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Audit Report

S.C. TURBOMECANICA S.A.

FINANCIAL STATEMENTS
(TOGETHER WITH INDEPENDENT AUDITOR'S REPORT)

FOR THE YEAR ENDED
DECEMBER 31, 2014

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS ADOPTED BY THE EUROPEAN UNION, IN ACCORDANCE WITH MINISTRY OF PUBLIC FINANCE ORDER NO. 1286/2012, WITH SUBSEQUENT AMENDMENTS

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To the Shareholders of,
Turbomecanica S.A.
Bucharest, Romania

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

1. We have audited the accompanying financial statements of Turbomecanica S.A. (the "Company"), which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Bases of qualified opinion

6. On October 8, 2012 the Company drew up a stockcount minute of the assets from the Central Warehouse further to the fire of March 6, 2012, when the prejudice was estimated at RON 1,490,415 out of the total affected stocks in amount of RON 15,534,255. Further to the event, the stocks recovered were revaluated by the stockcount committee at RON 14,043,840. We could not obtain sufficient audit evidence regarding the revaluation of stocks recovered or the damages caused by such event. Therefore, we could not determine the potential adjustments that would have been necessary as regards the stocks' value and the profit and loss.

Qualified opinion

7. In our opinion, except for the effects of the matter described in paragraph 6, the financial statements present fairly the financial position of the Company as at December 31, 2014, and its financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union ("EU").

Observations

8. We draw attention to the fact that the Company registered losses in the past years. Such conditions together with other matters mentioned in Note 20 indicate that there is uncertainty that may raise significant doubts on the Company's ability to continue as a going concern. Nevertheless, the Company's management considers that it will continue its activity in the following 12 months. As mentioned in Note 3, the Company's management assessed the continuity of the Company's activity. The Company depends on its continuing cooperation with relatively reduced number of clients. The management has assessed its relationship with such clients and has identified no reason to believe that such cooperation will no longer continue in the foreseeable future. These financial statements do not include any adjustment with regard to such uncertainty. Our opinion is not qualified in this respect.

9. As disclosed in the Borrowings note, as at December 31, 2014, the Company has loan contracts/facilities concluded with two banks in amount of RON 55,640,706 out of which: short-term loan in amount of RON 47,643,105 and long-term loan in amount of RON 7,997,601. The financial covenants agreed for the short-term loans have not been fulfilled and, as mentioned in Note 20, the facilities are valid for a short-term period. The Company is negotiating the extension of the credit facilities with such banks. It is essential to extend such credit and settlement facilities to ensure the Company's business continuity. These financial statements do not include any adjustment with regard to such uncertainty. Our opinion is not qualified this respect.

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Report on Conformity of the Administrators' Report with the Financial Statements

In accordance with Order of the Ministry of Public Finance no. 1286/2012, article no. 16 letter c), as subsequently amended, we have read the Administrators' Report attached to the financial statements. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any historical financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements.

Madeline Alexander, Audit Partner

For signature, please refer to the original Romanian version.

Registered with the Romanian Chamber of Financial Auditors under no. 36/7.10.2000

On behalf of:

DELOITTE AUDIT S.R.L.

Registered with the Romanian Chamber of Financial Auditors under no. 25/25.06.2001

Bucharest, Romania
April 7, 2015

S.C. TURBOMECANICA S.A.
STATEMENT OF COMPREHENSIVE INCOME
AS AT DECEMBER 31, 2014
(all the amounts are expressed in „RON", unless otherwise specified)

	Note	December 31, 2014	December 31, 2013
		RON	*RON*
Revenues	4	53,675,358	34,568,549
Other gains and losses	9	(2,363,784)	1,218,181
Changes in inventories		(162,517)	(353,357)
Raw materials and consumables	5	(12,999,635)	(9,820,189)
Employee benefits	6	(17,977,039)	(19,124,743)
Asset impairment		(4,376,236)	(5,356,276)
Financial costs, net	7	(4,531,530)	(5,693,363)
Other operating expenses	8	(6,343,691)	(4,297,654)
Loss from sale of assets held for sale		(12,742,291)	-
Profit / (Loss) before taxation		**(7,821,365)**	**(8,858,852)**
Income tax	10	4,266,896	266,625
Profit / (Loss) for the year		**(3,554,469)**	**(8,592,227)**
Other comprehensive income, net of taxation			
Amounts that will not be reclassified subsequently to profit or loss			
Gains on revaluation		3,951,110	-
Deferred income tax		(1,058,756)	-
Other comprehensive income for the year		2,892,354	-
Comprehensive income for the year		**(662,115)**	**(8,592,227)**
Result per share	27		
Number of shares		369,442,475	369,442,475
(RON / share) basic and dilluted		(0,01)	(0,02)

The financial statements were approved by the Board of Administration and authorised for issuance on April 7, 2015.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA COMERCIALĂ TURBO MECANICA S.A. 1 BUCUREŞTI-ROMÂNIA

S.C. TURBOMECANICA S.A.
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2014
(all the amounts are expressed in „RON", unless otherwise specified)

	Nota	December 31, 2014	December 31, 2013
ASSETS		*RON*	*RON*
Long-term assets			
Property, plant and equipment	11	54,924,522	52,994,111
Intangible assets	12	10,445,422	12,081,387
Total long-term assets		**65,369,944**	**65,075,498**
Current assets			
Inventories	13	29,736,898	24,937,055
Trade receivables	14	2,143,829	1,962,183
Other receivables	15	1,047,431	818,272
Cash and cash equivalents	16	11,903,023	303,142
Assets held for sale	17	11,120,396	46,954,594
Total current assets		**55,951,577**	**74,975,245**
Total assets		**121,321,521**	**140,050,743**
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	18	1,024,571,055	1,024,571,055
Reserves	19	80,544,931	101,379,301
Retained earnings		(1,072,992,773)	(1,093,165,028)
Total equity		**32,123,670**	**32,785,328**
Long-term liabilities			
Borrowings	20	7,997,601	16,716,713
Deferred tax liabilities	10	4,737,497	7,945,637
Provisions	21	1,494,810	1,494,810
Other long-term liabilities	24	5,933,564	9,554,982
Total long-term liabilities		**20,163,472**	**35,712,142**
Current liabilities			
Trade and other liabilities	22	6,770,404	7,427,064
Borrowings	20	47,643,105	53,291,855
Provisions	21	1,565,401	1,902,261
Deferred income	23	4,953,313	2,441,438
Other current liabilities	23	8,102,614	6,490,655
Total current liabilities		**69,034,837**	**71,553,273**
Total liabilities		**89,198,309**	**107,265,415**
Total equity and liabilities		**121, 321,521**	**140,050,743**

The financial statements were approved by the Board of Administration and authorised for issuance on April 7, 2015.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

SOCIETATEA COMERCIALĂ TURBOMECANICA S.A. BUCUREȘTI-ROMÂNIA 1

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

S.C. TURBOMECANICA S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all the amounts are expressed in „RON", unless otherwise specified)

	December 31, 2014	December 31, 2013
Cash flow from operations		
Gross profit / (loss) of the year	**(3,554,469)**	**(8,592,227)**
Adjustments for:		
Income tax	(4,266,896)	(266,625)
Impairment expenses	4,308,184	5,348,820
Provision for receivables	-	(1,536)
Provision for inventories	(153,586)	(1,815,952)
Other provisions	(336,860)	441,455
Net gain on sale of fixed assets	12,742,258	2,805
Financial costs	4,446,205	5,486,313
Other financial gains	(134)	(181)
Net gains from exchange rate differences	2,984,655	(544,590)
Adjustments for impairment of assets revalued	(289,605)	-
Changes in working capital		
Increase / (Decrease) in trade and other receivables	(410,806)	2,327,700
Increase / (Decrease) of inventories	(4,646,257)	805,526
Increase in trade and other liabilities	766,938	1,217,344
Net cash generated by / (used in) operating activities	**11,589,627**	**4,408,852**
Income tax paid	-	-
Interest paid	(1,013,946)	(5,175,050)
Net cash generated by / (used in) operating activities	**10,575,681**	**(766,198)**
Cash flows from investment activities		
Purchase of tangible assets	(1,212,264)	(156,185)
Purchase of intangible assets	(70,835)	(155,639)
Proceeds from sale of fixed assets	23,091,940	4,652
Net cash generated by / (used in) investment activities	**21,808,841**	**(307,172)**
Net cash from financing activities		
(Repayments) / collection of borrowings	(20,784,641)	(1,661,743)
Net cash generated by / (used in) financing activities	**(20,784,641)**	**(1,661,743)**
Net increase / (decrease) of cash and cash equivalents	**11,599,881**	**(2,735,114)**
Cash and cash equivalents at the beginning of the period	**303,142**	**3,038,256**
Cash and cash equivalents at the end of the period	**11,903,023**	**303,142**

The financial statements were approved by the Board of Administration and authorised for issuance on April 7, 2015.

SOCIETATEA COMERCIALĂ TURBO MECANICA S.A. 1 BUCUREȘTI-ROMÂNIA

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

The accompanying notes form an integral part of these financial statements.

This is a free translation from the original Romanian version.

S.C. TURBOMECANICA S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2014
(all the amounts are expressed in „RON", unless otherwise specified)

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2014	**1,024,571,055**	**45,903,557**	**55,475,344**	**(1,093,165,028)**	**32,785,328**
Profit / (Loss) for the year	-	-	-	(3,554,469)	(3,554,469)
Other comprehensive income for the year net of tax	-	-	2,892,354	-	2,892,354
Realisation of revaluation reserves	-	-	(23,726,724)	23,726,724	-
Balance as at December 31, 2014	**1,024,571,055**	**45,903,957**	**34,640,974**	**(1,072,992,773)**	**32,123,213**

	Share capital	Reserves	Revaluation reserve	Retained earnings	Total
Balance as at January 1, 2013	**1,024,571,055**	**45,903,957**	**55,881,855**	**(1,084,979,312)**	**41,377,555**
Profit / (Loss) for the year	-	-	-	(8,592,227)	(8,592,227)
Other comprehensive income for the year net of tax	-	-	-	-	-
Realisation of revaluation reserves	-	-	(406,511)	406,511	-
Balance as at December 31, 2013	**1,024,571,055**	**45,903,957**	**55,287,373**	**(1,093,165,028)**	**32,785,328**

The financial statements were approved by the Board of Administration and authorised for issuance on April 7, 2015.

CLAUDIA ANGHEL,
Economic - Commercial Manager

RADU VIEHMANN,
President - General Manager

The accompanying notes form an integral part of these financial statements.
This is a free translation from the original Romanian version.

1. GENERAL INFORMATION

S.C. TURBOMECANICA S.A. ("Turbomecanica" or the "Company") is a joint stock company, incorporated in 1975, with the main activity the manufacturing of engines, mechanical assemblies and equipment for aircraft. It is a privately owned company whose shares are listed on the Bucharest Stock Exchange. The shareholder's structure is available on BSE web site.

The evolution of the Company is as follows: 1975-1977- Engine production company Bucharest; 1978-1990 - Turbomecanica Bucuresti; from 20.11.1990, through GD no. 1213, the joint stock company "Compania Comerciala Turbomecanica SA" was incorporated. After 1991, from Turbomecanica SA two companies were formed: Aeroteh SA and Micron-Turboteh SA.

The activity of the company is manufacturing of engines and mechanical assemblies for aircrafts and helicopters. The main products provided by the Company are: Turbo engines, Viper engines, modernization of Puma helicopters, spare parts for Viper, Spey and Turbo engines, spare parts and engines for Rolls-Royce. Turbomecanica is the only producer of gas turbine engines and mechanical assemblies for aircrafts on the Romanian market.

The Company's main clients on the national market are the Ministry of Defence and IAR Brasov, but the Company has also concluded transactions with clients from Europe (Rolls Royce) or the US (General Electric US).

The average number of employees changed from 2013 to 2014 as follows:

	2014	2013
Average number of employees	318	306

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards and Interpretations effective in the current period

The following amendments to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are effective for the current period:

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosures of Interests in Other Entities" and IAS 27 "Separate Financial Statements"** – Investment Entities (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 32 "Financial instruments: presentation"** – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 36 "Impairment of assets"** - Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014),

- **Amendments to IAS 39 "Financial Instruments: Recognition and Measurement"** – Novation of Derivatives and Continuation of Hedge Accounting (effective for annual periods beginning on or after 1 January 2014),

- **IFRIC 21 "Levies"** (effective for annual periods beginning on or after 1 January 2014),

- **IFRS 11 "Joint Arrangements"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),

- **IAS 28 (revised in 2011) "Investments in Associates and Joint Ventures"**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014)

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards and Interpretations effective in the current period (continued)

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 11 "Joint Arrangements" and IFRS 12 "Disclosures of Interests in Other Entities"** – Transition Guidance, adopted by the EU on 4 April 2013 (effective for annual periods beginning on or after 1 January 2014),

Standards and interpretations issued by the IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements the following standards, revisions and interpretations issued by the IASB and adopted by the EU were issued but not yet adopted:

- **Amendments to various standards "Improvements to IFRSs (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 17 December 2014 (amendments are to be applied for annual periods beginning on or after 1 February 2015),

- **Amendments to various standards "Improvements to IFRSs (cycle 2011-2013)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 3, IFRS 13 and IAS 40) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 18 December 2014 (amendments are to be applied for annual periods beginning on or after 1 January 2015),

- **Amendments to IAS 19 "Employee Benefits"** - Defined Benefit Plans: Employee Contributions - adopted by the EU on 17 December 2014 (effective for annual periods beginning on or after 1 February 2015),

- **IFRIC 21 "Levies"** adopted by the EU on 13 June 2014 (effective for annual periods beginning on or after 17 June 2014),

Standards and interpretations issued by the IASB but not yet adopted by the EU

At present, the IFRS adopted by the EU are not significantly different from the regulations adopted by the International Accounting Standards Board (IASB) except for the following standards, amendments to the existing standards and interpretations, which were not approved by the EU on the date of publication of the financial standards (the effective dates mentioned below are entirely for IFRS):

- **IFRS 9 "Financial Instruments"** (effective for annual periods beginning on or after 1 January 2018),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016),

- **IFRS 15 "Revenue from Contracts with Customers"** (effective for annual periods beginning on or after 1 January 2017),

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective for annual periods beginning on or after 1 January 2016)

- **Amendments to IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures"** - Investment Entities: Applying the Consolidation Exception (effective for annual periods beginning on or after 1 January 2016),

- **Amendments to IFRS 11 "Joint Arrangements"** – Accounting for Acquisitions of Interests in Joint Operations (effective for annual periods beginning on or after 1 January 2016),

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 38 "Intangible Assets"** - Clarification of Acceptable Methods of Depreciation and Amortisation (effective for annual periods beginning on or after 1 January 2016),,
- **Amendments to IAS 16 "Property, Plant and Equipment" and IAS 41 "Agriculture"** - Agriculture: Bearer Plants (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to IAS 27 "Separate Financial Statements"** - Equity Method in Separate Financial Statements (effective for annual periods beginning on or after 1 January 2016),
- **Amendments to various standards "Improvements to IFRSs (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) primarily with a view to removing inconsistencies and clarifying wording (amendments are to be applied for annual periods beginning on or after 1 January 2016).

The Company anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The main accounting policies are presented below:

The main accounting policies applied in preparing these financial statements are presented below. These policies have been applied consistently throughout all the years disclosed, unless otherwise presented.

Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union, according to the Ministry of Public Finance Order no.1286/2012 as subsequently amended.

Basis of preparation

The individual financial statements of Turbomecanica SA have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRIC interpretations, as adopted by the European Union. The individual financial statements have been prepared on the historical cost basis, as amended further to the revaluation of tangible assets and financial assets available for sale at fair value through equity.

The preparation of the individual financial statements in accordance with IFRS requires the use of critical accounting estimates. It also requires that the management use its professional judgment when applying the Company's accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Going concern

As at December 31, 2014 the Company registered a cumulated loss of RON 1.072.992.773 which also includes the effects of the application of inflation ratios according to IAS 29, and the loss for the year then ended is RON 3.554.469. Such matters indicate uncertainty regarding the Company's going concern. Therefore, the Company's ability to continue its activity depends on its capacity to generate sufficient future revenues, on the financial support of the crediting banks. The Company's management also deems that the decrease of the gearing ratio due to sale of assets and reimbursement of some loans will lead to an increased support from financing banks. These financial statements do not include adjustments arising from the outcome of such uncertainty related to the going concern.

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for year 2014 represents 84% of total turnover of the Company.

Comparatives

For each item of balance sheet, profit and loss, and where applicable, changes in equity, the Company presented the value of the corresponding item for the previous financial year.

If the values related to the previous year are not comparable to the current period, then such have been amended to provide consistency with the accounting policies and disclosure requirements for the current year.

Revenue recognition

The revenue is measured at the fair value of the counter value received or receivable. Revenue from sales is reduced for returns, commercial rebates and other similar reductions.

Revenue from sales of goods

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

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Specifically, revenues from the sale of goods are recognised when the goods are delivered and the ownership right is transferred.

Revenues from services

Revenues generated by a services supply contract are recognised according to the degree of completion of the transaction. The degree of completion of the transaction is established as follows:

- Installation fees are recognised according to the degree of completion of the installation, determined as portion of the total estimated time for installation lapsing at the end of the reporting period;
- Maintenance fees included in the prices of the products sold are recognised by reference to the portion out of the total maintenance cost for the sold product; and
- Revenues generated by time and materials contracts are recognised at contractual rates as hours worked and direct costs.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenues from dividends and interest

The revenue from financial investments is recognised when the shareholders' right to receive payment has been established (provided that the economic benefits are directed to the Company and the value of revenues is measured with accuracy).

The revenues from interest generated by a financial asset are recognised when it is probable that the Company obtains economic benefits and when such revenue can be reliably measured. The revenue from interest is accumulated in time, by reference to the principal and the actual interest rate applicable, meaning the rate that discounts with accuracy the estimated future cash collections throughout the estimated period of the financial asset at the net book value of the asset upon initial recognition.

Revenues from rentals

The Company's policy on the recognition of revenues from operating lease is described below.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Company as lessor

Amounts payable by a lessee under financing lease are recognised as receivables at the value of the net investment of the Company's in leases. The revenue from finance leases is attributed to accounting periods so as to reflect a constant periodic rate of return of the Company's net investments regarding leases.

Revenues from operating leases are recognised on a straight-line basis over the lease term. Direct initial costs involved in the negotiation and contracting of an operating lease are added to the book value of the leased asset and are recognised on a straight line basis over the lease term.

Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless directly attributable to eligible assets, in which case are capitalised in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as an expense in the period in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals from operating lease are recognized as an expense in the period in which they are incurred.

If lease incentives are received to conclude operating leases, such incentives are recognised as liability. The aggregate benefit of the incentives is recognised as a straight line reduction of lease expenses, except where another systematic basis is more representative of the time pattern in which the economic benefits from the leased asset are consumed.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Foreign currency transactions

In preparing these financial statements, transactions in other currencies than the functional currency are recorded at the exchange rate valid at the date of the transaction. At the end of each reporting period, non-monetary elements expressed in foreign currency are translated at the exchange rate valid on such date. Non-monetary elements accounted at fair value, expressed in a foreign currency are translated at the current rates valid on the date when the fair value was determined. Non-monetary elements measured at historical cost in a foreign currency are not translated again. The exchange rates used are EUR 1 = RON 4,4821 (December 31, 2014) and EUR 1 = RON 4,4847 (December 31, 2013), average rate EUR 2013 = RON 4,4446.

Foreign exchange differences for monetary elements are recognised in the profit and loss in the period they are incurred, except for:

- foreign exchange differences corresponding to borrowings in foreign currency for assets in progress for future production, which are included in the cost of such assets when considered an adjustment of the expense with the interest related to such borrowings in foreign currency;
- foreign exchange differences related to transactions concluded to cover certain foreign currency risks (see the hedge accounting policies below).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Revenues from investing temporarily the obtained borrowings to purchase or construct qualifying assets are deducted from the borrowing costs that may be capitalised.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Employee benefits

In the normal course of business, the Company makes payments to the Romanian State on behalf of its employees, for pensions, health and unemployment fund. The cost of these payments is charged to the income statement in the same period as the related salary cost.

All employees of the Company are members of the Romanian State pension plan.

The Company rewards its employees with retirement benefits according to the collective labour contract. For such pension plan, the cost of benefits is determined using the projected unit credit method, and actuarial assessments are performed on each balance sheet date. The Company recognises all actuarial gains and losses arising from defined benefit plans immediately in other comprehensive income and all expenses related to defined benefit plans in personnel expenses in profit or loss.

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate, the expected inflation rate and the expected rate of salary increase. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the Company considers the interest rates of high-quality government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability. Other key assumptions for pension obligations are based on current market conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits (continued)

Benefits for termination of employment contract

Benefits for termination of the employment contract may be paid when the Company terminates the employment contract prior to the normal retirement date or any time the employee accepts voluntary redundancy in exchange for such benefits. The Company recognizes the benefits for termination of employment contract either when it clearly undertakes either to terminate the current employees' employment contracts according to an official plan without the realistic possibility to avoid it; or to offer benefits for terminating the employment contract further to an offer submitted to encourage voluntary redundancy. Benefits owed within more than 12 months from the reporting period are discounted on the reporting date.

Taxation

Income tax expenses consist of all current taxes payable, and deferred income taxes.

Current tax

The tax currently payable is based on the taxable income for the year. Taxable income differs from the income reported in the statement of comprehensive income due to items of revenues or expenses that are taxable or deductible in other years, and due to items that are never taxable or deductible. The Company's current income tax liability is determined by using the taxation rates enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised based on temporary differences between the carrying value of assets and liabilities in the financial statements and the corresponding fiscal base used in calculating taxable income. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax receivables are generally recognized for all taxable temporary differences if the taxable profits against which the deferred tax receivable can be used are available. No deferred tax receivables or liabilities are recognised if the temporary difference is generated by the initial recognition of goodwill or initial recognition of an asset or liability in a transaction that does not constitute a business combination and does not affect either the accounting income or taxable income upon the conclusion of the transaction (fiscal loss).

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the level of the taxes assumed to apply during the period set for the recovery of the debt or realisation of the asset, considering the level of taxes (and tax laws) that are or will be in force until the end of the reporting period. The measurement of deferred assets and liabilities reflect the tax consequences that would arise from the manner in which the Company estimates, at the end of the reporting period, to recover or settle the carrying value of its assets and liabilities.

Current and deferred annual tax

Current and deferred tax is recognised in profit and loss unless it refers to elements recognised in other comprehensive results or directly in equity, in which case current and deferred tax is also recognised in other global income, or equity.

The income tax for the year ended December 31, 2014 was 16% (December 31, 2013: 16%).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Tangible assets used in production or to supply goods or services, or for administrative purposes, are presented in the statement of financial position at re-measured value less depreciation and any cumulated depreciation.

Tangible assets in progress that will be used in production or in administration are stated at cost less any impairment. Costs include professional fees and, in case of qualifying assets, borrowing costs capitalised in accordance with the Company's accounting policies. Such assets are classified under such categories of tangible assets when completed or ready for use for the purpose they were intended. The depreciation of such assets, on the same basis as other owned assets, commences when the assets are ready for use as intended by the management.

The depreciation periods for tangible assets are:

	Years
Buildings	10-50
Installations and technological equipment	3-20
Furniture and other office equipment	3-15

Land is not depreciated.

Depreciation is charged so as to systematically allocate the cost of the asset less the residual value over its estimated useful life, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

An item of property, plant and equipment is no longer recognised further to its assignment or when no future economic benefits are expected from the continued use of the asset. Any gain or loss resulting from the assignment or disposal of an item of property, plant and equipment is determined as the difference between proceeds from sales and the carrying value of the asset and is recognised in the Company's profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with determined useful lives and which are acquired separately are reported at cost less any subsequent accumulated amortisation and any accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with undetermined useful lives and which are acquired separately, are reported at cost less accumulated impairment losses.

Internally generated intangible assets – research and development expenses (continued)

Expenses for research and development are recognised as expense in the period in which they are incurred.

3. **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Intangible assets (continued)

Internally generated intangible assets – research and development expenses (continued)

Expenses for research and development are recognised as expense in the period in which they are incurred.

An internally generated intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

The initially recognised value of internally generated intangible assets means the sum of all costs incurred as of the date when the intangible asset fulfils for the first time the recognition criteria above. Where no internally generated intangible asset may be recognised, development expenses are recognised in profit and loss in the period in which they are incurred.

After initial recognition, internally generated intangible assets are reported at cost less any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Intangible assets acquired as part of a business combination

Intangible assets acquired as part of a business combination and recognised separately from goodwill are initially recognised at fair value on the acquisition date (deemed cost thereof).

After initial recognition, intangible assets acquired as part of a business combination are reported at cost minus any accumulated amortisation and any impairment losses, the same as intangible assets acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gains or losses from the derecognition of an intangible asset, measured as difference between net proceeds from sale and the asset's carrying value are recognised in profit and loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that that such assets have impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. Where there can be identified a reasonable and consistent basis of allocation, corporate assets will also be allocated to individual cash generating units or, if not, to the smallest group of cash generating units for which a reasonable and consistent basis of allocation can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets other than goodwill (continued)

Intangible assets with undetermined useful lives and intangible assets not yet available for use are tested at least annually for impairment or anytime there is an indication that the asset might be impaired.

The recoverable value means the highest of fair value minus sale costs and its value in use. When measuring the value in use, estimated future cash flows are discounted at their current value by using a discount rate determined prior to taxation, which reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates related to future cash flows have not been adjusted.

If the recoverable value of an asset (or cash-generating unit) is estimated to be lower than its carrying value, then the carrying value of the asset (or the cash-generating unit) is reduced to the level of the recoverable value. Impairment is recognised immediately in profit or loss, if the relevant asset is not registered at a re-measured value, in which case the impairment is treated as reduction of re-measurement.

Were the impairment is reversed, the carrying value of the asset (or the cash-generating unit) is increased at the level of its new estimated recoverable value, only that the increased carrying value must not exceed the carrying value that would have been established should the impairment for the asset (cash-generating unit) had not been recognised in previous years. A reversal of impairment is immediately recognised in profit or loss, except where the asset is accounted at revalued amount, in which case the reversal of the impairment is treated as increase of the revaluation.

Inventories

Inventories are carried at the lower of cost and net realizable value. Cost is determined using the WAC (weighted average cost) method. Net realizable value represents the estimated selling price throughout the normal business course, less estimated costs of completion and costs necessary to make the sale.

Obsolete inventories were adjusted as follows: by 100% inactive inventories in the last 5 years (or more), by 40% inactive inventories in the last 4 years and by 30% inactive inventories in the last 3 years. Inactive inventories in the last 2 years have not been adjusted since most manufactured products have long cycle of use. To adjust slow moving inventories, only those materials that registered outflows in 2014 have been taken into account, and inventories as at 31.12.2013 and 31.12.2014 were different from zero. The rate was calculated as the ratio between the average inventories (as at 31.12.2013 and 31.12.2014) and 2014 outflows. The adjustments were calculated according to the size of rate: 30% for a rate equal to 3, 70% for a rate equal to 4 and 100% for a rate equal to 5 (and higher).

Provisions

Provisions are recognized when the Company has a present obligation (legal or implicit) as a result of a past event, and it is probable that an outflow of resources incorporating economic benefits will be required to settle that obligation and a reliable estimate of the value of the obligation may be made.

The value recognised as provision is the best estimate of the counter value required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties related to the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, the carrying value thereof is the present value of such cash flows (if the effect of the time value of money is material).

When expected that some of or all the economic benefits required to settle a provision be recovered from third parties, then the receivable is recognised as asset if it is almost certain that the repayment will be collected and the value of the receivable can be reliably assessed.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

Onerous contracts

Present obligations generated under onerous contracts are recognised and measured as provisions. A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Restructurings

A provision for restructuring costs is recognised when the Company has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it. The measurement of a provision for restructuring includes only direct expenses related to the restructuring, which mean such values that are mandatorily generated by restructuring and are not associated with the Company's ongoing activities.

Guarantees

Provisions for estimated costs of guarantee obligations according to local legislation concerning the sale of goods are recognised on the date when the relevant products are sold, at the best estimate made by the management as regards the expenses required to settle the Company's obligation.

Financial assets and liabilities

Financial assets and financial liabilities are recognised when the Company becomes a party in the contractual provisions of the instrument.

Financial assets

Financial assets are classified in the following categories: financial assets "at fair value through profit and loss" and "loans and receivables". The classification depends on the nature and scope of the financial assets and is determined upon initial recognition. All standard purchases or sales of financial assets are recognised and derecognised on the transaction date. Standard purchases or sales are purchases or sales of financial assets that require the delivery of the assets within a short period of time through regulation or market convention.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including the taxes paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the debt instrument, or (if applicable) over a shorter period, to the net carrying amount as at the initial recognition date.

The income is recognised based on the effective interest method for debt instruments other than the assets classified as financial assets at fair value through profit and loss.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss when they are either held for trading or when they are classified as financial assets at fair value through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets and liabilities (continued)

Financial assets at fair value through profit or loss (continued)

A financial asset is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- upon initial recognition if it is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is a derivative not designated and effective as hedging instrument.

A financial asset other than a financial asset held for trading may be designated as financial asset at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial asset at fair value through profit or loss.

Financial assets at fair value through profit or loss are declared at fair value, and any gain or loss arising from revaluation is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise all the dividends or interest gained at financial assets and are included as "Net financial gains" in the statement of comprehensive income.

Loans and receivables

Borrowings and receivables are non-derivative financial instruments with fixed or determinable payments not quoted on an active market. Borrowings and receivables (including trade and other receivables, bank balances and cash, etc.) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest method, except for short-term receivables when the recognition of the interest is not material.

Impairment of financial assets

Financial assets other than at fair value through profit or loss are tested for impairment on each balance sheet date.

Financial assets are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event (or events) had an impact on the future cash flow corresponding to the investment.

Certain categories of financial assets such as clients, assets measured as not individually impairable are subsequently tested for impairment collectively. Objective evidence that a portfolio of receivables is impaired may include the Company's past experience regarding collective payments, an increase in the collection of delayed payments beyond the crediting period, and visible changes in the national and local economic conditions that correlate with payment incidents regarding receivables.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Other objective evidence of impairment include:

- significant financial difficulty of the issuer or obligor; or
- a breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter insolvency or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

The carrying value of the financial asset is reduced by the impairment loss, directly for all financial assets, except for trade receivables, in which case the carrying value is reduced through an allowance account. If it is deemed that a receivable cannot be recovered, it shall be written off and deducted from the provision. Subsequent recoveries of the amounts previously written off are credited in the allowance account. Changes in the carrying value of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Company derecognises financial assets if and only if the contractual rights over the cash flows expire; or it transfers the financial asset and substantially all of the risks and rewards related to the asset to another entity.

When derecognising a financial asset other than entirely (e.g., when the Company does not retain an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the entity retains control), the Company allocates the previous carrying value of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying value allocated to the part that is no longer recognised and the sum of the consideration received together with any cumulative gain or loss that had been recognised in other elements of comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other elements of comprehensive income is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as liability or equity

Debt or equity instruments issued by the Company are classified either as financial liabilities or equity in accordance with contractual engagements and the definition of a financial liability and equity instrument.

Equity instruments

An equity instrument is any contract that proves a residual participation in the assets of an entity after deducting all liabilities.

Financial liabilities

Financial liabilities are classified either as financial liabilities "at fair value through profit or loss" or as "other financial liabilities".

Financial liabilities at fair value through profit or loss

Financial liabilities are classified at fair value through profit or loss when the financial liability is either held for trading, or designated at fair value through profit or loss.

3 **SIGNIFICANT ACCOUNTING POLICIES (continued)**

Financial liabilities and equity instruments (continued)

Financial liabilities at fair value through profit or loss (continued)

A financial liability is classified as held for trading:

- if it is acquired principally for the purpose of selling or repurchasing it in the near term; or
- if, upon initial recognition, is part of a portfolio of identified financial instruments that the Company manages together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- if it is an embedded derivative not designated and effective hedging instrument.

A financial liability other than a financial liability held for trading may be designated as financial liability at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability is part of a group of financial assets, financial liabilities or both, and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the group is provided internally on that basis; or
- the asset is part of a contract containing one or more embedded derivatives, and IAS 39 Financial instruments: recognition and measurement allows that the entire combined contract (asset or liability) be designated as financial liability at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are declared at fair value, and any gain or loss arising from re-measurement is recognised in profit or loss. Net gains or losses recognised in profit or loss comprise any interest paid in relation to the financial liability and are included as "Net financial expenses" in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expenses over the relevant period. The effective interest rate is the rate that discounts exactly estimated future cash payments (including all fees and points paid or received forming an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the estimated period of the financial liability, or (if applicable) over a shorter period, to the net carrying value as at the initial recognition date.

Derecognition of financial liabilities

The Company derecognises financial liabilities if and only if the Company's liabilities are paid, cancelled or expire. The difference between the carrying value of the derecognised financial liability and the counter value paid and payable is recognised in profit or loss.

Subsidiaries and associates

Counterparties are deemed subsidiaries or associates when another party, either through ownership, contractual rights, family relations or other means, may control directly (subsidiaries) or influence significantly (associates) the other party.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

A segment is a part of the Company that is involved in activity segments from which it can obtain revenues and register expenses (including revenues and expenses corresponding to transactions with other parts of the same entity), whose operating results are regularly followed by the Company's management in order to made decisions on the resources to be allocated to the segment and assess its performances and for which separate financial information is available. Segment information is disclosed regarding the company's activity segments and are established based on the Company's management and internal reporting structure.

Settlement prices among segments are set objectively.

The results, assets and liabilities related to a segment include elements that may be allocated directly to one segment, and elements that may be allocated on a reasonable basis. Elements not allocated principally consist of investments (other than property investment) and related revenues, credits and loans and related expenses, corporate assets (mainly the Company's main office) and administrative expenses related to the main office, and income tax assets and liabilities.

Capital expenses related to a segment represent the total costs registered over the period for purchasing tangible and intangible assets other than goodwill.

Critical accounting judgements

The following are the critical judgements that the management has used in applying the Company's accounting policies and which have a significant impact on the carrying values recognised in the financial statements.

i) Allowances for impairment of tangible and intangible assets

At the end of each reporting period, the Company revises the carrying values of its tangible and intangible assets to determine whether there is any indication that such assets are impaired. Should such indication exist, the Company estimates the recoverable value of the asset to determine the extent of the impairment (if any). Where the recoverable value of a particular asset cannot be estimated, the Company estimates the recoverable value of the cash generating unit to which the asset belongs. The recoverable value means the highest value of fair value minus sale costs and its value in use. When assessing the value in use, the management estimates future cash flows discounted at their current value by using an un-discounting rate which reflects the current market value of the time value of money and the risks specific to the asset for which the estimated cash flows have not been adjusted. The carrying amount of tangible and intangible assets as at December 31, 2014 is of RON 65,369,944. The impairment test performed as at December 31, 2014 using a WACC of 11,7% does not indicate any impairment.

ii) Useful life of tangible and intangible assets

The Company revises the estimated useful life of tangible and intangible assets at the end of each annual reporting period. The useful lives have been reassessed at the end of December 31, 2014 and no changes have been identified. The useful lives are presented in Note 3 tangible and intangible accounting policies.

iii) Pension obligations

The present value of pension obligations depends on a number of factors determined on an actuarial basis, using various hypotheses. Any change in such hypotheses will influence the carrying value of the pension obligations. The pension obligations are in amount of RON 1,494,810 RON as at December 31, 2014 and as at December 31, 2013. A new reassessment was not done since no significant changes have occurred in the personnel structure.

iv) Deferred tax. The carrying amount as at December 31, 2014 and December 31, 2013 is presented in Note 10.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Critical accounting judgements (continued)

v) Provisions and contingent liabilities. Provisions are reassessed annually – presented in Note 21 and contingent liabilities are also determined on annual basis - presented in Note 28.

vi) The fair value of financial instruments

The fair value of financial instruments that are not traded on an active market is determined by using measurement techniques. The Company uses its judgement to choose from various methods and advance hypotheses that rely mainly on the existing market conditions at the end of each reporting period. Financial instruments analysis is presented in Note 26.

The management considers that the measurement techniques and the hypotheses used are correct for setting the fair value of financial instruments.

4. INCOME

Below, an analysis of the Company's income for the financial year:

	December 31, 2014	December 31, 2013
	RON	*RON*
Income from the sale of finished products	52,807,918	32,979,347
Income from the sale of merchandise	7,017	791,899
Income from services provided	694,785	555,932
Income from other activities	87,246	73,371
Income from the sale of residual products	78,392	168,000
Total	**53,675,358**	**34,568,549**

5. RAW MATERIALS AND CONSUMABLES USED

	December 31, 2014	December 31, 2013
Expenses with raw materials	10,037,557	5,440,581
Expenses with utilities	1,615,881	1,975,375
Expenses with auxiliary materials	953,024	1,073,702
Other similar expenses	385,928	544,851
Packaging expenses	6,727	-
Cost of goods sold	518	785,681
Total	**12,999,635**	**9,820,189**

6. EMPLOYEE BENEFITS

	December 31, 2014	December 31, 2013
Salaries	13,439,285	14,182,953
Social security contributions	3,894,988	4,259,624
Independent contributors benefits	642,766	682,166
Total	**17,977,039**	**19,124,743**

7. NET FINANCIAL LOSSES

	December 31, 2014	December 31, 2013
Interest expense	4,446,205	5,486,313
Bank commissions	75,861	91,383
Other financial expenses	9,606	115,850
Other financial income	(8)	(2)
Interest income	(134)	(181)
Total	**4,531,530**	**5,693,363**

8. OTHER OPERATING EXPENSES

	December 31, 2014	December 31, 2013
	RON	*RON*
Services provided by third parties	2,388,263	1,454,697
Other operating expenses	2,316,114	1,816,208
Duties and taxes	357,454	499,807
Repairs	236,515	223,967
Advertising, publicity and protocol	118,501	35,557
Insurance premiums	793,736	127,109
Secondments	104,188	115,087
Rental expenses	28,636	24,722
Transport expenses	284	500
Total	**6,343,691**	**4,297,654**

9. OTHER GAINS AND LOSSES

	December 31, 2014	December 31, 2013
	RON	*RON*
Net gain on foreign exchange	(2,984,655)	544,590
Movement of provisions	620,871	778,211
Other gains and losses from the sale of assets	(-)	(104,620)
Total	**(2,363,358)**	**1,218,181**
Losses from sale of assets held for sale	**(12,742,291)**	**-**

Details regarding the sale of assets held for sale in the year 2014 are presented in Note 17.

10. INCOME TAX

In 2014 and 2013, the income tax rate was 16%.

The differences between the regulations issued by the Ministry of Finance in Romania and the accounting rules used to prepare the financial statements give rise to a temporary difference between the carrying value of certain assets and liabilities and their fiscal value. The deferred income tax is computed for all temporary differences to which tax is applied using the balance sheet liability method and using the tax rate of 16%.

10. INCOME TAX (continued)

The income tax recognised in profit or loss:

	December 31, 2014	December 31, 2013
Current income tax	-	-
Deferred income tax	4,266,896	266,625
Total	**4,266,896**	**266,625**

Reconciliation of current income tax:

	December 31, 2014	December 31, 2013
Loss before taxation	(7,821,365)	(8,858,853)
Current income tax	-	-
Elements similar to revenues	26,616,908	-
Elements similar to expenses	(4,022,743)	-
Non-taxable income	(5,748,326)	(2,505,387)
Non-deductible expenses	20,613,177	9,294,180
Tax deductions	(2,782,158)	(3,371,167)
Taxable result	**26,855,493**	**(5,441,227)**
Fiscal losses used	**(26,855,493)**	**-**
Income tax expense	**-**	**-**

Reconciliation of deferred tax:

Initial balance of which:	**(7,945,637)**
Recognised through profit or loss	-
Recognised through other comprehensive income	(7,945,637)
Recycled to profit or loss	4,266,896
Recorded through other comprehensive income	(1,058,756)
Final balance	**(4,737,497)**

As at December 31, 2013, the Company registered a fiscal loss totalling RON 18,178,977, consisting of:

Year of loss	Loss value	Valid until
2014	26,855,493	-
2013	(5,441,227)	2020
2012	(8,538,725)	2019
2011	(15,750,660)	2018
October – December 2010	(3,130,682)	used in 2014
January – September 2010	(5,751,866)	used in 2014
2009	(6,421,310)	used in 2014
Total	**(18.178.977)**	

The unrecognised deferred tax is RON 2,908,636 . It was not registered in the financial statements, since the recognition criteria in accordance with IFRS are not fulfilled. If the Company pays the deferred tax liabilities, then it may use the tax losses then available and valid to reduce the actual amount payable. During 2014 the Company has used fiscal losses from prior year in amount of RON 26,855,493.

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Technical installations and machinery	Equipment and vehicles	Tangible assets in progress	Total
COST						
January 1, 2013	**20,882,601**	**9,979,629**	**25,532,424**	**49,302**	**271,771**	**56,715,728**
Inflows	-	-	2,942	-	398,225	401,167
Transfers	(481,691)	-	-	-	-	(481,691)
Outflows	-	-	(9,470)	-	(2,942)	(12,412)
Inflows / (outflows) from revaluation	-	-	-	-	-	-
December 31, 2013	**20,400,910**	**9,979,629**	**25,525,896**	**49,302**	**667,054**	**56,622,791**
Inflows	-	583,192	188,392	-	276,635	1,048,219
Transfers	-	-	-	-		-
Outflows		-	33	-	(757,174)	(757,141)
Inflows / (outflows) from revaluation	515,865	(97,736)	(1,321,878)	-		(1,935,479)
December 31, 2014	**19,885,045**	**10,465,085**	**24,392,443**	**49,302**	**186,514**	**54,978,392**
ACCUMULATED DEPRECIATION						
January 1, 2013	-	-	-	-	-	-
Depreciation for the year	-	332,940	3,282,773	20,424	-	3,636,137
Accumulated depreciation related to outflows	-	-	(7,457)	-	-	(7,457)
Disposals due to revaluation	-	-	-	-	-	-
December 31, 2013	-	**332,940**	**3,275,316**	**20,424**	-	**3,628,680**
Depreciation for the year	-	283,051	2,314,625	3,710	-	2,601,317
Accumulated depreciation related to outflows	-	-	-	-	-	-
Disposals due to revaluation		(615,991)	(5,560,205)		-	(6,176,196)
December 31, 2014	-	-	**29,736**	**24,134**	-	**53,870**
NET BOOK VALUE						
January 1, 2013	**20,882,601**	**9,979,629**	**25,532,424**	**49,302**	**271,771**	**56,715,727**
December 31, 2013	**20,400,910**	**9,646,689**	**22,250,580**	**28,878**	**667,054**	**52,994,111**
December 31, 2014	**19,885,045**	**10,465,086**	**24,362,710**	**25,168**	**186,514**	**54,924,522**

11. PROPERTY, PLANT AND EQUIPMENT (continued)

As at December 31, 2014 the land and buildings as well as technical technical installation and machinery have been revalued by an independent appraiser, member of ANEVAR. Following the revaluation a gain of 4.240,718 RON has been recorded, out of which the amount of RON 3,951,109 through other comprehensive income and RON 289,609 through profit and loss. Details are:

- unfavourable differences on land in amount of 515,865 RON;
- favourable differences buildings in amount of 518,256 RON;
- favourable differences technical equipment in amount of 3,321,151 RON;
- favourable differences measurement devices and installations in amount of 917,175 RON.

The net book value of buildings and technical installation and machinery at cost (including local mandatory indexations) is of approximately 22 million RON while the net book value of land at cost (including local mandatory indexations) is of approximately 2.5 million RON.
Revaluation reserves – unrealized cannot be distributed to shareholders.

The revaluation report was done for land, buildings, technical installations and equipment which are based in the same location. The valuation techniques used were market approach and for specialized properties where insufficient market information was available the appraised used the net replacement cost method. In order to determine the final values the appraiser has also used the cost approach and the income approach. The market prices used were those available during December 2014.

The unobservable inputs used are capitalization rate of 10%, expected rent of 4.5-6.5 eur/sq, occupancy rate 85-90%, average market price for the land 150 eur/sqm, correction for 15% for sales conditions, For net replacement cost method – standard catalogue prices have been used for reference and corrections for labor and transportation cost have been applied.

The values are sensitive to market values – if the prices increase also the values increase or have the same downwards trend.

The appraiser report was reviewed by the management and approved by the administrator.

1. Fixed assets pledged or mortgaged

As at December 31, 2014 the Company pledged or mortgaged property, plant and equipment of RON 49.763.259 in net book value.

12. INTANGIBLE ASSETS

	Other intangible assets	Intangible assets in progress	Total
COST			
As at January 1, 2013	**13,638,430**	**-**	**13,638,430**
Inflows	2,890,900	155,639	3,046,539
Outflows	-	-	-
As at December 31, 2013	**16,529,330**	**155,639**	**16,684,969**
Inflows	148,343	85,245	233,588
Outflows	-	(162,753)	(162,753)
As at December 31, 2014	**16,677,673**	**78,131**	**16,755,804**

12. INTANGIBLE ASSETS (continued)

	Other intangible assets	Intangible assets in progress	Total
ACCUMULATED AMORTISATION			
As at January 1, 2013	**2,890,899**	**-**	**2,890,899**
Amortisation for the year	1,712,683	-	1,712,683
Accumulated amortisation related to outflows	-	-	-
As at December 31, 2013	**4,603,582**	**-**	**4,603,582**
Amortisation for the year	1,706,799		1,706,799
Accumulated amortisation related to outflows	-	-	-
As at December 31, 2014	**6,310,381**	**-**	**6,310,381**
NET BOOK VALUE			
As at January 1, 2013	**10,747,531**	**-**	**10,747,531**
As at December 31, 2013	**11,925,748**	**155,639**	**12,081,387**
As at December 31, 2014	**10,367,292**	**78,131**	**10,445,422**

Intangible assets consist of ERP IT software. Such software amortizes over 9 years., the net book value if the ERP as at December 31, 2014 is of RON 10,361,364 with a remaining useful live of 7 years.

13. INVENTORIES

	December 31, 2014 *RON*	December 31, 2013 *RON*
Raw materials	26,547,445	20,846,091
Consumables	680,440	756,146
Items of inventory	-	-
Packaging	99,493	95,628
Finished goods	1,002,100	1,770,264
Work in progress	5,978,556	6,015,688
Semi-finished goods	-	-
Residual products	66,583	17,241
Merchandise	51,925	51,925
Inventory allowances	(4,689,644)	(4,615,928)
Total	**29,736,898**	**24,937,055**

Finished goods and work in progress are expected to be realized in the next twelve months while the remaining are expected to be realized in a period of five years depending on the orders received from customers.

13. INVENTORIES (continued)

The movement of allowances for inventory impairment is as follows:

	December 31, 2014	December 31, 2013
	RON	*RON*
Balance at the beginning of the year	4,615,928	5,834,056
(Decrease) / Increase of provision in profit or loss	73,716	(1,218,128)
Balance at the end of the year	**4,689,644**	**4,615,928**

14. TRADE RECEIVABLES

	December 31, 2014	December 31, 2013
	RON	*RON*
Trade receivables	2,012,396	1,827,621
Clients - invoices to be issued	131,433	134,562
Allowance for doubtful debts	-	-
Total	**2,143,829**	**1,962,183**

The movement of allowances for impairment of trade receivables is as follows:

	December 31, 2014	December 31, 2013
Balance at the beginning of the year	-	1,536
(Decrease) / Increase of provision in profit or loss	-	(1,536)
Balance at the end of the year	**-**	**-**

The following table analyses trade receivables:

	December 31, 2014	December 31, 2013
Not due and without impairment	1.825.906	723,547
Maturity expired, without impairment	186.490	1,104,074
Impairment allowances	-	-
Total	**2.012.396**	**1,827,621**

Age of trade receivables whose maturity has expired, but which bear no impairment allowances:

Due and without impairment	December 31, 2014	December 31, 2013
Within 3 months	14,264	412,376
Between 3 months and 6 months	102,216	656,631
Between 6 months and 9 months	70,010	32,505
Within more than 1 year	-	2,563
Total	**186,490**	**1,104,074**

15. OTHER RECEIVABLES

	December 31, 2014	December 31, 2013
Sundry debtors	192,565	20
Prepaid expenses	33,077	22,902
Advances to suppliers	685,917	475,954
Other receivables	135,872	319,396
Impairment allowances	-	-
Total	**1,047,431**	**818,272**

16. CASH AND CASH EQUIVALENTS

	December 31, 2014	December 31, 2013
Cash in banks	11,892,451	289,898
Petty cash	3,963	4,384
Other cash equivalents	-	-
Cash equivalents	6,609	8,860
Total	**11,903,023**	**303,142**

17. ASSETS HELD FOR SALE

	December 31, 2014	December 31, 2013
Land held for sale	11,021,991	36,457,158
Buildings held for sale	-	10,399,031
Vehicles and machinery held for sale	98,405	98,405
Total	**11,120,396**	**46,954,594**

In the General Meeting of Shareholders no. 70/14.05.2012 the Company decided to sell such fixed assets. The Company is seeking potential buyers.

During 2014, the breakdown of assets held for sales has changed. In November 2014 the Company sold land and buildings in amount of RON 35,834,198 according to sale purchase contract no. 1142/20.11.2014.

The sale price was in amount of RON 23,091,940 and the loss recorded from this sale is of RON 12,742,291 as disclosed in Note 9.

Net book value of pledged assets held for sale is in amount of RON 11,021,991.

18. SHARE CAPITAL

The share capital is fully paid in:

	No. of shares	Share capital *RON*
Share capital as at December 31, 2014 and December 31, 2013	**369,442,475**	**36,944,248**
Effect of inflation on the share capital	-	987,626,807
Share capital as at December 31, 2014 and December 31, 2013	**369,442,475**	**1,024,571,055**

The Company's share capital was indexed to inflation as at December 31, 2003, from which date the Romanian economy was no longer considered inflationary.

19. RESERVES

	December 31, 2014	December 31, 2013
Legal reserves	14,613,210	14,613,210
Revaluation reserves	34,640,974	55,475,344
Other reserves	31,290,747	31,290,747
Total	**80,544,931**	**101,379,301**

The revaluation reserve is related to revaluations performed on property, plant and equipment and cannot be distributed to shareholders until it is realized.

The other reserves include the fiscal facilities for exports received in the period 2000-2003 in amount of RON 6,100,419 (their value prior to inflation adjustment was RON 4,957,578). If the management decides to change their destination, they will be taxed. The management has decided not to use such reserves, thus no deferred tax has been established in relation thereto. The remaining reserves are distributions from the previous years' profit.

20. BORROWINGS

	December 31, 2014	December 31, 2013
a) **Short-term debts to shareholders**	**6,774,086**	**6,363,115**
Secured loans	5,230,000	5,230,000
Interest payable to shareholders	1,544,086	1,133,115
b) **Loans from banking institutions**	**48,666,620**	**63,645,453**
Secured loans		
Short-term loans	40,869,019	46,928,740
Long-term secured loans		
Long-term loans	7,997,601	16,716,713
Total short and long-term loans	**55,640,706**	**70,008,568**

20. BORROWINGS (continued)

Contract	Sold 31.12.2014	Interest to be paid 31.12.2014	Commissions 31.12.2014
(A) BRD - Facilitate de Credit nr. 103 BIS/28.04.2006	26,248,604	1,448,273	228,826
(B) BRD - Contract de Credit nr. 103/16.05.2008	-	497,362	20,956
(C) BRD - Contract de Credit nr. 567/10.12.2007	4,787,851	503,190	18,886
(D) Banca Transilvania - Contract de Credit nr. 186/24.06.2009	7,291,272	64,341	7,757
(E) Banca Transilvania - Contract de Credit nr. 187/24.06.2009	713,079	33,908	3,974
(F) Banca Transilvania - Contract de credit nr. 40/04.02.2011	3,354,275	213,812	19,580
(G) Banca Transilvania - Contract de credit nr. 664/21.11.2011	1,674,495	106,761	9,777
(H) Banca Transilvania - Contract de credit nr. 665/21.11.2011	-	-	-
(I) Banca Transilvania - Contractul de credit nr. 385/02.07.2012	1,596,475	28,843	9,321
(J) Banca Transilvania - Contractul de credit nr. 386/02.07.2012	-	-	-
	45,666,051	**2,881,711**	**319,077**

Contract	Sold 31.12.2013	Interest to be paid 31.12.2014	Commissions 31.12.2013
(A) BRD - Facilitate de Credit nr. 103 BIS/28.04.2006	27,456,307	90,598	5,548
(B) BRD - Contract de Credit nr. 103/16.05.2008	10,484,545	28,365	2,097
(C) BRD - Contract de Credit nr. 567/10.12.2007	8,977,577	51,010	1,797
(D) Banca Transilvania - Contract de Credit nr. 186/24.06.2009	8,580,945	-	-
(E) Banca Transilvania - Contract de Credit nr. 187/24.06.2009	713,493	-	-
(F) Banca Transilvania - Contract de credit nr. 40/04.02.2011	3,354,275	-	-
(G) Banca Transilvania - Contract de credit nr.664/21.11.2011	1,674,495	-	-
(H) Banca Transilvania - Contract de credit nr. 665/21.11.2011	327,925	-	-
(I) Banca Transilvania - Contractul de credit nr. 385/02.07.2012	1,596,475	-	-
(J) Banca Transilvania - Contractul de credit nr. 386/02.07.2012	300,000	-	-
	63,466,037	**169,973**	**9,442**

a) Amounts owed to shareholders

At the end of March 2009, the Company concluded loan contracts with shareholders to finance its operating activity as follows:

(I) with Mr. Radu Viehmann, for RON 3,000,000;
(II) with Mr. Paul Radulescu, for RON 250,000;
(III) with Mr. Ion Dinca, for RON 350,000;
(IV) with Mr. Danut Spirea, for RON 200,000.

20. BORROWINGS (continued)

a) Amounts owed to shareholders (continued)

The interest rate in 2011 was 10.5% per year.

On March 12, 2010, the Company executed loan contract no. 490 with Mr. Florescu Grigore Virgil, for RON 1,500,000, due on 15.03.2011, with a net interest of 12%.

In 2011, all loan contracts were extended, and the interest rate was 8.82%. According to contract no. 538/18.08.2011 Mr. Viehmann credited the Company with RON 80,000. It is a short-term non-interest bearing contract.

In 2012, the loan contracts with Messrs. Viehmann Radu and Florescu Grigore Virgil were extended in May and the contract with Dinca Ion in August.

In August 2012, by contract no. 867/30.08.2012, Ms. Ciorapciu Dana Maria lent S.C. Turbomecanica S.A. RON 300,000.

The loans are due on 31.12.2013 and bear a gross interest of 9.5%.

In 2012, the loans granted by Mr. Radulescu Paul Nicolae, in amount of RON 250,000 and Mr. Spirea Danut in amount of RON 200,000 were repaid.

The balance of the loans is RON 5,230,000 as at 31.12.2012.

In February 2013, the loan contracts of Messrs. Viehmann Radu, Florescu Grigore Virgil and Dinca Ion were extended.

The loans are due on 31.12.2013 and the interest is fixed. As at 31.12.2013, the balance of the loans is RON 5,230,000.

In January 2014, the loan contracts of Messr. Viehmann Radu and Dinca Ion and Ms. Ciorapciu Dana Maria were extended.

The loans are due on December 31, 2014 and the interest rate is unchanged.

The outstanding loans as at December 31, 2014 amount to RON 5,230,000.

As at December 31, 2014, the interest due to shareholders' loans is RON 1,544,086, as follows:

Viehmann Radu	RON 1,390,239
Dinca Ion	RON 101.966
Ciorapciu Dana Maria	RON 51,881

b) Amounts owed to credit institutions

(A) BRD – Credit facility no. 103 BIS/28.04.2006

On April 13, 2005, the Company concluded a loan contract in amount of USD 7 million with BRD – Groupe Société Générale. The loan was extended under loan contract no. 103bis dated April 28, 2006, which also granted a reserve ceiling in amount of USD 1 million.

By addendum no. 1/27.04.2007 the ceiling increased to USD 9,000,000 and extended until 29.04.2008. By addendum no. 2/25.04.2008 both ceilings extended until 31.05.2008. By addendum no. 3/30.05.2008 the loan ceiling changed to USD 10,000,000, valid until 29.04.2009 and a new reserve facility of maximum USD 1,000,000 was introduced, available at the borrower's express request, in compliance with certain performance criteria. Addendum no. 4/15.04.2009 changed the interest rate.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

Addendum no. 5/29.04.2009 extended the validity of the loan contract until 31.05.2009. Addendum no. 6/11.05.2009 amended ANNEX 4 - GUARANTEES. Addendum no. 7/29.05.009 extended the contract validity until 30.06.2009. Addendum no. 8/30.06.2009 extended the contract validity until 31.07.2009. Addendum no. 9/31.07.2009 extended the contract validity until 31.12.2009 and the following changes were made:

- Credit Facility A consisting of a multi-option, multi-currency global ceiling in amount of USD 9,330,000 was granted until 31.12.2009, which can be used in the form of one or more of the following:

- credit line
- line for issuing bank letters of guarantee
- line for opening letters of credit
- line for discounting bills (bills of exchange, promissory notes)

Addendum no. 10 of 24.12.2009 extended the contract validity until 31.01.2010. Addendum no. 11 of 29.01.2010 extended the contract validity until 28.02.2010. Addendum no. 12 of 26.02.2010 extended the contract validity until 31.03.2010. Addendum no. 13 of 29.03.2010 extended the contract validity until 30.04.2010. Addendum no. 14 of 30.04.2010 extended the contract validity until 31.05.2010. Addendum no. 15 of 20.05.2010 extended the contract validity until 31.07.2010. Addendum no. 16 of 18.06.2010 revised the guarantees. Addendum no. 17 of 31.07.2010 reduced the crediting facility by USD 75,000 (up to USD 9,225,000, namely the sub-ceiling in the form of credit line was reduced to USD 9,035,000) and extended the contract validity until 31.08.2010.

By addendum no. 18 of 2010 the crediting facility was reduced by USD 75,000 (to USD 9,180,000, namely the sub-ceiling in the form of credit line was reduced to USD 8,960,000) and the contract validity was extended until 30.09.2010.

By addendum no. 19 of 30.09.2010 the crediting facility was reduced by USD 75,000 (to USD 9,105,000 namely the sub-ceiling in the form of credit line was reduced to USD 8,885,000) and the contract validity was extended until 31.10.2010.

By addendum no. 20 of 29.10.2010, the following was agreed:

1. to reduce the value of the credit facility;
2. to extend the contract validity until 31.07.2011;
3. to reimburse on a monthly basis USD 75,000 so that the maximum amount of the credit facility as at 31.07.2011 reaches USD 8,355,000, of which sub-ceiling in amount of USD 8,135,000 to be used as credit line.
4. to insert additional conditions under "borrower's undertakings":

- (not to establish, without the Bank's consent, any guarantee or other lien over any present or future asset in its patrimony whose value exceeds EUR 500,000/year except the Guarantees in Annex 4 to the Contract and not to enter into agreements in which the assets in the balance sheet are set off against other liabilities).
- (to deposit in accounts opened with BRD all amounts resulting from the sale of fixed assets and to apply 50% of the value to repay the loan in advance).

20. BORROWING (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

The credit facility consisting of a multi-option, multi-currency global ceiling can be used on 31.12.2010 in the form of one or more of the following:

a) Unconfirmed credit line in maximum amount of USD 8,735,000;

b) Ceiling for issuing bank letters of guarantee (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;

c) Ceiling for opening letters of credit (with a maximum validity of not more than 12 months from issuance) of USD 8,955,000;

d) Ceiling for discounting bills (bills of exchange, promissory notes) in maximum amount of USD 8,955,000 USD.

5. Addendum no. 21 of 19.05.2011 established the value of the crediting limit at USD 8,655,000 and granted such limit as of the date of the addendum until 31.03.2012, inserted additional conditions under "borrower's undertakings".

The value of all withdrawals will not exceed the maximum value of the Credit Facility, namely USD 8,655,000 until 31.07.2012.

The credit facility obtained from BRD is secured by the assignment of certain trade receivables held by the Company against the debtors accepted by BRD (namely: UM01835, Wytwornia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O.), by security interest in personal property over the future collections from: Rolls Royce plc UK and Rolls-Royce Deutschland; Unison Engine Components Bucharest SA; Agusta S.P.A. Italy, by first rank mortgage over the sites "2-Hala prelucrari mecanice si montaj" (Cadastral no. 317/3), "2-a- Anexa tehnica" (cadastral no. 317/4), "2-b-Anexa tehnico-sociala" (Cadastral no. 317/5) and "3 - Hala tratamente termice, galvanizare, presaj sudura, amenajari" (Cadastral no. 317/6) and first rank guarantee on all rights, titles, interests and benefits over bank accounts.

In 2011, the interest rate according to the contract and the addenda was ROBOR 1M + 3%, EURIBOR 1M + 4.5%, LIBOR 1M + 4.5%.

The amounts used from the credit facility as at 31 December 2011 are: USD 6,020,664 (the equivalent of RON 20,104,805) and RON 7,508,651. The credit facility is due on 31.03.2012.

Addendum no. 22/30.03.2012 extended the validity of the contract until 17.04.2012 and amended the interest rate as follows:

- for withdrawals in RON: ROBOR/3 M +3.00 % p.a.
- for withdrawals in EUR: EURIBOR/1 M + 4.5% p.a.
- for withdrawals in USD: LIBOR/1 M + 4.50% p.a.

Addendum no. 23/17.04.2012 extended the contract validity until 17.05.2012. Addendum no. 24/17.05.2012 extended the contract validity until 31.05.2012. Addendum no. 25/31.05.2012 extended the contract validity until 30.06.2012. Addendum no. 26/29.06.2012 extended the contract validity until 31.07.2012. Addendum no. 27/31.07.2012 amended Annex 4 "GUARANTEES" and extended the validity until 31.08.2012 and each of Addenda nos. 28/31.08.2012, 29/30.09.2012, 30/31.10.2012, 31/29.11.2012 and 31/31.12.2012 extended the contract validity by one month.

The amounts used from the credit facility as at 31.12.2012 are USD 6,178,241 (the equivalent of RON 20,743,444.16) and RON 7,586,998.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(A) BRD – Credit facility no. 103 BIS/28.04.2006 (continued)

In 2013, each month, the contract validity was extended until 31.12.2013 by Addenda nos. 33-44. Addendum no. 44/31.12.2013 amended Annex 4 "Guarantees" and extended the contract validity until 31.01.2014.

The amounts used as at 31.12.2013 are USD 6,237,974.59 (the equivalent of RON 20,305,231.09) and RON 7,151,075.98.

In 2014, by **Additional Acts nos. 45-47** the validity of the contract was extended by April 30, 2014 and the interest and commissions due as at January 31, 2014 together with the interest and commissions due for February, March and April 2014 accrued and are due on April 30, 2014.

Additional Act no. 48/April 30, 2014 extended the contract validity by July 31, 2014, supplemented the borrower's commitments and postponed to July 31, 2014 the payment of interest and commissions due on April 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and July 31, 2014 are due on July 31, 2014.

Additional Act no. 49/July 31, 2014 extended the contract validity by October 30, 2014, modified the borrower's commitments and postponed the payment of interest and commissions to October 30, 2014.

Additional Act no. 50/October 30, 2014 extended the contract validity until January 25, 2015, modified the terms and conditions applicable to the credit facility and postponed to January 25, 2015 the payment of interest and commissions due on October 30, 2014.

In addition, the interest and commissions accrued between April 30, 2014 and January 25, 2015 are due on January 25, 2015.

By additional act 51/January 31, 2015 the contract was extended until **April 25, 2014**, terms and conditions were changed and the maximum limit set for the credit is of USD 7,784,611.

In November, the credit limit for RON crediting was reduced by RON 3,301,908.27.

At at March 17, 2015 BRD has issued a letter to the Company notifying the fact that the credit facilities have been extended until April 25, 2015 with a view to negotiate in April 2015 a way to restructure on long term such credit facilities based on Company's actual reimbursement capabilities.

As at December 31, 2014 the credit limits approved are RON 3,962,091.73 and USD 6,189,975, of which the Company used USD 6,187,523.78 (equivalent of RON 22,812,162.67) and RON 3,436,441.40.

The interest accrued as at December 31, 2014 are:

- RON 350,908.64
- USD 293,638.23, equivalent of RON 1,082,585.43

The commissions accrued as at December 31, 2014 are:

- RON 14,779.11
- USD 57,997.72, equivalent of RON 213,825.99

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(B) BRD – Loan contract no. 103/16.05.2008

As at May 16, 2008, the Company concluded long-term contract no. 103 with BRD – Groupe Société Générale amounting to EUR 3,400,000 for the acquisition of equipment for the pinion cell, including customs duties related to such equipment, for a period of 7 years.

Addendum no. 1 of 15.04.2009 amended the interest rate and addendum no. 2 of 11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, by addendum no. 3 of 18.06.2010 the parties revised the guarantees, and addendum no. 4 of 29.10.2010 supplemented the "borrower's undertakings".

In 2011, the annual interest rate under the contract and the addenda was EURIBOR 3M + 5%.

Addendum no. 5 of 19.05.2011 amended the repayment schedule of the balance, amended the final repayment date of the loan, to 15.11.2016, changed and inserted additional conditions under "Borrower's undertakings".

The loan is secured by second rank mortgage over the sites under point (A) above, first rank guarantee over the equipment intended to create the pinion cell, guarantee over the claims presented in point (A) above and over all the future movable assets, and first rank guarantee over all the rights, titles, interests and benefits over the bank accounts.

The final balance as at 31.12.2011 is EUR 2,413,262 (the equivalent of RON 10,424,658). The last instalment of the loan contract is due on 15.11.2016.

In 2012, Addendum no. 6/31.07.2012 amended the Annex entitled "Guarantees".

As at 31.12.2012, the balance of the loan was EUR 2,413,261.92 (the equivalent of RON 10,424,567.52).

In 2013, between May and September, Addenda nos. 7 - 11 were concluded, which amended Annex 2 "Repayment Schedule".

On 31.12.2013 Addendum no. 12 was concluded, which amended Annex 3 "Guarantees".

The loan is due on 15.11.2016.

In 2013, the Company repaid EUR 75,414.44, the equivalent of RON 335,549.00.

As at 31.12.2013, the outstanding balance is EUR 2,337,847.48 (the equivalent of RON 10,484,544.59).

In 2014, **Additional Act no. 13**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on February 15, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; it amended Annex 2 (Repayment Schedule).

On April 30, 2014, **Additional Act no. 14** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on May 15, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower's Commitments.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(B) BRD – Loan contract no. 103/16.05.2008

On July 31, 2014, **Additional Act no. 15** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on August 31, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act no. 16** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on November 30, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2014 are accrued and paid on January 25, 2015; amended Annex 2 and chapter "Definitions".

On November 24, 2014, the loan was fully paid and the interest and commissions accrued are due on January 25, 2015.

Through additional act 17 from January 23, 2015 the due date for accumulated interest in amount of EUR 115,642 EUR is of January 25, 2015.

The outstanding interest accrued as at December 31, 2014 amounts to 110,966.37, the equivalent of RON 497,362.37 and the commissions payable as at December 31, 2014 amount to 4,675.69 the equivalent of RON 20,956.91.

(C) BRD – Loan contract no. 567/10.12.2007

On December 10, 2007, the Company concluded with BRD – Group Société Générale loan contract no. 567, with an initial value of EUR 3,250,000, for land acquisition in order to relocate the headquarters and the production facilities of the Company. Addendum no. 1/10.12.2008 extended the withdrawing period to 28.02.2009, reduced the total loan value by EUR 102,050 and the amount available for new withdrawals was set at EUR 182,000. Addendum no. 2/27.021.2009 extended the withdrawing period to 31.03.2009. Addendum no. 3/15.04.2009 changed the interest rate. The contract is concluded for a period of 7 years.

Addendum no. 4/11.05.2009 amended the guarantee according to G26/11.05.2009.

In 2010, addendum no. 5/05.03.2010 rescheduled the rate from March 2010 to December 2010. Addendum no. 6/18.06.2010 revised the guarantees. Addendum no. 7/06.09.2010 rescheduled the instalment from 06.09.2010 to 30.09.2010. Addendum no. 8/30.09.2010 rescheduled the instalment from 30.09.2010 to 31.10.2010.

By Addendum no. 9/21.10.2010 the following was agreed:

- to change the repayment schedule;
- to extend the final repayment date of the loan to 10.03.2016;
- to supplement the "borrower's undertakings";
- to supplement the default events.

The loan granted by BRD is secured by a security interest in personal property over the claim arising from the performance of commercial contracts with UM 01835, Wytwornia Sprzetu Kominikacyynego PZL Rzeszow and Pratt & Whitney Klisz SP. ZO.O, based on the long-term purchase contract for engine components of February 2006, by a security interest in personal property over the future collections from Rolls – Royce plc UK and Rolls-Royce Deutschland; Unison Engine Compenents Bucharest SA; Agusta S.P.A. Italy and by a first rank mortgage over the land and first rank guarantee over all rights, titles, interest and benefits over the bank accounts.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C) BRD – Loan contract no. 567/10.12.2007 (continued)

Under addendum no. 10/19.05.2011, the repayment schedule was amended and the final repayment date changed to 10.12.2016, the conditions were changed and additional ones were inserted under "Borrower's undertakings".

In 2011, the interest rate according to the contract and the addenda was EURIBOR 3M + 5% for EUR; ROBOR 3M + 3.5% for RON.

The final balance as at 31.12.2011 is formed of RON 9,477,175 and EUR 164,657 (the equivalent of RON 711,268). The last instalment is due on 10.03.2016.

In 2012, RON 557,480.92 was paid (RON 139,370.23 in March, June, September and December 2012) and RON 83,134.16 (representing the counter value of RON 18,295.20, EUR 4,573.80 in each of April, June, September and December 2012).

The final balance as at 31.12.2012 is formed of RON 8,919,694.44 and EUR 146,361.63 (RON 648,191.75).

In 2013, payments were made in amount of RON 557,480.90 and EUR 9,147.60, representing the counter value of RON 40,390.31.

Between June and September 2013, Addenda nos. 11 - 14 were concluded, which amended Annex 2 "Repayment Schedule" and Addendum no. 15/31.12.2013 amended Annex 3 "Guarantees".

The final balance as at 31.12.2013 consists of RON 8,362,213.54 and EUR 137,214.03 (RON 615,363.76).

In 2014, **Additional Act 16**/January 31, 2014 was concluded, which postponed to April 30, 2014 the instalment due on January 31, 2014 and the instalment due on March 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on January 31, 2014 and the interest and commissions due between January 31, 2014 and April 30, 2014 are accrued and paid on April 30, 2014; amended Annex 2 (Repayment Schedule).

On April 30, 2014 **Additional Act 17** was concluded, which postponed to July 31, 2014 the instalment due on April 30, 2014 and the instalment due on June 10, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on April 30, 2014 and the interest and commissions due between April 30, 2014 and July 31, 2014 are accrued and paid on July 31, 2014; amended Annex 2, and supplemented the Borrower's Commitments.

On July 31, 2014, **Additional Act 18** was concluded, which postponed to October 30, 2014 the instalment due on July 31, 2014 and the instalment due on September 30, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on July 31, 2014 and the interest and commissions due between July 31, 2014 and October 30, 2014 are accrued and paid on October 30, 2014; amended Annex 2.

On October 30, 2014, **Additional Act 19** was concluded, which postponed to January 25, 2015 the instalment due on October 30, 2014 and the instalment due on December 31, 2014; amended chapters "Interest" and "Commissions", i.e., the interest and the commissions due on October 30, 2014 and the interest and commissions due between October 30, 2014 and January 25, 2014 are accrued and paid on January 25, 2015; amended Annex 2 and chapter "Definitions".

On November 24, 2014, RON 3,902,366.30 and EUR 56,819.17 were repaid representing the instalment due on January 25, 2015.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(C) BRD – Loan contract no. 567/10.12.2007 (continued)

The outstanding loan as at December 31, 2014 is RON 4,459,847.24 and EUR 73,180.83, the equivalent of RON 328,003.80.

The final due date is 10.12.2016.

The accrued interest as at December 31, 2014 amounts to RON 472,588.70 and EUR 6,827.47 the equivalent of RON 30,601.40 and the commissions payable as at December 31, 2014 amount to RON 17,616.40 and EUR 283.29 the equivalent of RON 1,269.73.

(D) Banca Transilvania – Loan contract no. 186/24.06.2009

On 24.06.2009, the Company concluded loan contract no.186 with Banca Transilvania Militari Branch, to be used as global ceiling as follows:

- credit line of RON 5,600,000 – from Credit Europe Bank, due on 23.06.2010;
- short-term loan of RON 3,800,000 due on 10.06.2010.

The initial interest rate was 18.5%, decreased successively, reaching 11.5% as at 31.12.2010.

The loan was concluded for a period of 1 year.

On 10.03.2010 addendum no. 1/186 was concluded, increasing the credit line by RON 2,040,000 and changing the short-term loan in amount of RON 1,760,000 to a credit line with maturity on 10 June 2010.

By addendum no. 2/186/10.06.2010 the global ceiling was changed to credit line, it was extended by 12 months, and the interest rate decreased (from 13.5% to 11.5%).

In 2010, addendum no. 1/186/CES/01/10.03.2010 was concluded to the contract of security interest in personal property (no. 186/CES/01/24.06.2009) over the collections and balance of the current account in order to guarantee the fulfilment of the obligations.

The obligation to pay the loan contract with Banca Transilvania Militari Branch is guaranteed by a fist rank mortgage over the sites "6 - Magazii Generale" (cadastral no. 317/8), "7 - Centrala termica" (cadastral no. 317/9), "8 - Depozit de combustibil si carburant" (cadastral no. 317/10), "10, 10-1, 10-2 - Constructii Standuri" (cadastral no. 317/12/2/2), "11 - Gospodaria Laminate" (cadastral no. 317/3) and "12 - Drum acces" (cadastral no. 317/15) and by a security interest in personal property over collections and balance of the current account in RON.

The amount used as at 31.12.2011 is RON 9,189,902. The loan contract is due on 08.06.2012.

Addendum no. 04/186 /06.06.2012 extended the contract validity for 12 months, and provided an interest rate of 9.75 %.

As at 31.12.2012, the amount withdrawn is RON 8,682,64.54.

The loan contract is due on 07.06.2013.

Addendum no. 05/186 /06.06.2013 extended the contract validity until June 20, 2013, with due date on 21.06.2013 and Addendum no. 06/186/21.06.2013 extended the contract validity from 20.06.2013 to 05.06.2014.

As at 31.12.2013 the amount withdrawn is RON 8,580,945.13.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(D) Banca Transilvania – Loan contract no. 186/24.06.2009 (continued)

The contract is due on 06.06.2014.

On February 27, 2014, **Additional Act no. 07** was concluded, which postponed the interest and commissions due between February 27, 2014 and April 30, 2014 bearing an interest rate of 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" guarantee value representing a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, Chattel mortgage over determined existing goods no. 186/GAJ/01 was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under Contract 186/2009.

On May 30, 2014 **Additional Act no. 08** was concluded, which postponed the interest and commissions due between May and October 2014 and scheduled the payment thereof over 8 months starting from November 2014 at an interest rate of 6%.

The interest and commissions due between February and April 2014 are rescheduled for payment over an 8-month period starting from November 2014.

On May 30, 2014, **Additional Act 01/186/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act no. 09** was concluded, which postponed the interest and commissions due between November and December 2014 and scheduled the payment thereof over 5 months starting from January 2014 at an interest rate of 6%.

The interest and commissions due between February and October 2014 are rescheduled for payment over a 5-month period starting from January 2015.

On November 11, 2014, **Additional Act 02/186/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 20, 2014, the accumulated interest and commissions totalling RON 575,830.99 were paid.

The outstanding loan as at December 31, 2014 amounts to RON 7,291,271.82.

The accrued interest as at December 31, 2014 amounts to RON 64,340.50 and the commissions payable as at December 31, 2014 amount to RON 7,756.89.

The guarantees in favour of the bank consist of land have a value of RON 23, 572,508 RON (having a fair value determined by the bank in amount of RON 26,817,625).

The loan contract is due on May 29, 2015.

On June 24, 2009, the Company concluded loan contract no. 187 with Banca Transilvania Militari Branch, in the form of an investment loan taken over from Credit Europe Bank, amounting to EUR 744,000, due on 10 June 2014.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(E) Banca Transilvania – Loan contract no. 187/24.06.2009

The interest rate was initially 10% and then decreased to 9.5%, 9%, and starting from January 4, 2010 it became 8.5%. The current interest rate is 7%.

The loan is contracted for a period of 5 years.

The obligation to repay the loan contracted from Banca Transilvania Militari Branch is guaranteed by:

- first rank mortgage over the site "1 - Anexa Tehnica Cabina Poarta";
- second rank mortgage over the site "12 - Drum Acces";
- security interest in personal property over the collections and balance of the current account in RON.

Addendum no. 3/186/09.06.2011 extended the credit line for the current activity for a period of 12 months, from 09.06.2011 to 08.06.2012.

The annual interest rate is 9.5%.

The withdrawn amount, repayable as at 31.12.2011 is EUR 367,142 (the equivalent of RON 1,585,942). The last instalment is due on 10.06.2014.

In 2012, according to the repayment schedule, the Company made monthly repayments of EUR 12,238.05 totalling EUR 146,856.60 (RON 662,090.43).

The withdrawn amount, repayable as at 31.12.2012 is EUR 220,285.14 (the equivalent of RON 975,576.80).

In 2013, the parties concluded addendum no. 01/187/10.06.2013, which rescheduled the instalment date from 11.06.2013 to 28.06.2013, addendum no. 02/187/27.06.2013 which provided the replacement (restructuring) of the investment loan (taken over from Credit Europe Bank), which consists in the postponement of all the instalments between June 2013 and January 2014 and the modification of the repayment schedule, namely equal monthly instalments until the final due date of the loan, i.e., 10.06.2014.

On 27.06.2013 the parties concluded addendum no. 01/187/CES/01 to Contract no. 187/CES/01/24.06.2009 of security interest in personal property over collections and the balance of current account, which guaranteed the fulfilment of the obligations arising from contract no. 187/24.06.2009 and addenda thereto.

In 2013, according to the repayment schedule, the Company repaid on a monthly basis between January and May 2013 EUR 12,238.05, totalling EUR 61,190.25 (RON 285,025.42).

As at 31.12.2013, the withdrawn amount, repayable is EUR 159,094.89 (the equivalent of RON 713,492.85).

On January 31, 2014 **Additional Act no. 03** was concluded, which approved the postponement of the instalment due on February 10 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 04** was concluded, which postponed the payment of capital instalments throughout February – May 2014 without changing the lending period. Instalments will accrue and be paid along with the last instalment in June 2014.

Interest and commissions due between February and April 2014 are postponed, will accrue and be paid along with the last interest. The interest rate is 6%.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(E) Banca Transilvania – Loan contract no. 187/24.06.2009 (continued)

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014 Chattel mortgage over determined existing goods no. 187/GAJ/01 was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under Contract 187/2009.

On May 30, 2014, **Additional Act no. 05** was concluded, which rescheduled the loan for a period of 24 months from the due date by equal instalments starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in tranches over 20 months starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in tranches over 20 months starting from November 2014. The interest rate was set at 4.5%.

On May 30, 2014, **Additional Act 01/187/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 13, 2014, **Additional Act no. 06** was concluded, which approved the reactivation of the capital instalment related to November 2014 and inclusion thereof in the loan's balance, the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be distributed equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in equal instalments as of January 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in equal instalments as of January 2015 until the settlement of the loan.

On November 13, 2014, **Additional Act 02/187/GAJ/01** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

The outstanding loan as at December 31, 2014 is EUR 159,094.89, equivalent of RON 713,079.21.

The accrued interest as at December 31, 2014 is EUR 7,565.29 the equivalent of RON 33,908.39 and the commissions payable as at December 31, 2014 amount to EUR 886.7 the equivalent of RON 3,974.28.

Guanatees have a net value of 482,875 EUR (2,164,294 RON) and a guarantee value of 424,833 EUR (1,904,144 RON) – pledge on property and equipments.

The loan contract is due on June 9, 2016.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(F) Banca Transilvania - Loan contract no. 40/04.02.2011

On 04.02.2011, the Company concluded with Banca Transilvania - Militari Branch loan contract no. 40 to finance its current activity, amounting to RON 3,400,000, due on 03.02.2012. The annual interest rate is 10%.

The guarantee consists of:

1. Contract of security interest in personal property over determined existing goods no. 40/GAJ/01/04.02.2011;
2. Contract of security interest in personal property over collections and current account balance no. 40/CES/02/04.02.2011;
3. Receivables assignment contract no. 40/CES/02/04.02.2011.

As at 31.12.2011, the amount withdrawn is RON 3,398,274.74. The last instalment of the contract is due on 04.02.2012.

Addendum no.1/40/03.02.2012 extended the due date to 02.10.2012.

On 03.02.2012, the Company concluded contract no. 40/CES/03/03.02.2012 of security interest in personal property over collections and the current account balance and sub-accounts opened with Banca Transilvania and contract no. 40/GAJ/02/03.02.2012 of security interest in personal property on determined existing goods.

Addendum no. 02/40/02.10.2012 provided the restructuring of the loan. Addendum no. 03/40/20.12.2012 increased the guarantees.

As at 31.12.2012, the withdrawn amount, repayable is RON 3,398,274.76.

In 2013, the Company concluded addendum no. 04/40/27.06.2013 to loan contract no. 40/04.02.2011, which provided the full rescheduling of the capital instalments due between July 2013 and January 2014 (inclusively), without changing the crediting period, and the instalments postponed for payment would be distributed equally throughout the entire crediting period remaining after the expiry of the replacement facility until the due date of the loan.

On 27.06.2013, the parties concluded addendum no. 02/40/GAJ/02/27.06.2013 to contract no. 40/GAJ/02/03.02.2013 of chattel mortgage over determined goods which amends and supplements contract no. 40/GAJ/02/03.02.2012 of chattel mortgage over existing determined goods and the related addenda (a mortgage over goods and assets is established in favour of the bank at the fair value of RON 4,683,900 and a guarantee value of RON 3,278,730).

In May and June 2013, the Company repaid two (2) instalments in amount of RON 22,000 each, totalling RON 44,000.

The withdrawn amount, repayable as at 31.12.2013, is RON 3,354,274.6.

The loan is due on 01.10.2019.
On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 10 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(F) Banca Transilvania - Loan contract no. 40/04.02.2011

Interest and commissions due between February – April 2014 are postponed, will accrue and be payable in equal instalments over 24 months as of August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 01/40/CES/03** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 40/GAJ/03** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract and Additional Act 03/40/GAJ/02 having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date by payment in equal instalments starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over 24 months starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 04/GAJ/02** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the capital instalment related to November 2014 and inclusion thereof in the loan's balance, the full postponement of capital instalments throughout December 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/40/GAJ/03** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/40/GAJ/02** was concluded, having as its object 10 pieces of equipment valuated by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 3,354,274.76.

The accrued interest as at December 31, 2014 is RON 213,811.87 and the commissions payable as at December 31, 2014 amount to RON 19,580.14.

The fair value determined by the bank of the pledged tangible assets (land and equipments)is of RON 24,987,026 and have a guarantee value of RON 19,926,030.

The loan contract is due on October 1, 2019.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(G) Banca Transilvania – Loan contract no. 664/21.11.2011

On 21.11.2011, the Company concluded contract no. 664 in the form of an investment loan from Banca Transilvania Militari Branch amounting to RON 1,700,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

The security consists of:

1. Contract no. 664/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 664/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

The amount withdrawn as at 31.12.2011 is RON 1,570,921.

The loan is due on 18.05.2012.

Addendum no. 01/664/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012 with an interest rate of 9.75%. On 17.05.2012 addenda nos. 01/664/CES/01 and 01/664/GAJ/01 were concluded. Addendum no. 02/664/16.10.2012 rescheduled the loan. The loan is due on 16.10.2019.

As at 31.12.2012, the withdrawn amount to be repaid is RON 1,696,242.

In 2013, the Company concluded addendum no. 03/664/10.06.2013, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, addendum no. 04/664 was concluded to loan contract no. 664/21.11.2011, which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the investment loan granted for improvement and upgrading of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, with a balance of RON 1,674,495.31 out of the initial amount of RON 1,700,000.

On 27.06.2014 addendum no. 02/664/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods was concluded, which secured all the obligations deriving from loan contract no. 664/21.11.2011 and the addenda.

In 2013, the Company repaid RON 21,746.69, according to the repayment schedule.
The final due date is 16.10.2019.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,674,495.31.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments in August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in 24-month equal instalments starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(G) Banca Transilvania – Loan contract no. 664/21.11.2011

On February 27, 2014, **Additional Act no. 03/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 664//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which rescheduled the loan for a period of 24 months from the due date, by payment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and November 2014 and payment in instalments over a 24-month period starting from November 2014 and rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 04/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/664/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be divided equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/664/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/664/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

The outstanding loan as at December 31, 2014 is RON 1,674,495.31.

According to the additional act 10 /25 February 2015, the Company will not pay the installements for the year 2015, they will be paid starting with 2016. Interest and commisions accumulated have been split equially for the remaning period and shall be paid togather with the curremt ones.

The outstanding accrued interest as at December 31, 2014 is RON 106,760.70 and the commissions payable as at December 31, 2014 amount to RON 9,776.89.

The loan contract is due on October 16, 2019.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(H) Banca Transilvania – Loan contract no. 665/21.11.2011

On 21.11.2011, the Company concluded a non-revolving short-term loan contract amounting to RON 408,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, due on May 18, 2012. The annual interest rate is 10%, subject to indexation.

The security consists of:

1. Contract no. 665/GAJ/01/21.11.2011 of security interest in personal property over existing determined goods;
2. Contract no. 665/CES/01/21.11.2011 of chattel mortgage over collections and current account balance.

As at 31.12.2011, the amount withdrawn is RON 377,041.

The loan is due on 18.05.2012.

Addendum no. 01/665/17.05.2012 rescheduled the loan, extending the maturity to 17.10.2012.

On 17.05.2012, addenda nos. 01/665/CES/01 and 01/665/GAJ/01 were also concluded.

Addendum no. 02/665/16.11.2012 rescheduled the loan.

In 2012, according to the repayment scheduled, two (2) instalments were repaid, namely in November and December, in amount of RON 10,000 each.

As at 31.12.2012, the withdrawn amount to be repaid is RON 387,215.

The final due date is on 16.10.2014.

In 2013, addendum no. 03/665/10.06.2013 was concluded, which rescheduled the June instalment from 17.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded addendum no. 04/665 to loan contract no. 665/21.11.2011 which postponed the payment of all the instalments between June 2013 and January 2014, having as its object the replacement (restructuring) of the medium-term loan granted for VAT funding related to the investment, with a balance of RON 327,925.28 out of the initial loan of RON 408,000.

On 27.06.2014, the Company concluded addendum no. 02/665/GAJ/01 to contract no. 664/GAJ/01/21.11.2011 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 665/21.11.2011 and the addenda.

In 2013, the Company repaid four (4) instalments according to the repayment schedule, totalling RON 59,289.72.

The final due date is on 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 327,925.28.

On January 31, 2014, **Additional Act no. 05** was concluded, which approved the postponement of the instalment due on February 16 to February 28, 2014 without changing the loan due date.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(H) Banca Transilvania – Loan contract no. 665/21.11.2011 (continued)

On February 27, 2014, **Additional Act no. 06** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 3-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 03/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 07** was concluded, which approved the postponement of capital instalments due between August and September 2014 without changing the lending period, it provided that the postponed instalments are paid upon the loan due date, the interest and commissions postponed during May – September 2014 are postponed entirely until the loan final due date. The interest and commissions related to February – April 2015 are rescheduled and postponed until the loan due date.

On May 30, 2014, **Additional Act 04/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/665/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 08** was concluded, which approved the reactivation of the overdue principal in amount of RON 319,927.26 and rescheduling thereof until January 30, 2015 by repayment in a single instalment upon the loan due date, the postponement of the interest and commissions due between November and December 2014 and repayment thereof in a single instalment on the loan due date.

On November 11, 2014, **Additional Act 02/665/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 05/665/GAJ/01** was concluded, having as its object 17 pieces of equipment valuated by the representative of Banca Transilvania.

The loan was repaid in November 2014 in three instalments:

- 06.11. 2014 RON 7,349.79
- 07.11.2014 RON 648,23
- 20.11.2014 RON 319,927.26.

The accrued interest and commissions were paid in three instalments:

- 06.11. 2014 RON 5,336.49
- 07.11.2014 RON 648.23
- 20.11.2014 RON 526.33.

As at December 31, 2014 the loan balance was RON 0.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(I) Banca Transilvania - Loan contract no. 385/02.07.2012

On 02.07.2012, the Company concluded loan contract no. 385 for an investment loan amounting to RON 1,600,000 for improvement of buildings, utility reconfiguration and recertification of technological processes, in order to relocate the production facilities, due on 16.11.2012, between 02.07.2012 and 01.11.2012. The interest rate is 9.75%.

On 02.07.2012, contract no. 385/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 385/ces/01/02.07.2012 of chattel mortgage over collections and current account balance were concluded.

The loan was rescheduled by addendum no. 01/385/15.11.2012.

As at 31.12.2013, the withdrawn amount to be repaid is RON 1,596,475.

The loan is due on 15.11.2019.

On January 31, 2014, **Additional Act no. 04** was concluded, which approved the postponement of the instalment due on February 15 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 05** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 24-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 02/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 665//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On May 30, 2014, **Additional Act no. 06** was concluded, which rescheduled the loan for a period of 24 months from the maturity date by repayment in equal instalments over a 24-month period starting from November 2014, it postponed the payment of interest and commissions due between May and October 2014 and payment in instalments over a 24-month period starting from November 2014 and it rescheduled the interest and commissions due between February and April 2014 by payment in instalments over a 24-month period starting from November 2014.

On May 30, 2014, **Additional Act 03/385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

On May 30, 2014, **Additional Act 01/385/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee under the contract.

On November 11, 2014, **Additional Act no. 07** was concluded, which approved the full postponement of capital instalments throughout November 2014 - January 2015 without changing the lending period. They will be distributed equally throughout the remaining lending period, starting from February 2015 until the settlement of the loan.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(I) Banca Transilvania - Loan contract no. 385/02.07.2012 (continued)

It provided the postponement of the interest and commissions due between November and December 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

It provided the postponement of the interest and commissions due between February and October 2014 and rescheduling thereof in 22 equal instalments as of January 2015.

On November 11, 2014, **Additional Act 02/385/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 04385/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

On November 20, 2014, the accrued interest in amount of RON 72,942.95 was partly paid.

As at December 31, 2014, the loan balance was RON 1,596,475.

The accrued interest as at December 31, 2014 is RON 28,843.42 and the commissions payable as at December 31, 2014 amount to RON 9,321.31.

According to additional act 9/February 2015 the Company will not pay the installements for 2015, only staring with 2016. Interest and commissions – accumulated have been split equally for the remaining period and will be paid togather with the current ones.

The guarantees for the bank hava a fair value determined by the bank of RON 6,187,503 with aguarantee value of RON 4,792,478 (porperty and equipments)

The loan contract is due on November 15, 2019.

(K) Banca Transilvania - Loan contract no. 386/02.07.2012

On 02.07.2012, the Company concluded loan contract no. 386, granting a non-revolving short-term loan ceiling amounting to RON 360,000 for VAT financing to develop and upgrade buildings, reconfigure utilities and recertify technological processes in order to relocate production capacities, between 02.07.2012 and 01.11.2012, due on November 16, 2012. The interest rate is 9.75%.

The loan has been fully withdrawn.

On 02.07.2012, contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods and contract no. 386/CES/01/02.207.2012 of chattel mortgage over collections and current account balance were concluded.

On 15.11.2012, addendum no. 01/386/15.11.2012 rescheduled the loan, providing that the final due date is 14.11.2014.

According to the repayment schedule, in 2012 the Company repaid RON 10,000 in December 2012.

As at 31.12.2012, the withdrawn amount to be repaid is RON 350,000.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(K) Banca Transilvania - Loan contract no. 386/02.07.2012 (continued)

In 2013, addendum no. 02/386/10.06.2013 was concluded, which rescheduled the June instalment from 15.06.2013 to 28.06.2013, maintaining the final due date of the loan.

On 27.06.2013, the Company concluded addendum no. 03/386 to loan contract no. 386/02.07.2012, which postponed the payment of all the instalments between June 2013 and January 2014, to replace (restructure) the loan granted for VAT funding related to the investment, with a balance of RON 300,000.00 out of the initial loan of RON 360,000.

On 27.06.2014, the Company concluded addendum no. 01/386/GAJ/01 to contract no. 386/GAJ/01/02.07.2012 of chattel mortgage over existing determined goods, which secured all the obligations deriving from loan contract no. 386/02.07.2012 and the addenda.

In 2013 (January - May), the Company repaid five (5) instalments according to the repayment schedule, totalling RON 50,000.

The final due date is 16.10.2014.

As at 31.12.2013, the withdrawn amount to be repaid is RON 300,000.

On June 27, 2014, **Additional Act no. 01/386/GAJ/01** to Chattel mortgage over determined existing goods no. 386/GAJ/01/02.07.2012 was concluded, having as its object the guarantee of all the obligations deriving from Loan Contract no. 386/02.07.2012 and additional acts.

On January 31, 2014, **Additional Act no. 04** was concluded, which approved the postponement of the instalment due on February 15 to February 28, 2014 without changing the loan due date.

On February 27, 2014, **Additional Act no. 05** was concluded, which postponed the payment of capital instalments throughout February – July 2014 without changing the lending period. Instalments will accrue and be paid in equal instalments starting from August 2014 until the final due date of the loan.

Interest and commissions due between February and April 2014 are postponed, will accrue and be payable in equal instalments over a 4-month period starting from August 2014. The interest rate was set at 8%.

The guarantees were supplemented by 19 pieces of equipment of "0" value, being a comfort guarantee. It provided the borrower's obligation to insure the guarantee goods, it included clauses regarding the performance of the facility and special clauses for granting the facility.

On February 27, 2014, **Additional Act no. 02/665/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

On February 27, 2014, **Chattel mortgage no. 386//GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee.

On May 30, 2014, **Additional Act no. 06** was concluded, which approved the postponement of capital instalments due between August and September 2014 without changing the lending period, it provided that the postponed instalments are paid upon the loan due date, the interest and commissions postponed during May – September 2014 are postponed entirely until the loan final due date. The interest and commissions related to February – April 2014 are rescheduled and postponed until the loan due date.

On May 30, 2014, **Additional Act 03/386/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania. The interest rate was set at 6%.

20. BORROWINGS (continued)

b) Amounts owed to credit institutions (continued)

(K) Banca Transilvania - Loan contract no. 386/02.07.2012 (continued)

On May 30, 2014, **Additional Act 01/386/GAJ/02** was concluded, having as its object the 19 pieces of equipment established as comfort guarantee.

On November 11, 2014, **Additional Act no. 07** was concluded, which approved the rescheduling of the loan until January 30, 2015 with repayment in a single instalment on the loan due date, the postponement of the interest and commissions due between November and December 2014 and repayment thereof in a single instalment on the loan due date.

On November 11, 2014, **Additional Act 02/386/GAJ/02** was concluded, which established a first rank chattel mortgage overs 8 pieces of equipment valuated according to the valuation report prepared by the representative of Banca Transilvania and 11 pieces of equipment not valuated, established as comfort guarantee.

On November 11, 2014, **Additional Act 04/386/GAJ/01** was concluded, having as its object 23 pieces of equipment valuated by the representative of Banca Transilvania.

The loan was fully repaid on November 20, 2014

As at March 13, 2015 Banca Transilvania has communicated to the Company the fact that they not withdraw the financial support as long as during the credit period the Company's financial statements and the bank's predictions in relation to the Company's business will demonstrate that Turbomecanica has the capacity to sustain the financing received.

(L) BRD – Subordinating agreements

On 29.02.2012, BRD and Messrs. Viehmann Radu, as President and General Manager, and Dinca Ion, as Financial Manager, concluded subordinating agreements.

On 18.02.2013, BRD and Ms. Ciorapciu Dana-Maria concluded a subordinating agreement.

Compliance with the bank contractual clauses

According to the loan contracts concluded with BRD and Banca Transilvania, the Company must meet the following economic – financial indicators in order not to change the terms of loan contracts: the EBITDA/turnover ratio not less than 17% and the net profit compared to turnover not less than 5% as at December 31, 2013.

As at 31.12.2013, the Company did not meet such economic – financial indicators.

The management has received letters from BRD and Banca Transilvania according to which the banks are willing to sustain the financing in accordance with Company's real availability of resources to sustain repayment of the loans.

21. PROVISIONS

	December 31, 2013	December 31, 2012
Provisions for post-employment benefits	1,494,810	1,494,810
Other personnel related provisions	465,426	-
Provisions for compensatory salaries	1,099,975	1,902,261
Total	**3,060,211**	**3,397,071**

The provisions for employee benefits have been calculated by an actuary as at December 31 2012, using the Projected Unit Credit Method. Assumptions used by the actuary are: personnel turnover rate 5%, inflation rate 2% pa and projected 3%, bonds yield 2,2%, equilibre rate 4.2%, average salary increase of 2.5%. Because there have been no significant changes in the personnel structure, the management that the change in value would not be significant. Retirement benefits are expected to be paid in a period of 5-15 years.

Restructuring provisions mean provisions for compensatory salaries to be paid to the Company's employees who are dismissed, according to the collective employment contract.

22. TRADE AND OTHER LIABILITIES

	December 31, 2014	December 31, 2013
Trade liabilities	6,297,977	7,004,510
Liabilities on invoices to be received	472,427	422,554
Total	**6,770,404**	**7,427,064**

23. OTHER CURRENT LIABILITES AND DEFERRED INCOME

OTHER CURRENT LIABILITIES

	December 31, 2014	December 31, 2013
Salaries	800,599	833,737
Salary taxes	2,761,942	3,202,562
VAT payable	3,914,100	1,075,590
Other creditors	15,878	26,914
Other taxes	610,095	1,339,863
Interest payable	-	-
Advances from clients	-	11,989
Total	**8,102,614**	**6,490,655**

DEFERRED INCOME

Deferred income represent repairs invoiced and collected which are delivered at a later date (after balance sheet date) - which is determined based on client's request. The amount as at December 31, 2014 of RON 4,953,313 is related mostly to one major client (RON 4,072,337).

24. OTHER LONG-TERM LIABILITIES

	December 31, 2014	December 31, 2013
Salary taxes	4,103,584	6,604,723
VAT payable	386,929	1,087,334
Other taxes and penalties	1,443,051	1,862,925
Total	**5,933,564**	**9,554,982**

Long-term liabilities comprise the liabilities included in Rescheduling Decision no. 14947/15.05.2013, 18348/20.02.2014; 18772/10.03.2014 issued by the Ministry of Public Finance, the General Directorate for Large Taxpayers, regarding salary taxes, VAT payable.

The Company has been granted a payment postponement until the end date of the payment scheduling of accessory tax liabilities related to the main tax liabilities subject to a payment schedule in amount RON 1,022,406, according to Decision no. 14948/15.05.2013. Thus, the Company did not register such amount in its financial statements. If the Company complies with the payment schedule, then such amount will be exempted from payment at the end of the scheduling period, otherwise, the payment obligation above will be activated.

25. SEGMENT REPORTING

Operating segments of the Company are driven by the main products and services delivered, as it is shown below: manufacturing of aircraft parts, repairs of engines and other. The geographical segmentation of the operations derives from the country of origin for the main customers of the Company.

Segmenting income

	Segmenting income	
	December 31, 2014	December 31, 2013
	RON	*RON*
Aircraft markers and parts	9,919,690	24,828,679
Current engine repairs	42,815,399	8,223,985
Other	940,269	1,515,885
Total from operations	**53,675,358**	**34,568,549**

	Profit/(loss)	
	December 31, 2014	December 31, 2013
	RON	*RON*
Aircraft markers and parts	3,066,606	3,850,981
Current engine repairs	17,760,386	1,873,548
Other	(11,977,850)	(8,894,872)
Unallocated	(12,403,611)	(5,421,884)
Total	**(3,554,469)**	**(8,592,227)**

The reported profits above are presented based on managerial reports and profits per segments have resulting by allocating direct costs, overheads are included in others category. Unallocated refer to financing costs, deferred tax and sale of property plant and equipment.

25. SEGMENT REPORTING (continued)

In 2014 the depreciation and amortisation is allocated to Aircraft makers and parts – 16%, Current engine repairs – 82%, others 2%. Material non-cash items for 2014 consist of RON 12,742,558 unallocated losses from the sale of the land and buildings and RON 4,266,896 reversal of deferred tax asset as a result of the sale of the land.

	Asset Segment		Liability Segment	
	31-Dec-14	31-Dec-13	31-Dec-14	31-Dec-13
Assets and liabilities segment				
Aircraft markers and parts	64,136,646	70,407,515	3,609,302	930,650
Current engine repairs	22,187,254	9,485,834	3,468,560	6,496,414
Not allocated	34,997,621	60,157,395	82,120,447	97,396,913
Total Assets / Liabilities	**121,321,521**	**140,050,744**	**89,198,309**	**104,823,977**

Information by geographical areas

	Income by geographical areas	
	December 31, 2014	December 31, 2013
Europe	52,685,071	32,096,230
US	990,287	2,472,319
Asia	-	-
Total	**53,675,358**	**34,568,549**

The Company is currently dependent on the activity with two main internal customers. Turnover with these clients for year 2014 represents 84% of total turnover of the Company.

26. FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital so as to make sure that it will continue its business along time with the maximization of the shareholders' wealth, by optimizing the balance of liabilities and equity.

The Company's capital consists of debts, which include the borrowings disclosed in Note 20, cash and cash equivalents and equity.

Equity comprises share capital, reserves and retained earnings, as disclosed in Notes 18 and 19.

The Company monitors capital based on the gearing ratio. Such ratio is calculated as ratio between the net debt and total capital. The net debt is calculated as total borrowings (including both long and short-term loans) less cash and cash equivalents.

The total capital is calculated as "capital and reserves" as reported in the balance sheet.

26. FINANCIAL INSTRUMENTS (continued)

a) Capital risk management (continued)

The gearing ratio as at December 31, 2014 and December 31, 2013 is as follows:

	December 31, 2014	December 31, 2013
Total borrowings	55,640,706	70,008,568
Cash and cash equivalents	11,903,023	303,142
Net debt	**43,737,683**	**69,705,426**
Total capital and reserves	32,430,669	32,785,329
Gearing ratio	135%	213%

Gearing ratio has been positively changed from last year as the Company managed to improve its financial position by selling assets held for sale and repayment of loans, in order to reduce the debt and the interest payable in the future.

b) Foreign currency risk management

The Company is exposed to foreign currency fluctuations in commercial and financing transactions. Foreign currency risk arises from recognised trade assets and liabilities, borrowings inclusively, expressed in foreign currency. Due to high associated costs, the Company's policy is not to use financial derivatives to mitigate such risk.

c) Interest rate risk management

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's operating cash flows are impacted mainly by the changes in interest rates, due to the foreign borrowings with variable interest rates contracted from internal credit institutions. The Company has significant borrowings with variable interest rates that expose the Company to significant cash flow risk. The Company is on ongoing negotiation process with the bank to renegotiate repayment terms and interest.

d) Credit risk management

The Company is exposed to credit risk due to its trade and other receivables. The Company has adopted a policy of only dealing with creditworthy clients. The due date of the liabilities is closely monitored and the amounts owed after expiry of the maturity date are promptly supervised. Trade receivables (clients) are disclosed net of allowances for doubtful debts. The Company has adopted policies limiting the value of the credit exposure towards any financial institution. Collaterals are not required however advance payments are in certain cases required. Cash is placed in financial institutions, which are considered to have minimal risk of default. The deposits are held at the BRD and Banca Transilvania.

The carrying amounts represent the Company's maximum exposure to credit risk for existing receivables.

e) Liquidity risk management

A prudent liquidity risk management requires maintaining sufficient cash and available credit lines, by continually monitoring the estimated and actual cash flow and by correlating the maturities of financial assets and liabilities. During 2015 the Company as presented in Note 20 and in subsequent events note has obtained the agreement from Banca Transilvania to postpone the repayment of the principal instalments until 2016.

26. FINANCIAL INSTRUMENTS (continued)

f) Fair value of financial instruments

The fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and
- the fair value of financial derivatives is calculated using quoted prices. Where such prices are not available, the discounted cash flow analysis is used, using the yield curve applicable to the duration of derivatives that do not include options and the models to assess options for derivatives based on options.

Financial instruments in the balance sheet include trade and other receivables, cash and cash equivalents, short and long-term loans and trade and other payables. The estimated fair values of these instruments approximate their carrying amounts.

26. FINANCIAL INSTRUMENTS (continued)

The carrying values of the Company's currencies expressed in monetary assets and liabilities as at the reporting date are the following:

2014	EUR 1EUR = RON 4.4821	USD 1USD = RON 3.6868	GBP 1GBP = RON 5.7430	RON 1 RON = RON	TOTAL December 31, 2014
ASSETS	*RON*	*RON*	*RON*	*RON*	*RON*
Cash and cash equivalents	14,138	378	59,744	11,828,763	11,903,023
Receivables and other current assets	551,609	105,437	84,009	1,402,774	2,143,829
LIABILITIES					
Trade and other liabilities	81,206	1,096,901	6,426	5,585,871	6,770,405
Short and long-term loans	1,629,156	24,108,574	-	29,902,977	55,640,706
Net balance exposure (assets - liabilities)	**(1,144,615)**	**(25,099,660)**	**137,327**	**(22,275,311)**	**(48,364,259)**

2013	EUR 1EUR = RON 4.4287	USD 1USD = RON 3.3575	GBP 1GBP = RON 5.4297	RON 1 RON = RON	TOTAL December 31, 2013
ASSETS	*RON*	*RON*	*RON*	*RON*	*RON*
Cash and cash equivalents	6,821	658	278,715	16,948	303,142
Receivables and other current assets	881,186	37,535	239,637	1,622,097	2,780,455
LIABILITIES					
Trade and other liabilities	185,534	1,682,477	660,056	4,898,997	7,427,064
Short and long-term loans	11,813,401	20,305,231	-	37,889,935	70,008,568
Net balance exposure (assets - liabilities)	**(11,110,928)**	**(21,949,515)**	**(141,704)**	**(41,153,887)**	**(74,352,035)**

26. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The Company is mainly exposed in respect of the exchange rate of the EUR and USD vs. RON. The following table details the Company's sensitivity to a 10% increase and decrease in EUR/USD against RON. 10% is the sensitivity rate used when reporting foreign currency risk internally to senior management and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates.

A positive number below indicates an increase in profit and equity, whereas negative – a decrease in profit and equity.

	10% strengthening of RON against EUR / USD - impact on the result as at:	
	December 31, 2014	December 31, 2013
EUR	114.461	1,111,093
USD	2,509,966	2,194,952
GBP	(13,732)	14,170

For a 10% weakening of RON against the EUR / USD there would be an equal and opposite impact on the profit and equity.

Tables regarding liquidity and interest rate risks

The following tables detail the Company's remaining contractual maturity for financial liabilities.

The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

25. FINANCIAL INSTRUMENTS (continued)

2014	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities	-	(6,770,405)	-	-	-	(6,770,405)
Other liabilities	-	(219,053)	(7,883,561)	(5,933,564)	-	(14,036,178)
Interest bearing instruments	-	-	-	-	-	-
Long and short-term loan (of which)	-		-	-	-	-
Long-term real estate loan BTRL	6%	-	(647.317)	(2.706.958)	-	(3,354,275)
Long-term VAT investment loan BTRL RON	6%	-	-	-	-	-
Long-term bank loans (land) BRD RON	ROBOR 3M + 3.5% pa	-	(2,229,923)	(2,229,924)	-	(4,459,847)
Long-term loan for RELOCATION RON BT	6%	-	(302,780)	(1,293,695)	-	(1,596,475)
Long-term bank loan for land – EUR - BRD	EURIBOR 3M + 5% pa	-	(164,002)	(164,002)	-	(328,004)
Long-term bank loan BRD-EUR 2	EURIBOR 3M + 5% pa	-	-	-	-	-
Long-term loan BTRL RON	6%	-	(323,148)	(1,351,347)	-	(1,674,495)
Investment loan in EUR from BTL Militari	4.5%	-	(461,404)	(251,675)	-	(713,079)
Short-term bank loan in RON BRD	ROBOR 3M + 3% pa	-	(3,436,441)	-	-	(3,436,441)
Loan ceiling in RON from Banca Transilvania M	6%	-	(7,291,272)	-	-	(7,291,272)
Short-term bank loans in USD - BRD	LIBOR 1M + 4.5% pa	-	(22,812,163)	-	-	(22,812,163)
Loans from shareholders	9,5%	(350,000)	(4,880,000)	-	-	(5,230,000)
Interest payable	-	(101,966)	(4,642,689)	-	-	(4,744,655)
Total debt		**(7,441,424)**	**(55.074.670)**	**(13.931.165)**	**-**	**(76,447,289)**
Cash and cash equivalents	-	11,903,023	-	-	-	11,903,023
Receivables and other current assets	-	2,143,829	-	-	-	2,143,829
Total assets		**14,046,852**	**-**	**-**	**-**	**14,046,852**
Total Net		**6,605,428**	**(55.074.670)**	**(13.931.165)**	**-**	**(62,400,437)**

25. FINANCIAL INSTRUMENTS (continued)

2013	Interest rate	Less than 1 month	Less than 1 year	1 - 5 years	5+ years	Total
Non-interest bearing						
Trade and other current liabilities	-	(7,427,064)	-	-	-	(7,427,064)
Other liabilities	-	-	(6,490,655)	(9,544,982)	-	(16,035,637)
Interest bearing instruments	-	-	-	-	-	-
Long and short-term loan (of which)	-	-	-	-	-	-
Long-term real estate loan BTRL	9.75%	-	(266,551)	(3,087,724)	-	(3,354,275)
Long-term VAT investment loan BTRL RON	9.75%	-	(327,925)	-	-	(327,925)
Long-term bank loans (land) BRD RON	ROBOR 3M + 3.5% pa	-	(3.902.365)	(4.459.848)	-	(8,362,213)
Long-term loan for RELOCATION RON BT	9.75%	-	(250,875)	(1,345,600)	-	(1,596,475)
Long-term bank loan for land – EUR - BRD	EURIBOR 3M + 5% pa	-	(287,170)	(328,194)	-	(615,364)
Long-term bank loan BRD-EUR 2	EURIBOR 3M + 5% pa	-	(4,396,745)	(6,087,800)	-	(10,484,545)
Long-term loan BTRL RON	9.75%	-	(266,949)	(1,407,547)	-	(1,674,496)
Investment loan in EUR from BTL Militari	7%	-	(713,493)	-	-	(713,493)
Long-term VAT loan for relocation RON BT	9.75%	-	(300,000)	-	-	(300,000)
Short-term bank loan in RON BRD	ROBOR 3M + 3% pa	(7,151,076)	-	-	-	(7,151,076)
Loan ceiling in RON from Banca Transilvania M	9.75%	-	(8,580,945)	-	-	(8,580,945)
Short-term bank loans in USD - BRD	LIBOR 1M + 4.5% pa	(20,305,231)	-	-	-	(20,305,231)
Loans from shareholders	9,5%	-	(5,230,000)	-	-	(5,230,000)
Interest payable	-	-	(1,312,530)	-	-	(1,312,530)
Cash and cash equivalents	-	(34,883,371)	(32,326.202)	(26,261,696)	-	(93,471,269)
Receivables and other current assets	-	303,142	-	-	-	303,142
	-	2,780,455	-	-	-	2,780,455
Total assets		**3,083,597**	**-**	**-**	**-**	**3,083,597**
Total net		**(31,799,774)**	**(32,326.202)**	**(26,261,696)**	**-**	**(90,387,672)**

27. RESULT PER SHARE

(a) Basic

The basic result per share is calculated by dividing the shareholders' profit to the weighted average number of ordinary shares issued during the year, except for ordinary shares purchased by the Company and kept as treasury shares (Note 14).

	2014	2013
Company shareholders result	(3.554.469)	(8,592,227)
Weighted average number of ordinary shares issued	369,442,475	369,442,475
Basic result per share	(0,01)	(0,02)

(b) Diluted

The diluted result per share is calculated by adjusting the weighted average of existing shares to take into account the translation of all potentially diluted shares. The Company did not register convertible debts or share issuance options which may be converted to ordinary shares that may adjust the weighted average number of shares.

28. RELATED PARTIES

The loans from the shareholders are presented in note 20.

29. COMMITMENTS AND CONTINGENCIES

Potential liabilities:

Taxation

The tax system in Romania is under development and is subject to various interpretations and to constant changes, even retroactively. Although the tax due for a transaction might be minimum, penalties might be significant, because they might be computed at transaction value and with a minimum percentage of 0.02% starting with July1st 2013 per day (0.03% starting March 1, 2014), as well as significantly higher. In Romania, the fiscal year stays open for verifications during 5 years. The management estimates that the tax liabilities included in these financial statements are adequate.

In accordance with the provisions issued by the Ministry of Public Finance, which regulate the tax regime of items of equity which have not been subject to income tax as at their accounting registration, due to their nature, should the Company change the destination of revaluation reserves (by covering losses or allocation to shareholders), it will incur additional income tax liabilities.

Environmental matters

Environmental regulations are developing in Romania, and the Company did not register any liabilities as at December 31, 2014 or December 31, 2013 for any estimated costs, including legal and consulting fees, site surveys, the design and implementation of recovery plans as regards the environment.

Inventories held in custody

As at December 31, 2014, the Company did not hold inventories in custody.

30. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Company restructured the credit facilities granted until present by BRD until April 25, 2015 according to the additional acts concluded in January 2015.

Depending on the financial results, in April 2015, BRD will take the final decision regarding the restructuring of the credit facilities granted to the Company.

The contract of factoring without recourse concluded with BRD for settling the invoices issued to General Electric was extended until March 31, 2015.

Also, the Company restructured the loans concluded with Banca Transilvania - Militari Branch.

At the beginning of February 2015, all February 2015 instalments to the investment loans were postponed until February 27, 2015 and the reimbursement schedules were set also for accrued interest and commissions.

On February 26, 2015, the additional acts to ongoing investment loans and the new related schedules were executed, whereby the capital instalments were entirely postponed until January 2016, without changing the lending period, following that the interest and commissions will be paid according to the schedules.

In January 2015, the Company repaid the loan granted to it by Mr. Dinca Ion in amount of RON 350,000 and the related interest in amount of RON 101,966.

The Company paid to the State Budget the interest tax, i.e., RON 19,422.

On February 5, 2015 the loan contracts of Mr. Viehmann Radu and Ms. Ciorapciu Dana Maria were extended until December 31, 2015, the interest rate was reduced, also setting the modality of paying the interest due as at December 31, 2014.

According to the Additional Acts concluded, the Company paid both to Mr. Viehmann Radu (RON 695,120) and to Ms. Ciorapciu Dana Maria (RON 25,947) 50% of the interest due as at December 31, 2014.

The related interest tax was paid to the State Budget (RON 132,404 and RON 4,942).

Also, the Company paid the interest due for January and February 2015 both to Mr. Viehmann Radu (RON 40,297) and to Ms. Ciorapciu Dana Maria (RON 2,687), as well as the interest tax to the State Budget (RON 7,676 and RON 512).

The financial statements were approved by the Board of Administration and authorised for issuance on April 7, 2015.

CLAUDIA ANGHEL,	**RADU VIEHMANN,**
Economic - Commercial Manager	President - General Manager

SOCIETATEA COMERCIALĂ TURBO MECANICA S.A. 1 BUCUREŞTI-ROMÂNIA

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