flows	7
Statement of changes in shareholders' equity	8 - 9
Notes to the financial statements	10 - 53

COUNTY <u>BISTRITA NASAUD</u>	OWNERSHIP 34
ENTITY <u>SC TERAPLAST SA</u>	MAIN ACTIVITY
ADDRESS: <u>BISTRITA</u>	(CAEN group) <u>Manufacture of plastic</u>
Industrial Park Teraplast, DN <u>15A, Km45+500</u>	<u>plates, sheets, tubes and profiles</u>
TELEPHONE <u>0263-238202</u> FAX <u>0263-231221</u>	CAEN GROUP CODE <u>2221</u>
TRADE REGISTER No. <u>Jo6/735/1992</u>	UNIQUE REGISTRATION NO. <u>RO3094980</u>

## BALANCE SHEET

	<u>Row</u>	<u>Note</u>	<u>31 December 2010</u>	<u>31 December 2011</u>
			<u>(RON)</u>	<u>(RON)</u>
<b>A. NON-CURRENT ASSETS</b>				
<b>I. INTANGIBLE ASSETS</b>				
3. Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets	03		1,197,330	1,007,237
5. Advances and intangible assets in progress	05		<u>102,829</u>	<u>37,096</u>
<b>TOTAL</b>	06	1(a)	1,300,159	1,044,333
<b>II. TANGIBLE ASSETS</b>				
1. Land and buildings	07		77,747,255	83,017,334
2. Technical installations and machines	08		65,727,246	58,415,583
3. Other equipment, tools and furniture	09		619,387	811,532
4. Advances and tangible assets in progress	10	1(b)	<u>9,627,917</u>	<u>1,846,480</u>
<b>TOTAL</b>	11		153,721,805	144,090,929
<b>III. FINANCIAL ASSETS</b>				
1. Shares in affiliated undertakings	12		11,614,808	11,664,808
6. Other loans	17		<u>134,484</u>	-
<b>TOTAL</b>	18	1(c)	11,749,292	11,664,808
<b>NON-CURRENT ASSETS - TOTAL</b>	19		166,771,256	156,800,070
<b>B. CURRENT ASSETS</b>				
<b>I. INVENTORIES</b>				
1. Raw materials and consumables	20		8,932,758	10,014,608
2. Work in progress	21		337,064	766,094
3. Finished goods and merchandise	22		19,910,100	19,208,353
4. Advances for inventory purchases	23		<u>223,922</u>	<u>24,386</u>
<b>TOTAL</b>	24	10(e)	29,403,844	30,013,441
<b>II. ACCOUNTS RECEIVABLE</b>				
1. Trade receivables	25	5	64,605,063	44,247,409
2. Receivables from affiliated undertakings	26	10b)	830,879	969,119
4. Other receivables	28	5	<u>1,984,248</u>	<u>1,740,753</u>
<b>TOTAL</b>	30		67,420,190	46,957,281

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

Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**BALANCE SHEET**

	<u>Row</u>	<u>Note</u>	<u>31 December 2010</u>	<u>31 December 2011</u>
			<u>(RON)</u>	<u>(RON)</u>
<b>III. SHORT-TERM INVESTMENTS</b>				
2. Other short-term investments	32		<u>444,562</u>	<u>-</u>
TOTAL	33		444,562	-
<b>IV. CASH AND BANK</b>				
CURRENT ASSETS - TOTAL	34	10(d)	<u>2,896,875</u>	<u>2,501,319</u>
	35		100,165,471	79,472,041
<b>C. PREPAID EXPENSES</b>				
	36		207,211	384,796
<b>D. CURRENT LIABILITIES</b>				
2. Amounts due to credit institutions	38	5	45,871,894	30,278,664
3. Advances cashed in orders	39	5	238,889	347,966
4. Trade liabilities - suppliers	40	5	38,214,156	29,826,137
5. Trade bills payable	41	5	-	643,747
6. Amounts due to affiliated undertakings	42	10(b)	4,844,331	585,723
8. Other liabilities, including tax and social security payables	44	5	<u>9,340,476</u>	<u>5,123,895</u>
TOTAL	45	5	98,509,746	66,806,132
<b>E. NET CURRENT ASSETS / NET CURRENT LIABILITIES</b>				
	46		1,862,936	13,050,705
<b>F. TOTAL ASSETS LESS CURRENT LIABILITIES</b>				
	47		168,634,192	169,850,775
<b>G. NON-CURRENT LIABILITIES</b>				
2. Amounts due to credit institutions	49	5	10,870,571	35,887,511
8. Other liabilities, including tax and social security payables	55	5	<u>748,921</u>	<u>112,299</u>
TOTAL	56	5	11,619,492	35,999,810
<b>H. PROVISIONS</b>				
1. Provisions for pensions and similar liabilities	57	2	346,854	343,981
3. Other provisions	59	2	<u>417,322</u>	<u>3,433,113</u>
TOTAL	60	2	764,176	3,777,094

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

Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**BALANCE SHEET**

	<b>Row</b>	<b>Note</b>	<b>31 December 2010</b>	<b>31 December 2011</b>
			<b>(RON)</b>	<b>(RON)</b>
<b>J. CAPITAL AND RESERVES</b>				
<b>I. SHARE CAPITAL</b>				
- Subscribed and paid in share capital	67	7	<u>29,787,588</u>	<u>29,787,588</u>
<b>TOTAL</b>	<b>70</b>		<b>29,787,588</b>	<b>29,787,588</b>
<b>II. SHARE PREMIUM</b>	<b>71</b>		<b>42,245,118</b>	<b>42,245,118</b>
<b>III. REVALUATION RESERVES</b>	<b>72</b>	<b>1(b)</b>	<b>32,229,106</b>	<b>35,209,976</b>
<b>IV. RESERVES</b>				
1. Legal reserves	73	3	3,330,468	3,330,468
3. Reserves representing surplus from revaluation reserves	75	1(b)	1,367,900	2,954,520
4. Other reserves	76		<u>39,986,232</u>	<u>39,986,232</u>
<b>TOTAL</b>	<b>77</b>		<b>44,684,600</b>	<b>46,271,220</b>
<b>OWN SHARES</b>	<b>78</b>	<b>10(r)</b>	<b>3,629,136</b>	<b>3,874,849</b>
<b>V. RESULT CARRIED</b>				
<b>FORWARD</b>				
<u>Balance C</u>	81		4,765,037	-
Balance D	82		-	4,922,984
<b>VI. RESULT OF THE</b>				
<b>FINANCIAL YEAR</b>				
<u>Balance C</u>	83		6,496,220	-
<u>Balance D</u>	84		-	14,642,198
Profit distribution	85	3	<u>328,009</u>	<u>-</u>
<b>SHAREHOLDERS' EQUITY - TOTAL</b>	<b>86</b>		<b><u>156,250,524</u></b>	<b><u>130,073,871</u></b>
<b>SHAREHOLDERS' EQUITY - TOTAL</b>	<b>88</b>		<b><u>156,250,524</u></b>	<b><u>130,073,871</u></b>

Authorised for issue and signed on behalf of the Board of Directors as at 04.04.2012 by:

GENERAL MANAGER  
Ștefan Bucătaru

FINANCIAL MANAGER  
Cristina Stoian

Signature \_\_\_\_\_

Signature \_\_\_\_\_

Unit's stamp

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

Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**STATEMENT OF INCOME**

			<b>Financial year ended as at <u>31 December 2010</u> (RON)</b>	<b>Financial year ended as at <u>31 December 2011</u> (RON)</b>
	<b>Row</b>	<b>Note</b>		
1. Net turnover	01	10f)	<u>212,747,210</u>	<u>209,359,979</u>
Production sold	02		173,349,327	172,792,524
Income on sale of goods	03		40,494,883	38,314,814
Trade discounts granted	04		(1,097,000)	(1,747,359)
2. Income related to the cost of work in progress	07	<u>Balance C</u>	4,878,942	667,856
3. Production realised by the undertaking for own purposes and capitalised	09		2,616,373	603,927
4. Other operating income:	10		<u>1,228,830</u>	<u>4,969,949</u>
<b>OPERATING INCOME - TOTAL</b>	12		221,471,355	215,601,711
5. a) Raw material and consumable expenses	13		115,182,952	120,020,595
Other material expenses	14		801,758	773,164
b) Other external expenses (energy and water)	15		6,348,061	6,897,356
c) Merchandise expenses	16		33,821,709	30,339,932
Trade discounts received	17		(391,134)	(845,124)
6. Staff costs, out of which:	18	8b)	<u>26,465,183</u>	<u>22,772,966</u>
a) Wages and salaries	19		21,110,730	18,005,078
b) Social security contribution	20		5,354,453	4,767,888
7. a) Tangible and intangible assets value adjustment	21	1 a),b)	<u>12,135,854</u>	<u>13,918,812</u>
a.1) Expenses	22		12,640,109	13,946,857
a.2) Revenues	23		504,255	28,045
b) Current assets value adjustment	24		<u>1,164,155</u>	<u>5,583,010</u>
b.1) Expenses	25		1,379,158	8,822,811
b.2) Revenues	26		215,003	3,239,801

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

Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**STATEMENT OF INCOME**

	<u>Row</u>	<u>Note</u>	<b>Financial year ended as at 31 December 2010 (RON)</b>	<b>Financial year ended as at 31 December 2011 (RON)</b>
8. Other operating expenses	27		<u>18,864,537</u>	<u>26,800,323</u>
8.1 External services expenses	28		15,848,987	18,288,418
8.2 Other taxes and similar liabilities	29		1,044,730	1,253,222
8.3 Other expenses	30		1,970,820	7,258,683
Provision adjustments	32	2	<u>(3,003,530)</u>	<u>574,825</u>
Expenses	33		-	998,474
Revenues	34		3,003,530	423,649
<b>OPERATING EXPENSES – TOTAL</b>	<b>35</b>		<b>211,389,545</b>	<b>226,835,859</b>
<b>OPERATING RESULT</b>				
- Profit	36	4	10,081,810	-
- Loss	37	4	-	11,234,148
9. Income from participating interests	38		115,242	143,111
- out of which, income from affiliated undertakings	39		115,242	143,111
11. Interest income	42		13.125	13.747
Other financial income	44		<u>4.514.286</u>	<u>4.922.103</u>
<b>FINANCIAL INCOME – TOTAL</b>	<b>45</b>		<b>4.642.653</b>	<b>5.078.961</b>
13. Interest expense	49		1.725.210	2.228.972
Other financial expenses	51		<u>6.439.077</u>	<u>6.258.039</u>
<b>FINANCIAL EXPENSES – TOTAL</b>	<b>52</b>		<b>8.164.287</b>	<b>8.487.011</b>
<b>FINANCIAL RESULT</b>				
- Loss	54		3.521.634	3.408.050

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

Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**STATEMENT OF INCOME**

---

	<b>Row</b>	<b>Note</b>	<b>Financial year ended as at 31 December 2010 (RON)</b>	<b>Financial year ended as at 31 December 2011 (RON)</b>
<b>14. CURRENT RESULT</b>				
- Profit	55		6,560,176	-
- Loss	56		<u>-</u>	<u>14,642,198</u>
<b>TOTAL INCOME</b>	<b>61</b>		<b>226,114,008</b>	<b>220,680,672</b>
<b>TOTAL EXPENSES</b>	<b>62</b>		<b>219,553,832</b>	<b>235,322,870</b>
<b>GROSS RESULT</b>				
- Profit	63		6,560,176	-
- Loss	64		-	14,642,198
<b>18. Income tax</b>	<b>65</b>	<b>10 c)</b>	<b>63,956</b>	<b>-</b>
<b>20. NET RESULT OF THE FINANCIAL YEAR</b>				
- Profit	67		6,496,220	-
- Loss	68		-	14,642,198

Authorised for issue and signed on behalf of the Board of Directors as at 04.04.2012 by:

GENERAL MANAGER  
Ștefan Bucătaru

FINANCIAL MANAGER  
Cristina Stoian

Signature \_\_\_\_\_  
Unit's stamp

Signature \_\_\_\_\_

This version of our report/the accompanying documents is/are a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation  
Notes from 1 to 12 are integral part of the financial statements.



## STATEMENT OF CASH FLOW

		<b>Financial year ended as at Note 31 December 2010</b>	<b>Financial year ended as at 31 December 2011</b>
		<b>(RON)</b>	<b>(RON)</b>
<b>Cash flows (used in) from operating activities:</b>			
Net cash from operating activities	11	15,110,879	(7,606,454)
Interest paid		(1,748,403)	(2,067,600)
Interest cashed		13,125	13,747
Income tax paid		<u>(37,028)</u>	<u>98,501</u>
<b>Net cash flow (used in) generated by operating activities</b>		13,338,573	(9,561,806)
<b>Cash flows from investment activities:</b>			
Investment in subsidiary		-	(50,000)
Cash payments for acquisition of land and fixed assets, intangible assets and other non-current assets		(14,439,319)	(3,482,697)
Cash proceeds from sale of land and buildings, plant and equipment, intangible assets and other non-current assets		<u>733,430</u>	<u>4,004,158</u>
<b>Net cash flow (used in) generated by investment activities</b>		(13,705,889)	471,461
<b>Cash flows from (used in) financing activities:</b>			
Cash proceeds from loans		3,005,737	9,456,608
Cash payments of the lessee for decrease of financial leasing liabilities		(554,564)	(516,107)
Repurchase of own shares		<u>(1,946,977)</u>	<u>(245,713)</u>
<b>Net cash flow (used in) generated by financing activities</b>		504,196	8,694,788
<b>Net increase/decrease in cash and cash equivalents</b>		136,880	(395,557)
Cash and cash equivalents at the beginning of the financial year	10d)	2,759,995	2,896,875
Cash and cash equivalents at the end of the financial year	10d)	2,896,875	2,501,318

GENERAL MANAGER  
Ștefan Bucătaru

FINANCIAL MANAGER  
Cristina Stoian

Signature \_\_\_\_\_  
Unit's stamp

Signature \_\_\_\_\_

This version of our report/the accompanying documents is/are a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation  
Notes from 1 to 12 are integral part of the financial statements.

TERAPLAST SA

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Shareholders' equity Item	Balance as at			Balance as at			Balance as at		
	1 January 2010	Increases	Decreases/ Distributions	31 December 2010	Increases	Decreases/ Distributions	31 December 2011		
	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)	(RON)		
	1	2	3	4	6	7	8		
Subscribed share capital (note <b>Error! Reference source not found.</b> )	29,787,588	-	-	29,787,588	-	-	29,787,588		
Share premium (note <b>Error! Reference source not found.</b> )	42,245,118	-	-	42,245,118	-	-	42,245,118		
Revaluation reserves (note 1b)	20,045,988	15,978,663	3,795,545	32,229,106	4,529,220	1,548,350	35,209,976		
Legal reserves (note 3)	3,002,459	328,009	-	3,330,468	-	-	3,330,468		
Reserves representing surplus from revaluation reserves (note 1b)	-	1,367,900	-	1,367,900	1,586,620	-	2,954,520		
Other reserves	38,962,459	1,023,773	-	39,986,232	-	-	39,986,232		
Own shares (note 10r)	(1,682,159)	(1,946,977)	-	(3,629,136)	(245,713)	-	(3,874,849)		
Result carried forward representing the profit not distributed or loss not covered									
Credit balance (note 3)	4,556,322	7,346,174	984,450	10,918,046	6,168,211	-	17,086,257		
Result carried forward from correction of accounting errors									
Debit balance (note 10q)	-	(6,153,009)	-	(6,153,009)	(15,856,232)	-	(22,009,241)		

This version of our report/the accompanying documents is/are a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation  
Notes from 1 to 12 are integral part of the financial statements.

**TERAPLAST SA**

**STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**

<b>Shareholders' equity Item</b>	<b>Balance as at 1 January 2010</b>	<b>Increases</b>	<b>Decreases/ Distributions</b>	<b>Balance as at 31 December 2010</b>	<b>Increases</b>	<b>Decreases/ Distributions</b>	<b>Balance as at 31 December 2011</b>
	<b>(RON)</b>	<b>(RON)</b>	<b>(RON)</b>	<b>(RON)</b>	<b>(RON)</b>	<b>(RON)</b>	<b>(RON)</b>
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>6</b>	<b>7</b>	<b>8</b>
Result of the financial year							
Credit balance	7,748,596	6,496,220	7,748,596	6,496,220	-	6,496,220	-
Debit balance	-	-	-	-	(14,642,198)	-	(14,642,198)
Profit distribution	<u>(402,420)</u>	<u>(328,009)</u>	<u>(402,420)</u>	<u>(328,009)</u>	<u>-</u>	<u>(328,009)</u>	<u>-</u>
Total shareholders' equity	<u>144,263,952</u>	<u>24,112,744</u>	<u>12,126,172</u>	<u>156,250,524</u>	<u>(18,460,092)</u>	<u>7,716,561</u>	<u>130,073,871</u>

GENERAL MANAGER

Ștefan Bucătaru

Signature \_\_\_\_\_

Unit's stamp

FINANCIAL MANAGER

Cristina Stoian

Signature \_\_\_\_\_

This version of our report/the accompanying documents is/are a translation from the original, which was prepared in Romanian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report prevails over this translation  
Notes from 1 to 12 are integral part of the financial statements.

31 DECEMBER 2011

## REPORTING ENTITY

These financial statements have been prepared by SC TERAPLAST SA (the "Company"). The company holds participating interests in 3 (three) subsidiaries, as disclosed under Note 1(c). These financial statements do not include the results of the companies in which the Company holds investments. The company will prepare a separate set of consolidated financial statements.

## 1 NON-CURRENT ASSETS

## a) Intangible assets

	<b>Concessions, patents, licenses, trademarks, similar rights and values and other <u>Intangible assets</u> (RON)</b>	<b>Advances and intangible assets <u>in progress</u> (RON)</b>	<b><u>Total</u> (RON)</b>
<b>Gross value</b>			
Balance as at 1 January 2011	3,552,964	102,829	3,655,793
Additions	15,266	117,126	132,392
Transfers	182,859	(182,859)	-
Ceded assets and other disposals	<u>(4,899)</u>	<u>-</u>	<u>( 4,899)</u>
Balance as at 31 December 2011	3,746,190	37,096	3,783,286
<b>Accumulated amortisation</b>			
Balance as at 1 January 2011	2,355,634	-	2,355,634
Charge for the year	<u>383,319</u>	<u>-</u>	<u>383,319</u>
Balance as at 31 December 2011	2,738,953	-	2,738,953
<b>Net carrying amount as at</b>			
<b>1 January 2011</b>	<u>1,197,330</u>	<u>102,829</u>	<u>1,300,159</u>
<b>Net carrying amount as at</b>			
<b>31 December 2011</b>	<u>1,007,237</u>	<u>37,096</u>	<u>1,044,333</u>

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

31 DECEMBER 2011

## 1 NON-CURRENT ASSETS (CONTINUED)

## b) Tangible assets

	<u>Land and buildings</u> (RON)	<u>Technical installations and machines</u> (RON)	<u>Other plant, equipment and furniture</u> (RON)	<u>Advances and tangible assets in progress</u> (RON)	<u>Total</u> (RON)
<b>Gross value</b>					
Balance as at 1 January 2011	77.905.745	113.072.079	722.646	9.627.917	201.328.387
Additions, from which:	-	622.736	3.718	3.039.234	3.665.688
Additions from domestic production of non-current assets	-	-	196	603.731	603.927
Increases from revaluation with impact on reserves	4.529.220	-	-	-	4.529.220
Decreases from revaluation with impact on reserves	(1.548.350)	-	-	-	(1.548.350)
Increases from revaluation with impact on profit and loss	28.045	-	-	-	28.045
Decreases from revaluation with impact on profit and loss	(91.407)	-	-	-	(91.407)
Resumed accumulated depreciation due to revaluation	1.909.385	-	-	-	1.909.385
Transfers	6.252.483	3.864.073	372.852	(10.489.408)	-
Ceded assets, transfers and other disposals	<u>(2.149.017)</u>	<u>(3.037.263)</u>	<u>(72.090)</u>	<u>(331.264)</u>	<u>5.589.664)</u>
Balance as at 31 December 2011	83.017.334	114.521.595	1.027.126	1.846.479	200.412.534
<b>Accumulated depreciation</b>					
Balance as at 1 January 2011	158.490	47.344.833	103.259	-	47.606.582
Charge for the year	2.422.908	11.054.752	131.377	-	13.609.037
Disposals or reversals	<u>(2.581.398)</u>	<u>(2.293.573)</u>	<u>(19.043)</u>	<u>-</u>	<u>(4.894.014)</u>
Balance as at 31 December 2011	-	56.106.012	215.593	-	56.321.605
<b>Net carrying amount as at 1 January 2011</b>					
	<u>77.747.255</u>	<u>65.727.246</u>	<u>619.387</u>	<u>9.627.917</u>	<u>153.721.805</u>
<b>Net carrying amount as at 31 December 2011</b>					
	<u>83.017.334</u>	<u>58.415.583</u>	<u>811.533</u>	<u>1.846.480</u>	<u>144.090.929</u>

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

31 DECEMBER 2011

---

**1 NON-CURRENT ASSETS (CONTINUED)**

On 20th December 2011, the Company concluded the sale/purchase contract no. 3220/20.12.2011, based on which assets transferred to the Romanian State, ie. Inspectoratul de Jandarmi Judetean "Gelu Voievod" Bistrita-Nasaud. Assets were represented by the old administrative headquarters of company located in Bistrita, Romana Street, no.17, Bistrita-Nasaud, including land for a total area of 2078 square meters and 634 square meters. Inspectoratul de Jandarmi Judetean "Gelu Voievod" became full owner of the asset, paying the total price of the transaction in amount of 3,225,000 RON.

**Revaluation of tangible assets**

As at 31 December 2011, the Company's tangible assets represented by lands and buildings were revaluated in accordance with the Order of the Minister of Public Finance of Romania 3055/2009 (as disclosed under Note 6). The revaluation surplus has been credited to the revaluation reserve account from shareholders' equity (Ron 4,529,220) and another part have covered the unfavourable difference recorded as expenses in 2010 (Ron 28,045 lei, 7813 account).

For losses arising from revaluation, the revaluation reserve decreased (Ron 2,156,778), in cases of growth in previous years and the expense for unfavourable difference uncovered from previous surpluses have been accounted (Ron 91,407).

The movement in the revaluation reserve account during the financial year is the following

	<u>2010</u> <b>(RON)</b>	<u>2011</u> <b>(RON)</b>
Revaluation reserve at the beginning of the financial year	20,045,988	32,229,106
Differences from revaluation transferred during the financial year	15,978,663	4,529,220
Amounts transferred from the revaluation reserve during the financial year	<u>3,795,545</u>	<u>1,548,350</u>
Revaluation reserve at the end of the financial year	<u>32,229,106</u>	<u>35,209,976</u>

**Revaluation reserve treatment for tax purposes**

According to tax legislation in Romania, until the date of May 1, 2009, revaluation reserves of fixed assets would become taxable only when the destination was changed. Starting with May 1, 2009, according to new tax code changes, revaluation reserves of fixed assets made after January 1, 2004, which are deducted from taxable income through depreciation expenses or costs of assets disposed of and / or scrapped, are taxed simultaneous with depreciation deduction of tax, respectively at the time of these assets decrease, as appropriate.

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

**31 DECEMBER 2011**

---

**1 NON-CURRENT ASSETS (CONTINUED)**

Also, the Company has performed the revaluation of tangible assets in accordance to the provisions of HG 1553/18.12.2003, HG 403/19.05.2000, HG 983/29.12.1998 and HG 500/05.08.1994 in respect of land and buildings revaluation. Thus historical cost or the value resulted from application of previous government decision regarding revaluation of tangible assets and cumulated depreciation have been indexed with cumulative indices of inflation between the purchase or last valuation date and the date of the balance sheet.

Due to limitations of the accounting system about information of the revaluation of property in the past (1998 - 2003), the Company has not and therefore could not present into the financial statements notes the gross value and accumulated depreciation of land and buildings if they had been registered at historical cost.

**Impairment of assets**

At 31 December 2011, as a result of the annual revaluation, it was determined that, for certain assets, inventory value is less than their carrying value. Therefore, it was recognised an impairment loss of Ron 91,407 in these financial statements. This loss was recorded in the income statement of 2011.

Also for assets whose value has increased from revaluation at 31.12.2011 and for which there were losses in profit and loss from previous decreases (2010), an income of Ron 28,045 was accounted.

**Pledged and restricted tangible assets**

Tangible assets with a net carrying amount of RON 116,009,314 constitute a guarantee for credits and credit lines (land and buildings – Ron 66,487,569 - value from revaluation report as at 31.12.2011; equipment, machinery and other assets - Ron 49,521,655).

**Tangible assets used under leases where the Company is the lessee**

Tangible assets include equipments used under financial leasing agreements technical installations and machines as follows:

	<b><u>31 December 2010</u></b> <b>(RON)</b>	<b><u>31 December 2011</u></b> <b>(RON)</b>
Cost	3,881,726	3,453,362
Accumulated depreciation	<u>2,498,251</u>	<u>2,217,974</u>
Net value	<u>1,383,475</u>	<u>1,235,388</u>

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

31 DECEMBER 2011

**1 NON-CURRENT ASSETS (CONTINUED)****Non-cash transactions**

In the year 2011 were contracted tangible assets as financial leasing in total amount of Ron 183,928 (2010: 0 Ron).

**Transactions with related parties**

Tangible assets acquisitions are disclosed in Note 10 q).

**c) Financial assets**

At 31 December 2011, the Company had three subsidiaries: Plastsistem SA, Politub SA and Teraglass SRL. There were no changes in the percentages held by SC Teraplast SA in share capital of SC Plastsistem SA, or at that of SC Politub SA. During 2011, SC TeraGlass Ltd had been constituted, owned 100% by SC Teraplast SA, whose principal business is the manufacture of plastic products for construction.

<b>Subsidiary's name</b>	<b>Registration country</b>	<b>Held percentage</b>	<b>31 December 2010</b>	<b>Held Percentage</b>	<b>31 December 2011</b>
SC TERAGLASS SRL	Romania	-	-	100,00%	50,000
SC PLASTSISTEM SA BISTRITA	Romania	78,71%	8,904,408	78,71%	8,904,408
SC POLITUB SRL BISTRITA	Romania	50%	<u>2,695,000</u>	50%	<u>2,695,000</u>
			<u>11,599,408</u>		<u>11,649,408</u>

As at 31 December 2010 and 31 December 2011 the Company held securities as participating interests with the following unlisted entities:

<b>Subsidiary's name</b>	<b>Registration country</b>	<b>Held percentage</b>	<b>31 December 2010</b>	<b>Held percentage</b>	<b>31 December 2011</b>
CERTIND BUCURESTI	Romania	7,5%	14.400	7,5	14.400
ASOC PARTENERIAT DEZVOLTARE DURABILA	Romania	7,14%	<u>1.000</u>	7,14	<u>1.000</u>
			<u>15.400</u>		<u>15.400</u>

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



31 DECEMBER 2011

---

**1 NON-CURRENT ASSETS (CONTINUED)**

The Company assumed an obligation towards Plastsistem SA by a commitment to issue a letter of guarantee in amount of 1.878.000 ron, commitment concluded with BRD Bank in November 2011 as a mortgager borrower. Letter of guarantee was issued in favour of Autoritatea Nationala de Cercetare Stiintifica as a intermediate representing Ministry of Economy, Commerce and Business as Authority of Management for operational program Growth of Economic Competition in the finance contract sign by Plastsistem SA. Teraplast SA has guaranteed with equipments in amount of 1.200.000 EUR and issued a letter of comfort, according to conditions in the contract.

The Company has undertaken no obligations and made no payment on behalf of the companies related by participating interests.

Long-term investments are valued at historical cost less any possible adjustments for loss in value. The classification of securities as financial assets or short-term investments is made according to the period for which the Company intends to keep the securities, for up to one year or more than one year.

**2 PROVISIONS**

<u>Type of provision</u>	<u>Transfers</u>			<u>Balance as at 31 December 2011 (RON)</u>
	<u>Balance as at 1 January 2011 (RON)</u>	<u>into account (RON)</u>	<u>From account (RON)</u>	
	<b>1</b>	<b>2</b>	<b>3</b>	<b>4=1+2-3</b>
Other provisions for risks and charges	417,322	-	80,400	336,922
Provisions for litigations (10q)	-	686,839	-	686,839
Provisions for pensions and similar liabilities	346,854	-	2,873	343,981
Other provisions (10q)	-	<u>2,749,729</u>	<u>340,376</u>	<u>2,409,353</u>
Total	<u>764,176</u>	<u>3,436,568</u>	<u>423,649</u>	<u>3,777,095</u>

Details of previous periods related corrections are described in note 10q).

The amount of 2,409,353 RON presented in "Other provisions for risks and expenses" refer to expenses for other environment protection activities, making possible obligations generated by previous events of the entity.

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

## NOTES TO THE STAND ALONE ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2011

**2 PROVISIONS (CONTINUED)**

The company has established a benefit plan through which employees are entitled to receive retirement benefits as 100% value of final salary at retirement age 65 for men and 63 women. There are no other post-retirement benefits for employees. The provision represents the current value of retirement benefit obligation calculated on an actuarial basis. Major premises for actuarial evaluation are: expected growth rate of wages is constant in time, the discount rate defined as the rate benchmark bonds (5.95% for first 5 years and 3.5% for the rest), due to possible replacement RON with EUR calculated on an actuarial basis.

The most recent actuarial valuation of plan assets and the present value of defined benefit obligations were carried out on 31 December 2011 by Mr. Silviu Matei, a member of the Institute of Actuaries in Romania. Present value of defined benefit obligations and current cost and related services have been measured using the projected credit unit method.

<b>Employees benefits</b>	<b><u>31 December 2010</u></b> <b>(lei)</b>	<b><u>31 December 2011</u></b> <b>(lei)</b>
Opening balance	625,344	346,854
Decreases	<u>(278,430)</u>	<u>(2,873)</u>
<b>Closing Balance</b>	<u><u>346,854</u></u>	<u><u>343,981</u></u>

**3 PROFIT DISTRIBUTION**

The below-mentioned distributions were made by the Company according to the regulations in force regarding the mandatory distributions to be made by the companies according to Company Law no. 31/1990.

<b><u>Purpose</u></b>	<b>Financial year</b> <b>ended as at</b> <b><u>31 December 2010</u></b> <b>(RON)</b>	<b>Financial year</b> <b>ended as at</b> <b><u>31 December 2011</u></b> <b>(RON)</b>
Net profit to be distributed:	6,496,220	-
- legal reserve	(328,009)	-
- cover of accounting loss	<u>-</u>	<u>-</u>
Profit not distributed	<u><u>6,168,211</u></u>	<u><u>-</u></u>

Profit distribution for the year 2010 has been approved by the General Meetings of Shareholders ("AGM") in the meeting from 29 April 2011.

Individual financial statements have been prepared before the General Meetings of Shareholders ("AGM"), approving the financial statements of the Company.

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

## NOTES TO THE STAND ALONE ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2011

## 4 OPERATING RESULT

<u>Indicator</u>	<u>Financial year ended as at 31 December 2010 (RON)</u>	<u>Financial year ended as at 31 December 2011 (RON)</u>
<b>1. Net turnover</b>	212,747,210	209,359,979
2. Cost of the goods sold and of the services provided (3+4+5)	<u>184,954,830</u>	<u>169,908,308</u>
3. Main activity costs	169,114,860	162,832,186
4. Auxiliary activity costs	3,467,855	1,912,818
5. Indirect production costs	12,372,116	5,163,304
<b>6. Gross result arising from the net turnover (1-2)</b>	27,792,380	39,451,671
7. Selling costs	14,291,455	37,046,520
8. General administration expenses	12,143,259	19,881,032
9. Other operating income, including production realised by the undertaking for own purposes	3,845,203	5,573,876
10. Stock variances revenue	<u>4,878,942</u>	<u>667,856</u>
<b>11. Operating result (6-7-8+9+10)</b>	<u>10,081,810</u>	<u>(11,234,148)</u>

In Other operating income the Company has included income in amount of 4,004,158 RON (2010: 733,431 RON) representing sale of non current assets. The net value of the assets being the object of the sale, included in General administration expenses is of 3,303,082 RON (2010: 966,504 RON).

## 5 ACCOUNTS RECEIVABLE AND PAYABLE

<u>Receivables</u>	<u>Balance as at 31 December 2010 (RON)</u>	<u>Balance as at 31 December 2011 (RON)</u>
1. Trade receivables (10q), from which:	51,576,337	43,585,135
Receivables from related entities	830,879	969,119
2. Bills of exchange receivable	15,565,109	13,959,191
3. Advances to service providers	516,892	49,827
4. Provisions for doubtful customers and similar accounts (10q)	(2,222,396)	(12,377,625)
5. Other receivables	<u>1,984,248</u>	<u>1,740,753</u>
	<u>67,420,190</u>	<u>46,957,281</u>

All current receivables of the Company are due in less than a year.  
Amounts receivable from related parties are disclosed in note 10 b).

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

## NOTES TO THE STAND ALONE ANNUAL FINANCIAL STATEMENTS

31 DECEMBER 2011

## 5 ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

<u>Payables</u>	<u>Due in</u>		
	<u>Balance as at</u> <u>31 December 2010</u> (RON) (col. 2+3) <b>1</b>	<u>less than 1 year</u> (RON) <b>2</b>	<u>over 1 year</u> (RON) <b>3</b>
Internal trade payables, from which:	21,764,112	21,764,112	-
Payables from related entities	4,844,331	4,844,331	-
External trade payables	21,294,375	21,294,375	-
Financial leasing liabilities	1,046,879	485,159	561.720
Bank loans	56,742,465	45,871,894	10.870.571
Guarantees	282,057	282,057	-
Debts to employees	1,137,838	950,637	187.201
Advances cashed in orders	238,889	238,889	-
Other liabilities to state budget	1,353,953	1,353,953	-
Tax on salaries	420,055	420,055	-
VAT payable	<u>5,848,615</u>	<u>5,848,615</u>	-
Total	<u>110,129,238</u>	<u>98,509,746</u>	<u>11.619.492</u>

<u>Payables</u>	<u>Due in</u>		
	<u>Balance as at</u> <u>31 December 2010</u> (RON) (col, 2+3) <b>1</b>	<u>less than 1 year</u> (RON) <b>2</b>	<u>over 1 year</u> (RON) <b>3</b>
Internal trade payables, from which:	11,056,271	11,056,271	-
Payables from related entities	585,723	585,723	-
External trade payables	18,769,866	18,769,866	-
Trade bills payable	643,747	643,747	-
Financial leasing liabilities	824,587	712,288	112,299
Amounts due to banks (loan and interest)	66,166,175	30,278,664	35,887,511
Other loans and similar debts	631,690	631,690	-
Guarantees	36,125	36,125	-
Debts to employees	1,694,397	1,694,397	-
Advances cashed in orders	347,966	347,966	-
Other liabilities to state budget	835,546	835,546	-
Tax on salaries	227,347	227,347	-
VAT payable	<u>986,502</u>	<u>986,502</u>	-
Total	<u>102,805,942</u>	<u>66,806,132</u>	<u>35,999,810</u>

Amounts payables to the related parties are disclosed in note 10 b).

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

**31 DECEMBER 2011**

---

**5 ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)**

Distribution of bank loans is as follows:

	<b>Balance as at <u>31 December 2010</u> (lei)</b>	<b>Balance as at <u>31 December 2011</u> (lei)</b>
BRD	11,523,012	25,030,623
Unicredit Tiriac Bank	35,483,823	41,135,552
Raiffeisen	1,154,047	-
ING	<u>8,581,583</u>	<u>-</u>
Total	<u>56,742,465</u>	<u>66,166,175</u>

At 31 December 2011 the Company does not fulfil all financial indicators mentioned in loan contracts concluded with financing banks. To prove loans chargeability presented in financial statements the Company has asked and received from banks, letters to waive the requirements mentioned in contracts for financial year ended at 31 December 2011.

The loans from the bank as at 31 December 2011 are as follows:

- A. Investment contract signed with BRD on 21 June, 2006 in EUR for the acquisition of equipments and construction of production facilities. The initial amount was 1,551,500 EUR with an interest instalment EURIBOR at 3 months + 2,1 pp. The amount left for this contract as at 31 December 2011 is of 670,191 RON (155,148 EUR) (31 December 2010: 1,995,700 RON (465,448 EUR)). The due date is June 2012 and the reimbursement will be made in 60 monthly instalments in amount of 25,858.33 EUR, starting July 2007 until June 2012.
- B. Investment contract signed with BRD on 21 June, 2006 in EUR, for the acquisition of 4 commercial surfaces for Plastsistem situated in Iași, Oradea, Galați, Constanta. The initial amount is of 1,034,020 EUR, with an interest instalment EURIBOR at 3 months + 2,1 pp. The amount left for this contract as at 31 December 2011 is of 992,590 RON (229,782 EUR) (31 December 2010: 1,642,062 RON (382,970 EUR)). The due date is June 2013, and the reimbursement will be made in 80 de monthly instalments in amount of 12,765,68 EUR, starting October 2006, until June 2013.
- C. Short-term loan agreement signed with BRD in 2010 EUR used for working capital finance. The original amount of EUR 1.5 million was supplemented to EUR 3.3 million at the interest rate 1M + 2.25 pp. The loan maturity of the amount at 31 December 2011 is 14,252,069 lei (3,299,319 EUR) (December 31, 2010: USD 7,694,101 (EUR 1,794,459)) due date is March 2013.
- D. Investment contract signed with BRD on 19 December 2011 in EUR. The total amount is of 2,500,000 EUR, with an interest instalment EURIBOR la 3M + 3 pp. The amount used as at 31 December 2011 in this contract is of 8,639,136 RON (1,999,939 EUR). The due date is December 2016 and the reimbursement will be made in 60 monthly instalments in amount of 41,666,67 EUR.

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

5 ACCOUNTS RECEIVABLE AND PAYABLE (CONTINUED)

- E. Credit contract on short term signed with BRD in 2011 in EUR for the financing of working capital. The initial amount was 300,000 EUR, and the interest instalment is EURIBOR 1M + 2,25 pp. The balance at 31 December 2011 is of 431,970 RON (100,000 EUR), with a monthly instalment of 33,333.34 EUR and the due date is March 2012.
- F. Investment contract signed with Unicredit Tiriac Bank on 28 November 2007 in EUR or USD for the acquisition of equipment. The initial amount is of EUR 3,500,000 and the interest instalment is EURIBOR 1M +1.5 pp for EUR. The amount left from this contract as at 31 December 2011 is of 8,819,391 RON (2,041,667 EUR) (31 December 2010: 11,755,445 ron, 2,741,666 EUR). The due date is November 2014, and the date of the reimbursement is from December 2009 until November 2014, with an monthly instalment of 58,333.33 EUR.
- G. Credit contract for the sustainment of the current activity renewed Unicredit Tiriac Bank on 29 September 2011 in EUR. The amount is of 4,800,000 EUR resulting from the unification of the revolving credit signed with Unicredit on 4 September 2006 in amount of 3,500,000 EUR and the short term credit for the financing of working capital in amount of 1,300,000 EUR. The interest instalment is EURIBOR (O/N) + 2,75% p.a. for EUR. The amount left for this contract as at 31 December 2011 is of 20,001,987 RON (4,630,411 EUR) (31 December 2010: 20,322,235 RON). The due date is October 2012.
- H. Investment contract signed with Unicredit Tiriac Bank on 29 September 2011 in EUR or USD for investments. The initial amount is of 3,000,000 EUR, with an interest instalment of EURIBOR 1M + 5,75 pp. The amount used as at 31 December 2011 form this contract is of 12,197,469 RON (2,823,684 EUR). The due date is November 2015, and the reimbursement will be made in 45 monthly instalments in amount of 66,666.67 EUR.

Unicredit Tiriac Bank SA has issued a letter of guarantee at 13 December 2011 in favour of Coperion Italia in amount of 510.070 ron (118.080 EUR).

Minimum payment status for finance leases of the Company are as follows:

	<b>Balance as at 31 December 2010</b>	<b>Balance as at 31 December 2011</b>
Less than 1 year	485,159	712,288
Between 1 and 5 years	<u>561,720</u>	<u>112,299</u>
Total financial leasing debts	<u>1,046,879</u>	<u>824,587</u>

Machines and equipment leased represents guarantees, having a net book value of Ron 1,235,388 as at 31 December 2011 (31 December 2010: Ron 1,383,475).

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

## 6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS

The main accounting policies adopted in preparing these financial statements are disclosed below.

### A Basis of preparation

#### (1) General information

These financial statements have been prepared in accordance with:

- (i) The Accounting Law no 82/1991 republished in June 2008 ("Law 82")
- (ii) Accounting regulations harmonised with the European norms approved by the Order of the Minister of Public Finance of Romania 3055/2009 and subsequent amendments ("OMF 3055").

OMF 3055 provides that the legal entities stipulated in art. 1 par. 1 of Law 82 apply the accounting regulations harmonised with the IV<sup>th</sup> Directive of the European Economic Communities, and the annual financial statements are prepared in accordance with the VII<sup>th</sup> Directive of the European Economic Communities.

These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies.

#### (2) Use of estimates

The preparation of financial statements in accordance with OMF 3055 requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the respective period. Although these estimates are based on the best information available as at the date of the financial statements, actual results may differ from these estimates.

#### (3) Going concern

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

During financial year ended at 31 December 2011 the Company has recorded loss from operating activity in amount of 11.234.148 ron (31 December 2010: loss from operating activity in amount of 5.774.421 ron – the amount updated after corrections mentioned in Note 10q); net cash flow from operating activity are negative, in amount of 9.561.806 ron as at 31 December 2011 (31 December 2010: 2.517.658 ron – amount updated after corrections mentioned in Note 10q).

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

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

Losses recorded at 31 December 2010 and 31 December 2011 are due to provisions and adjustments recorded for trade receivables and inventory, in amount of 11.859.240 ron as at 31 December 2010 and 17.128.830 ron as at 31 December 2011.

For 2012 Company's board estimates that cash flow generated from operating activity will be positive. Based on these reviews, the management believes that the Company will be able to continue to operate as a going concern in the foreseeable future and, therefore, this principle should be applied in the preparation of these financial statements.

(4) Measurement currency

Accounting is kept in Romanian and in the national currency. Items included in these financial statements are denominated in Romanian lei.

**B Foreign currency translation**

Foreign currency transactions of the Company are translated into the measurement currency using the exchange rates communicated by the National Bank of Romania ('NBR') as at the dates of the transactions. At each month end, foreign currency balances are translated into ROL using the exchange rates communicated by NBR for the last banking day of the month. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, within the financial result.

**C Intangible assets**

(i) *Concessions, patents, licenses, trademarks, similar rights and values and other intangible assets*

Concessions, patents, licenses, trademarks and other intangible assets are recorded at purchase cost.

Informatic licenses and other similar intangible assets are amortised using the straight-line method in a period of **3** years.

(ii) *Advances and other intangible assets*

Within advances and other intangible assets are also recorded the advances granted to intangible assets' suppliers, the software programs created by the entity or purchased from third parties for own use necessities, as well as other intangible assets.

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



**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

Expenses which allow intangible assets to generate future economic benefits over the performance initially forecasted are added to their original cost. These expenses are capitalised as intangible assets if they are not integrant part of tangible assets.

**D Tangible assets**

(1) Cost/valuation

Tangible assets are initially recorded at purchase cost.

A part of the tangible assets has been revalued on the basis of government decision ("GD") 945/1990, 2665/1992, 500/1994 and 983/1998, by indexing historical cost with the indices specified in the respective government decision. Increases of carrying amounts of tangible assets resulted from these revaluations have been initially credited in the revaluation reserves, and subsequent, in the share capital, except for GD 983/1998, in accordance to the provisions of the respective government decisions.

As at 31 December 2001 and 31 December 2002, tangible assets have been revalued on the basis of GD 403/2000. In accordance to GD 403/2000, historical cost or the value resulted from application of previous government decision regarding revaluation of tangible assets and cumulated depreciation have been indexed with cumulative indices of inflation between the purchase or last valuation date and the date of the balance sheet. Also, GD 403/2000 forecasts the necessity of value adjustment indexed by comparison to the use value and market value. Increase of carrying amount resulted from these revaluation has been credited in the revaluation reserve.

As at 31 December 2003, tangible assets have been revalued on the basis of GD 1553/2003. GD 1553/2003 provides that revaluation of tangible assets is performed with the view of establishing their fair value, considering the inflation, goods' utility, their status and market value. Increase of carrying amount resulted from these revaluations has been credited in the revaluation reserve.

As at 31 December 2007 tangible assets have been revalued on the basis of OMF 1752, and as at 31 December 2010 they have been revalued on the basis of OMF 3055 which provide that revaluation of tangible assets is made at fair value, determined by appraisal normally undertaken by professionally qualified appraisers. Increase of carrying amount resulted from these revaluations has been credited in the revaluation reserve.

The fair values of tangible assets revalued as per OMF 3055 are updated with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

Management has updated the carrying value of tangible assets revalued as per OMF 3055 using market based evidence and are satisfied that sufficient market based evidence of fair value is available to support the updated fair values.

If a tangible asset fully depreciated can still be used, when revalued it is given a new value and a new economic useful life, corresponding to the estimated future period of use.

The expenditure on repairs or maintenance of tangible assets is recognised as incurred while the significant improvements which increase the value or useful life of the assets, or which increase their revenue generating capacity are capitalised.

**(1) Depreciation**

Depreciation is determined at restated cost using the straight-line method over the estimated useful life of the assets, as follows:

<u>Asset</u>	<u>Years</u>
Buildings	10 - 50
Technical installations and equipments	3 - 30
Vehicles	5 - 6
Office equipment	3 - 15
Intangible assets	1 - 5

Depreciation is computed starting with the month following the commissioning and until total recovery of the entry value. Land is not depreciated as it is considered to have an indefinite useful life.

**(2) Sale/disposal of tangible assets**

Items of tangible fixed assets that are retired or otherwise disposed of are eliminated from the balance sheet along with the corresponding accumulated depreciation. Any gain or loss resulting as a difference between the revenue generated by the disposal and value not depreciated, including expenses caused by such operation, is included in the statement of income, within "Other operating income" or "Other operating", as appropriate.

When the Company recognises in the carrying value of a tangible asset the cost of a partial disposal the carrying amount of the replaced part, and the related depreciation, is derecognised.

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

**(3) Borrowing costs**

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset with a long production cycle are included in the cost of that asset if related to the period of the construction. During 2011 the Company has not included in assets value the indebtedness cost.

**E Impairment of tangible and intangible assets**

At each year-end, the items of property, plant and equipment and other non-current assets are reconciled with the results of the annual count. For this purpose, the carrying value is compared with the value established on stock-count, referred to as the annual count value. If this value is lower than the carrying value, the differences are accounted for as additional depreciation and amortization for assets where depreciation is irreversible, or as an adjustment for depreciation, where depreciation is reversible. The annual count value is determined based on the asset's utility, condition and market price.

**F Financial assets**

Financial assets include shares held in related parties.

Financial assets are recognised in the balance sheet at purchase cost or the value determined based on the related purchase contract. The purchase cost includes the trading costs. Financial assets are disclosed subsequently at entry value less any accumulated adjustments for impairment losses.

**G Inventories**

Inventories are stated at the lowest value between cost and estimated net realizable value. Cost is generally determined using the weighted average cost method computed after each reception. The cost of finished goods and production in progress includes materials, labour and the related indirect production costs. Provision is made against slow moving, damaged and obsolete stocks, when necessary. The net realizable value is estimated based on the selling price less any completion and selling expenses.

**H Trade receivables**

Trade receivables are carried at original invoice amount less provision made for impairment of these receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables.

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

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

**I Short term financial investments**

These include the short-term deposits at banks and other short-term investments (bonds, shares and other investments held for sale). Short-term investments admitted to trading on a regulated market are valued and assessed at the balance sheet date at the bid value on the last day of trading, and those not marketed at historical cost less any possible adjustments for loss in value.

**J Cash and cash equivalents**

Cash and cash equivalents are recorded at cost in the balance sheet. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, bank accounts, short term investments and treasury advances, net of overdraft. In the balance sheet, the overdrafts are disclosed within "Current liabilities" – "Amounts due to credit institutions".

**K Share capital**

Ordinary shares are classified as own equity.

Where the Company purchases its equity shares/treasury shares, the consideration paid is deducted from equity. Where such shares are subsequently reissued, any consideration received (net of transaction costs) is included in equity.

**L Dividends**

The dividends on ordinary shares are recognised in the shareholders' equity when declared.

**M Borrowings**

Short and long term borrowings are recognised initially as the proceeds received, net of transaction costs incurred. For next periods, loans are recorded at cost.

The short-term portion of long-term borrowings is classified as "Debts: amounts to be paid in less than a year" and included together with interest accumulated at the balance sheet date in "Amounts due to credit institutions", from the 'Current liabilities'.

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

**N Accounting for leases where the Company is the lessee**

(1) Financial leasing agreements

The leasing contracts for the tangible assets where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalized at the estimated present value of the lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate during the reimbursement period. The corresponding rental obligations are included either in current or non-current liabilities. The interest element of the finance cost is charged to the income statement over the lease period. The assets acquired under finance leases are capitalized and depreciated over their useful life.

(2) Operating lease agreements

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**O Trade payables**

Trade payables are recorded at the value of the amounts payable for the goods or services received.

**P Provisions**

Provisions for environmental restoration, restructuring costs and legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

No provisions are recognised for future operating losses.

The value of pension provisions is set up by specialists in the field (actuaries).

The provisions for pensions refer to the amount that will be paid by the Company after the employers left the Company. They are calculated taking into account the age, seniority in the field of work and rotation of the personnel inside the Company.

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

**Q Employee benefits**

*Pensions and other post retirement benefits*

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees, at statutory rates. All employees of the Company are members of the Romanian State pension plan. These costs are recognised in the income statement together with the related salary costs.

The Company does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in respect of pensions.

**R Capital subsidies**

*Subsidies related to expenses*

Subsidies related to current expenses are disclosed as income in the income statement in the period appropriate to the related expenses which these subsidies are to compensate for. If in a period subsidies are cashed related to expenses not yet incurred, subsidies received do not represent revenues of that period.

**S Taxation**

*Current income tax*

The Company records current income tax based upon taxable income from the Romanian financial statements, in accordance with the Romanian income tax legislation.

**T Revenue recognition**

Revenue comprises the invoiced value for the sale of goods and services.

Revenues from goods sales are recognised when the Company has transferred the main risks and benefits related to the goods possession to the purchaser. Commercial discounts granted after invoicing are recorded in the income statement as part of operating income, in the position "commercial discounts granted".

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

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

31 DECEMBER 2011

---

**6 ACCOUNTING POLICIES, PRINCIPLES AND METHODS (CONTINUED)**

Interests are recognised periodically and proportionally as the respective revenue is generated on an accountancy engagement basis. Dividends are recognised as revenue when the legal right to receive payment is established, namely at the date they are approved.

Revenues and costs are shown gross in these financial statements. Amounts payable to and receivable from the same operators are shown net in the balance sheet when a right of set-off exists.

**U Turnover**

The turnover represents the amounts invoiced and to be invoiced, net of VAT and discounts, in relation to the goods and services provided to third parties.

**V Operating expenses**

The operating expenses are recognised in the period they refer to.

**7 INVESTMENTS AND FINANCING SOURCES**

The value of the authorised capital as at 31 December 2011 amounted to RON 29,787,588 (31 December 2010: RON 29,787,588).

The shareholding structure as at 31 December 2011 is as follows:

	<b>Number of shares</b>	<b>Amount</b>	<b>Percentage</b>	<b>Number of shares</b>	<b>Amount</b>	<b>Percentage</b>
	<b>(thousand)</b>	<b>(RON)</b>	<b>(%)</b>	<b>(thousand)</b>	<b>(RON)</b>	<b>(%)</b>
GOIA DOREL	102,067,342	10,206,734	34,27	102,067,342	10,206,734	34,27
VICIU EMANOIL	25,240,060	2,524,006	8,46	25,240,060	2,524,006	8,46
SIF BANAT-CRISANA MARLEY	32,766,683	3,276,668	11	32,766,683	3,276,668	11
MAGYARORSZAG	22,885,589	2,288,559	7,68	22,885,589	2,288,559	7,68
PERS. JURIDICE	84,582,042	8,458,204	28,39	84,582,042	8,458,204	28,39
PERS. FIZICE	<u>30,335,164</u>	<u>3,033,516</u>	<u>10,20</u>	<u>30,335,164</u>	<u>3,033,516</u>	<u>10,20</u>
<b>TOTAL</b>	<b><u>297,875,880</u></b>	<b><u>29,787,588</u></b>	<b><u>100,00</u></b>	<b><u>297,875,880</u></b>	<b><u>29,787,588</u></b>	<b><u>100,00</u></b>

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

**7 INVESTMENTS AND FINANCING SOURCES (CONTINUED)**

The working capital was increased in 2008 by the public offer of purchase. There were issued 49,645,980 new shares with a nominal value of 0.1 lei per share and a share premium of 0.9 RON per share. Costs of listing on the Bucharest Stock Exchange, worth 2,436,264 RON were covered with the first issue.

The value of the Company's working capital comprises 297,875,880 shares authorized, issued and fully paid, the value of 0.1 RON with a total nominal value of £ 29,787,588. Fully paid ordinary shares with a nominal value of 0.1 RON are carrying one vote each and are entitled to dividends.

**8 INFORMATION REGARDING THE EMPLOYEES AND THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES**

**a) Remuneration of the members of the administrative, management and supervisory bodies**

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
The average number of administrators and directors during the year was the following:		
Administrators	7	6
Directors	<u>23</u>	<u>22</u>
Total	<u>30</u>	<u>28</u>
 <i>Salaries expenses</i>		
Administrators	588,000	532,000
Directors	<u>3,620,277</u>	<u>3,287,129</u>
Total	<u>4,208,277</u>	<u>3,819,129</u>
 <i>Salaries payable as at the end of the period:</i>		
Administrators	34,335	30,580
Directors	<u>81,630</u>	<u>190,429</u>
Total	<u>115,965</u>	<u>221,009</u>

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



31 DECEMBER 2011

---

**8 INFORMATION REGARDING THE EMPLOYEES AND THE MEMBERS OF THE ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES (CONTINUED)****b) Employees**

The average number of employees during the year was the following:

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
<i>Directors</i>	23	22
Administration staff	135	135
Production staff	<u>369</u>	<u>292</u>
Total	<u>527</u>	<u>449</u>

	<b>Financial year ended as at <u>31 December 2010</u> (RON)</b>	<b>Financial year ended as at <u>31 December 2011</u> (RON)</b>
Expenses with employee salaries	<u>17,678,113</u>	<u>13,636,831</u>

	<b><u>31 December 2010</u> (RON)</b>	<b><u>31 December 2011</u> (RON)</b>
Salaries payable as at the end of the period	<u>337,040</u>	<u>558,654</u>

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

31 DECEMBER 2011

---

9 ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL RATIOS

1. Liquidity ratios

a) Current ratio

	<u>31 December 2010</u>	<u>31 December 2011</u>
$\frac{\text{Current assets}}{\text{Current liabilities}} =$	1.02	1.19

b) Quick ratio

	<u>31 December 2010</u>	<u>31 December 2011</u>
$\frac{\text{Current assets} - \text{Inventories}}{\text{Current liabilities}} =$	0.72	0.74

2. Risk ratio

a) Gearing ratio

	<u>31 December 2010</u>	<u>31 December 2011</u>
	(%)	(%)
$\frac{\text{Borrowed capital}}{\text{Equity}} \times 100$	10.72	27.60

where:

- Borrowed capital = credits maturing in more than 1 year

b) Interest cover ratio

	<u>Financial year ended as at 31 December 2010</u>	<u>Financial year ended as at 31 December 2011</u>
$\frac{\text{Profit before payment of interest and income tax}}{\text{Interest expense}}$	4.80	-

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

9 ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL RATIOS (CONTINUED)

3. Activity ratios (administration ratios)

a) Inventory turnover

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
$\frac{\text{Cost of sales}}{\text{Average inventory}} \times 365 = \text{days}$	7.34	5.03

b) Receivable turnover

	<b>Financial year ended as at <u>31 December 2010</u> (days)</b>	<b>Financial year ended as at <u>31 December 2011</u> (days)</b>
$\frac{\text{Average receivable balance}}{\text{Turnover}} \times 365 =$	100.19	94.89

c) Payable turnover

	<b>Financial year ended as at <u>31 December 2010</u> (days)</b>	<b>Financial year ended as at <u>31 December 2011</u> (days)</b>
$\frac{\text{Average payable turnover}}{\text{Purchases of goods (without services)}} \times 365 =$	76.00	79.02

d) Tangible assets turnover

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
$\frac{\text{Turnover}}{\text{Tangible assets}} =$	1.28	1.45

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

**31 DECEMBER 2011**

---

**9 ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL RATIOS (CONTINUED)**

e) Total assets turnover

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
$\frac{\text{Turnover}}{\text{Total assets}} =$	0.79	0.88

**4. Profitability ratios**

a) Return on capital employed

	<b>Financial year ended as at <u>31 December</u> <b>2010</b> (%)</b>	<b>Financial year ended as at <u>31 December 2011</u> (%)</b>
$\frac{\text{Profit before financial result and income tax}}{\text{Capital employed}} \times 100 =$	5.30	-

b) Gross margin

	<b>Financial year ended as at <u>31 December 2010</u> (%)</b>	<b>Financial year ended as at <u>31 December 2011</u> (%)</b>
$\frac{\text{Gross profit}}{\text{Turnover}} \times 100 =$	4.74	-

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

10 OTHER INFORMATION

a) **Information regarding the Company**

SC Teraplast SA (“The Company”) is a shareholder Company from 1992. The location of the Company is in Bistrița, Parc Industrial Teraplast, DN 15A, km 45+500, postal code 427298, county Bistrita-Nasaud.

The main activities of the company include the production of PVC pipes and profiles, pellets plasticized and rigid PVC windows and doors, aluminum, polypropylene pipes, terracotta tiles, fittings and double glazing and marketing of cables, polyethylene pipes, fittings and steel parts.

As presented in Note 1c), the Company has 3 branches: Plastsistem SA, Politub SA and Teraglass SRL. Teraglass SRL was established in 2011, and worked for a few months for the production and sale of windows, through the transfer of the activity of the window division from Teraplast SA. In August 2011, Teraplast SA has reintegrated in its activity the production and sale of windows, and the activity of Teraglass SRL has been stopped.

b) **Information regarding the relationship of the Company with the subsidiaries, associated undertakings or other enterprises in which the Company holds strategic investments**

Affiliated entities:

- Plastsistem SA – branch of the Company (Note 1 c);
- Teraglass SRL- branch of the Company (Note 1 c);
- Politub SA – the Company holds 50% of the working capital.

Related entities:

- ACI Cluj S.A.
- Rombat S.A.
- Rombat Automobile S.A.
- Omniconstruct S.A.
- Magis Investment S.R.L.
- Granatul Investment & Management S.R.L.
- GM Ecoinstal S.R.L.

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

31 DECEMBER 2011

## 10 OTHER INFORMATION (CONTINUED)

## (1) Sales of goods and services

	<b>Financial year ended as at <u>31 December 2010</u> (RON)</b>	<b>Financial year ended as at <u>31 December 2011</u> (RON)</b>
<i>Sales of services</i>	<u>1,106,818</u>	<u>3,150,482</u>
- affiliated undertakings	1,106,818	3,149,738
- related parties	-	744
 <i>Sales of goods</i>	 <u>3,191,942</u>	 <u>11,616,162</u>
- affiliated undertakings	1,768,475	10,530,330
- related parties	1,423,467	1,085,832

## (2) Purchases of goods and services

	<b>Financial year ended as at <u>31 December 2010</u> (RON)</b>	<b>Financial year ended as at <u>31 December 2011</u> (RON)</b>
<i>Purchases of services</i>	<u>112,997</u>	<u>244,090</u>
- affiliated undertakings	39,312	169,389
- related parties	73,684	74,701
 <i>Purchases of goods</i>	 <u>11,235,330</u>	 <u>13,605,084</u>
- affiliated undertakings	11,215,522	13,603,612
- related parties	19,808	1,472
 <i>Purchases of fixed assets</i>	 <u>324,260</u>	 <u>78,376</u>
- affiliated undertakings	-	78,376
- related parties	324,260	-

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

31 DECEMBER 2011

## 10 OTHER INFORMATION (CONTINUED)

## (3) Balances arising from sales/purchases of goods/services

	<u>31 December 2010</u> (RON)	<u>31 December 2011</u> (RON)
Trade receivables	1,073,915	1,389,651
- affiliated undertakings	830,879	969,119
- related parties	243,037	420,532
	<u>31 December 2010</u> (RON)	<u>31 December 2011</u> (RON)
Trade payables	4,919,078	589,237
- affiliated undertakings	4,844,331	585,723
- related parties	74,746	3,514

## c) Information regarding current income tax

	<b>Financial year ended as at 31 December 2010</b> (RON)	<b>Financial year ended as at 31 December 2011</b> (RON)
Net profit/(net loss)	6,496,220	(14,642,199)
Deductions	(6,948,224)	(14,072,925)
Non-taxable income	(3,623,027)	(3,834,605)
Non-deductible expenses	<u>3,975,394</u>	<u>30,548,877</u>
<b>Taxable profit /Tax loss</b>	<u>(35,782)</u>	<u>(2,000,852)</u>
Tax loss carried forward	-	(607,660)
Taxable profit after the carry forward	(607,660)	(2,608,512)
<b>Computed income tax</b>	63,956	-
Income tax reductions	-	-
<b>Current income tax</b>	63,956	-
<b>Income tax payable at the end of the period (according to Statement no. 101)</b>	<u>1,215,240</u>	<u>1,116,739</u>

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

31 DECEMBER 2011

---

**10 OTHER INFORMATION (CONTINUED)**

According to tax regulation in Romania, fiscal loss can be declared on a period of 5 years, or 7 years for fiscal loss recorded after 1 January 2009.

According to Romanian tax law starting with 1 May 2009 until 30 September 2010 tax for minimum profit was regulated, and computed taking into account income. According to OUG nr. 34/2009, the minimum tax will be applied to companies with income tax bellow income interval in which the Company fit and it's computed each trimester.

**d) Cash and banks**

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
Cash at bank in ron	2,737,597	2,378,683
Cash at bank in foreign currencies	62,331	32,353
Petty cash	27,074	32,091
Cash advances	49,420	30,071
Meal tickets	9,110	8,421
Holiday vouchers	-	405
Cheques	11,344	11,669
Internal transfers	<u>-</u>	<u>7,627</u>
Total	<u><b>2,896,875</b></u>	<u><b>2,501,319</b></u>

As at 31 December 2011 the Company had bank accounts in RON in amount of 305,884 RON representing warranties from warehouse keepers and managers (2010: 341,853 lei).



**31 DECEMBER 2011****10 OTHER INFORMATION (CONTINUED)****e) Inventories**

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
Finished products and production under Execution	16,588,544	18,144,247
Raw materials and consumables	8,979,749	12,133,579
Goods	3,770,987	5,725,920
- Provisions for the depreciation of the raw materials and consumables (10q)	(46,991)	(2,118,972)
- Provisions for the depreciation of the finished materials (10q)	(104,744)	(2,121,909)
- Provisions for the depreciation of the goods (10q)	(7,622)	(1,773,811)
Advances for stocks	<u>223,922</u>	<u>24,387</u>
	<u><b>29,403,844</b></u>	<u><b>30,013,441</b></u>

**f) Income**

The total value of the turnover and of the production of goods realised in 2010 and 2011 by sector and profit centers was:

	<b>Financial year ended as at <u>31 December 2010</u></b>	<b>Financial year ended as at <u>31 December 2011</u></b>
1. Total turnover, out of which :	<u>212,747,210</u>	<u>209,359,979</u>
1.1 Net turnover	171,943,426	169,790,546
1.2 Trade discounts	(1,097,000)	(1,747,359)
1.3 Turnover from the sale of goods	40,494,883	38,314,814
1.4 Turnover from services rendered	1,370,058	2,342,805
1.5 Turnover from trade receivables and rents	35,843	659,173

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

31 DECEMBER 2011

---

**10 OTHER INFORMATION (CONTINUED)****g) Commitments and contingencies**

The Company has agreed different contracts concerning the acquisition of some new machines for the location situated in Saratel, in amount of 305,500 EUR at 31 December 2011, detailed as follows:

<u>Company</u>	<u>Object of the contract</u>	<u>Number of the contract</u>	<u>Date</u>	<u>Value of the contract</u> EUR
Coperion - Italia	Upgrade of the mixing – dosing equipment Coperion 3	OMF00990	08.02.2011	133,450

In December 2011, the Company agreed with third beneficiaries, upon two significant transactions consisting of sales, respectively, promise to sell some of the assets and business lines of SC Teraplast .

Consequently, on 09 December 2011, on the basis of the pre contract of the purchase agreement no. 316375, the Company committed to sell to S.C. Met-Axa S.R.L. Botosani, some assets situated in Bistrita and Iasi with a net accounting value at 31 December 2011 of 2,327,284 RON. On 31 December 2011, the Company has collected 15% (86,250 EUR, VAT included) out of the total value of the contract, with the remaining amount to be collected in 2012.

On 16 December 2011 the transfer engagement to S.C. Teracota Bistrita S.R.L. was signed for the entire activity line, representing the manufacturing of the ceramic products through burning with a net accounting value at 31 December 2011 of 4,821,044 RON, especially of tiles, refractory bricks, slabs, grindstones and tiles. In exchange for this transfer of assets, activities and equipment, the buyer was obliged to pay the total amount of the transaction in amount of 1,005,000 EUR (no VAT added, according to art.128 alin (7) from the Fiscal Code and point 6 alin (9) and (10) from the Art. 128 for application of rules from the Tax Code, the transaction not being a delivery of goods). The first installment in amount of 105,000 EUR, was paid by the buyer until the end of January 2012.

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

31 DECEMBER 2011

---

**10 OTHER INFORMATION (CONTINUED)**

A 31 December 2011 the Company has issued letters of guarantee as presented below:

<u>Bank</u>	<u>Validity period</u>	<u>Amount</u>	<u>Currency</u>	<u>Guarantee object</u>
BRD	12.08.2010- 11.08.2015	9,961	RON	For good work in favour of IMI Cluj Napoca
UNICREDIT	13.12.2011- 30.07.2012	118,080	EUR	In favour of Coperion Italia for fixed asset aquisition

As at 31 December 2011 tangible assets with a net accounting value of 116,009,314 RON, is a warranty for credits and lines of credits (land and buildings – 66,487,569 RON – value from the revaluation report dated 31.12.2011; equipments, machines and other tangible assets – 49,521,655 RON).

For the loans from banks, the Company has guaranteed with all the cash and cash equivalents present and future, with all the goods stocks and products present and future, and has ceded the rights for present and future receivables, and also their accessories, coming from the present and future contracts with its clients, having the quality of debtor. The Company has also ceded the rights resulted from the insurance policies issued for the movable and immovable property as a collateral.

**h) Fees paid to auditors**

During the year 2011 the Company had expenses with the audit services in amount of 222,813 lei (in 2010: 240.393 RON).

**i) Potential tax liabilities**

In România, there is a number of authorised agencies that perform controls. These controls are similar to the fiscal audits performed by fiscal authorities in many countries but they only can be extended not only to the fiscal aspects but also on other legal and regulatory aspects.

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

**10 OTHER INFORMATION (CONTINUED)**

It is probable that the Company will be, from time to time, subject to these controls for infringement or presumed infringement of the new and existent regulations. Although, the Company may deny the presumed infringement and the related penalties when the management considers that it is entitled to act this way, the adoption and or implementation of laws and regulations in Romania could have a significant effect on the Company. The fiscal system from Romania is in continuous development, being subject to a lot of constant interpretations and changes, sometimes retroactively. The prescription term for the fiscal controls is 5 years.

The Administrators of the Company believe that the fiscal debts of the Company have been calculated and registered according to the legal requirements.

**j) Market risk**

Romanian economy is in transition; therefore there is a lot of uncertainty concerning the possible orientation of the policy and development of the economy in the future. The management cannot foresee the changes that will take place in Romania and their effects on the financial situation, on the Company's operating results and cash flows.

**k) Foreign exchange risk and inflation**

The company makes transactions in different currencies, including EURO and USD. The activity and the results of the Company are exposed to the fluctuations of the exchange rates of these currencies. The exchange rate as at 31 December 2011 was 3,3393 RON for 1 USD and 4,3197 RON for 1 EURO (31 December 2010: 3,2045 RON for 1 USD and 4.2848 RON for 1 EUR).

**l) Liquidity risk**

The final responsibility for the management of the liquidity risk, belongs to the management (the Board), that has build a proper frame for the liquidity risk management concerning the insurance of the Company funds on a short, medium and long term, and to the requirements concerning the liquidity management. The Company manages the liquidity risks by maintaining adequate reserves, bank facilities, and reserve borrowing facilities, by a continuous monitoring of the real cash flows and through putting into correspondence maturity profiles of financial assets and liabilities.

**10 OTHER INFORMATION (CONTINUED)**

**m) Interest rate risk**

The Company has variable interest instalments for the long term credits and variable interest instalments for the short term credits in order to finance their ongoing activities. The management of the Company keeps track of the risk of the interest for instalment.

**n) Credit risk**

The credit risk refers to the risk that a third party does not take into consideration their contractual obligations, therefore producing financial loss to the Company. The Company adopted a policy to make transactions only with trusted parties and to obtain enough warranties, when necessary, as a mean to reduce the risk of financial loss due to contracts breach. The exposure of the Company and the credit ratings of the third contractual parties are monitored by the management.

The trade receivables are made of a large number of clients coming from different industries and different geographic areas. The permanent evaluation of the credits is performed on the financial situation of the clients and, when necessary, credit insurance is made.

The Company has no significant exposure to the credit risk towards no counterparty or group of counterparties having similar characteristics. The Company defines the counterparties as having similar characteristics when they are affiliated entities.

**o) Issues relating to the environment**

The main activity of the Company has inherent effect on the environment. The effects on the environment of the Company's activities are monitored by the local authorities and by the Company management. Therefore no provisions were registered for obligations, that are not quantifiable at present, concerning the environment aspects or the remedial works necessary.

**p) Events subsequent to the balance sheet date**

In 2012, at the balance sheet date, the Company was auto-funded with 176,316 EUR from Unicredit Tiriac Bank and with 500,000 EUR from BRD, on the basis of the financing contracts agreed in 2011.

**10 OTHER INFORMATION (CONTINUED)****q) Retrospective correction of prior period errors**

During the financial year ended 31 December 2010, the Company has affected the reported result coming from the correction of some accounting errors with 6,153.009 RON, the most important corrections are as follows:

- The implication in income decrease from inventory variation afferent to fiscal year ended at 31 December 2009, in amount of 5.275.047 ron, inventory value – finished goods and semi-finished goods as at 31 December 2009 are overstated with the same value ;
- The implication in income decrease from production sold afferent to fiscal year ended at 31 December 2009, in amount of 853.360 ron, the net value of trade receivables as at 31 December 2009 are overestimated with the same value;
- The implication in expense increase with provision for employees contribution to profit afferent to fiscal year ended at 31 December 2009, in amount of 984.448 ron, the provision value as at 31 December 2009 is overstated with the same value;
- The implication in accumulated depreciation decrease and expense with depreciation afferent to equipment bought in 2007 due to accelerate depreciation improperly recorded at 31 December 2009, accumulated depreciation in amount of 340.910 ron and net value of equipment as at 31 December 2009 is overstated with 399.637 ron;
- The implication in salary expense increase afferent to fiscal year ended at 31 December 2009, in amount of 204.490 ron, other liabilities with personnel as at 31 December 2009 is overstated with the same value;

During the financial year ended 31 December 2011, the Company has affected the reported result coming from the correction of some accounting errors with 15,856231 RON, as follows:

Corrections in the total amount of 11,132,030 lei made during fiscal year 2011, but included in the financial year 2010 to prepare consolidated financial statements for 2010:

- Provision for doubtful receivables - 6,262,503 lei, claim is overstated by the same amount on December 31, 2010;
- The implication in the estimation of credit at December 31, 2010, correction in their overestimation of the amount of 1,803,785 lei
- Provision for depreciation of stock - 1,332,174 lei, stocks are overvalued by the same value on December 31, 2010;
- Provisions for risks and charges - 959,516 lei, the provision is undervalued by the same amount on December 31, 2010;
- The implication in raising debt to suppliers for the year ended December 31, 2010, the sum of 774,052 lei, not yet received invoices from suppliers at the same time being undervalued.

**10 OTHER INFORMATION (CONTINUED)**

Corrections in the total amount of 4,724,202 lei made at the end of fiscal year 2011, which refer to financial year 2010, for which estimates were made in preparing consolidated financial statements for 2010:

- Correction of the amount of revaluation reserves - 57,107 lei, revaluation reserves are overstated by the same amount on December 31, 2010;
- Correction of the amount of tangible assets - 968,213 lei, tangible assets are understated by the same amount on December 31, 2010;
- Correction of the amount of intangible assets - 126,260 lei, intangible assets are overstated by the same amount on December 31, 2010;
- Value adjustments to inventory - 2,460,778 lei, so as a result of registering the consumption of certain provisions for slow moving or unsalable stocks, but also non-compliant products, stocks were overvalued by the same value on December 31, 2010 ;
- Provisions for risks and charges - 1,478,578 lei, the provision is additional undervalued by the same amount on December 31, 2010.

If these records were included in the financial statements from previous years, the net result of previous years would have been smaller by 15,856,231 ron. These corrections significantly influence comparative numbers as at 31 December 2010 from balance sheet, profit and loss account, cash flow and notes from financial statements.

**r) Own shares**

During 2011 the Company purchased a total of 506,345 own shares representing 0.17% of share capital and managed to hold 9,006,500 own shares at 31 December 2011, representing 3.02% from share capital (own shares hold as at 31 December 2010: 8,480,155, representing 2,85% from shared capital. The shares were purchased in order to be granted to the company's executive management, under the shareholders' decision no. 6/11 December 2008, nr.1/2010. Until financial statements were signed there was no distribution of shares bought.

At General Meeting of Shareholders from 27 April 2012 the aspect of shares distribution will be discussed and a decision will be made to either grant the shares to company's executive management of the Company or cancelling them, followed by shared capital reduction. If first option presented above is chosen, it will be set for approval of CNVM, according to legal requirements.

31 DECEMBER 2011

## 11 NET CASH FLOW FROM OPERATING ACTIVITIES

	Financial year ended as at <u>31 December 2010</u> (lei)	Financial year ended as at <u>31 December 2011</u> (lei)
<b>Operating activities:</b>		
Net (Loss) / profit	6,496,220	(14,642,198)
Adjustments to reconcile net income with net cash used in operating activities		
Adjustment of tangible and intangible assets	12,135,854	13,918,813
Expenses with provisions for doubtful clients	1,004,798	3,625,581
Provisions for inventory costs	159,357	3,220,916
Adjustments to provisions for risks	(3,003,530)	574,825
(Gain) / loss on sale of tangible assets	243,073	(701,076)
Effect of exchange rate changes on credits, debts and liabilities	1,241,452	196,220
Income tax	63,956	-
Interest income	(13,125)	(13,747)
Interest expense	1,725,210	2,228,972
<b>Increase in cash from operations before changes in working capital</b>	<b>20,053,265</b>	<b>8,408,306</b>
Changes in working capital:		
(Increase) / Decrease in trade receivables balances and other balances	(15,980,009)	8,856,469
(Increase) in inventory balances	(6,273,106)	(7,606,454)
Increase / (Decrease) in outstanding debt and other payables	17,310,731	(17,247,764)
<b>Cash flows from operating activities</b>	<b>15,110,881</b>	<b>(7,606,454)</b>

**Other than cash transactions**

Details presented in note 1b).

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



12 CONTINGENCIES

(a) Litigations

The Company is subject to a number of legal actions arising in the normal course of conducting business. The Company believes that these actions will not have a significant adverse effect on economic performance and financial position of the Company.

(b) Taxation

The Romanian taxation system is undergoing a process of consolidation and harmonization with the European Union legislation. However, there are still different interpretations of the fiscal legislation. In various circumstances, the tax authorities may have different approaches to certain issues, and assess additional tax liabilities, together with late payment interest and penalties (currently, penalties determined by the duration of delay, plus 0.04% per day delay). In Romania, tax periods remain open for tax inspection for 5 years. The Company's management considers that the tax liabilities included in these financial statements are fairly stated.

(c) Transfer pricing

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

(d) Financial crisis

**Recent volatility on global and Romanian financial markets:**

The ongoing global liquidity crisis which commenced in the middle of 2008 has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility on stock markets.

**12. CONTINGENCIES (CONTINUED)**

Also, the exchange rate volatility and the currencies used in international trade was very high. Indeed, the full extent of the impact of the ongoing financial crisis proves to be impossible to anticipate or completely guard against.

Management cannot reliably estimate the effects on the financial position of the Company of a potential decrease in liquidity of financial markets, an increase in volatility of currency exchange rate and further recession. Management believes it has taken all necessary measures to ensure continuity of the Company in the current conditions.

**Impact on liquidity:**

Volume of financing in the economy declined significantly in recent years. This may affect the Company's ability to obtain new loans and / or to refinance existing loans on terms and conditions similar to previous funding.

**Impact on customers:**

Customers and other debtors of the Company can be affected by market conditions, that can affect their capacity to buy Company's products or their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent to which there is available information, management have properly reflected revised estimates of expected future cash flows in their impairment assessments.

**Revaluation of properties held at fair value**

The real estate market in Romania was severely affected by recent financial market volatility which has resulted in restricting access to credit for companies and individuals. As a result, the book value of tangible assets at fair value has been updated to reflect market conditions at balance sheet date.

GENERAL MANAGER

Ștefan Bucățaru

FINANCIAL MANAGER

Cristina Stoian

Signature \_\_\_\_\_

Unit's stamp

Signature \_\_\_\_\_