



Electroputere

STATEMENT OF RESPONSIBILITY

as per art.30 from the Accounting Law no.82/1991
and CNVM Regulation no. 1/2006 art. 1121, par. 1, letter C

The financial statements for the 1st quarter of 2015 have been drawn up for:

Entity: S.C. ELECTROPUTERE S.A.

Headquarters: CRAIOVA, 80 Calea Bucuresti Street, Dolj County

Unique Identification Number at the Trade Register Office: 6312800

Registration no. in the Trade Register: J 16/12/1991

Subscribed and paid up capital: 103.760.291,30 lei

Regulated market where issued securities are traded: Bucharest Stock Exchange – 2nd Category

The undersigned OSAMA AL HALABI, as President and member of the company Board of Directors, and LAVINIA PETCU, as Finance Manager, assume the responsibility for the financial statements for the 1st quarter of 2015 and acknowledge that:

- the accounting policies used when drawing up the financial statements are in compliance with the applicable accounting regulations;
- the quarterly financial situations are a trustworthy reflection of the financial status and of the information related to the activity developed;
- the legal entity is running the activity uninterruptedly.

The financial statements on March. 31, 2014 have not been audited yet.

We moreover state, as affidavit, that the issued report of the board of directors includes a accurate analysis of the issuer's development and performance as well as a description of the main risks and uncertainties specific to the activity developed.

PRESIDENT

OSAMA AL HALABI

FINANCE MANAGER

LAVINIA PETCU

SC Electroputere S A
80 Calea Bucuresti street
200440 Craiova
Romania
Tel: +40251.437119
Fax: +40251 437730
electroputere@electroputere.ro
www.electroputere.ro

Registrations: J 16/12/1991
CUI: 6312800
TVA/VAT: RO6312800
Share capital: 103.760.291 LEI

Bank accounts:
Blom Bank France SA Paris - Romania Branch
Acc. RO43BLOM6304912946260014/RON
Acc. RO62BLOM6304912840260012/USD
Acc. RO38BLOM6304912978260016/EUR



Electroputere

To,
Bucharest Stock Exchange
National Securities Commission

NOTICE

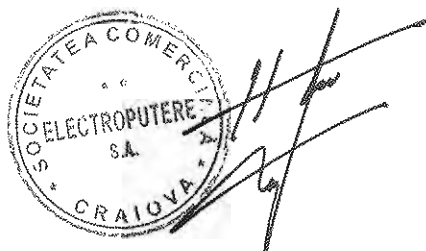
According to art. 113, letter C from CNVM Regulation no. 1/2006, regarding the issuers and operations with securities, S.C. Electroputere S.A. Craiova informs the shareholders and investors that the Report for the 1st quarter concluded on May. 14, 2015 will be available on the company website (www.electroputere.ro) since May. 14, 2015.

It will be issued according to CNVM Regulation no. 1/2006.

The financial statements on March. 31, 2015 have not been audited yet.

The requests for a written copy of it can be submitted to the company registered office from Craiova, 80 Calea București Street, or at the telephone number 0251437119 (extension 4211).

President,



SC Electroputere S A
80 Calea Bucuresti street
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Registrations: J 16/12/1991
CUI: 6312800
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Share capital: 103.760.291 LEI

Bank accounts:
Blom Bank France SA Paris - Romania Branch
Acc. RO43BLOM6304912946260014/RON
Acc. RO62BLOM6304912840260012/USD
Acc. RO38BLOM6304912978260016/EUR

Translation from Romanian

Report 1st QUATER OF 2015 according to Regulation no. 1/2006

Reporting date: May. 14, 2015

Name of the Trade Company: S.C. Electroputere S.A.

Headquarters: Craiova, 80 Calea București Street, Dolj County

Tel: 0251 / 437119; Fax: 0372003056

Tax Code: 6312800

Registration in the Trade Register: J16/12/1991

Subscribed and paid up capital: 103.760.291,30

Regulated market where issued securities are traded: Bucharest Stock Exchange

1. The report on the main events occurred during the relevant period of time and their impact on the issuer's financial situation and its branches.

-

2. Economical and financial indicators:

Indicator	Calculation method	Result
Current liquidity ratio	Current assets/ debts	0.51
Indebtedness indicator	Loan capital / Equity *100 Loan capital / Capital employed *100	-
Rate of debit turnover - customers	Average balance client / Turnover*90	110 days
Rate of fixed assets turnover	Turnover / Fixed assets	0.35

3. Economical and financial situation and analysis of S.C. Electroputere S.A. activity on March. 31, 2015.

Synthetic comparative situation (1st quarter, 2014 – 1st quarter, 2015) are presented as follow:

S.C. ELECTROPUTERE S.A.
FINANCIAL STATEMENTS
FOR MARCH 31, 2015

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ADOPTED BY THE EUROPEAN UNION

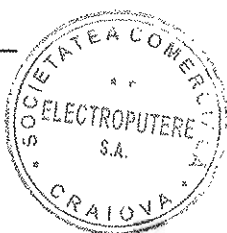
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S.C. ELECTROPUTERE S.A.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR MARCH 31, 2015

(all amounts are expressed in RON, unless otherwise specified)

	Note	March 31, 2015 unaudited	March 31, 2014 unaudited
Revenue	4	35,709,391	32,478,068
Cost of sales	5	(31,361,079)	(26,144,246)
Gross profit / (loss)		4,348,312	6,333,822
Administrative expenses	9	(4,891,830)	(7,110,148)
Other operating expenses	7	2,055,709	4,872,742
Distribution expenses		(2,685,027)	(4,457,027)
Other gains or (losses)	6	5,533,810	2,367,063
Finance costs	8	(4,617,371)	(5,342,316)
Loss before tax		(256,397)	(3,335,864)
Income tax credit	10	-	-
Loss for the year		(256,397)	(3,335,864)
Other comprehensive income, net of tax			
Gain on revaluation of properties		-	-
Total comprehensive income		(256,397)	(3,335,864)
Loss per share	24	-0.0002	-0.0032


OSAMA M.T. AL-DALABI
 President




LAVINIA PETCU
 Financial Manager

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

S.C. ELECTROPUTERE S.A.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(all amounts are expressed in RON, unless otherwise specified)

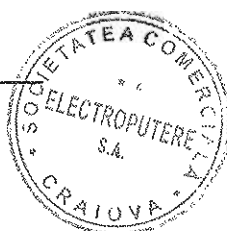
	Note	March 31, 2015 RON	December 31, 2014 RON
ASSETS			
Non-current assets			
Property, plant and equipment		264,904,306	265,912,782
Intangible assets		2,052,317	1,364,984
Other assets	10	577,836	510,469
Total non-current assets		267,534,459	267,788,235
Current assets			
Inventories	11	14,683,912	12,305,924
Trade and other receivables	12	79,845,285	67,437,373
Other assets	10	12,284,787	10,815,328
Cash and cash equivalents	13	2,037,723	3,201,052
Total current assets		108,851,707	93,759,677
Total assets		376,386,166	361,547,912
EQUITY AND LIABILITIES			
Capital and reserves			
Issued capital	14	103,760,291	1,055,987,861
Reserves	15	73,756,118	73,756,118
Accumulated deficit		(227,593,840)	(1,179,565,013)
Total equity		(50,077,431)	(49,821,034)
Non-current liabilities			
Borrowings	16	197,732,327	200,974,208
Other non-current liabilities		71,089	71,089
Total non-current liabilities		197,803,416	201,045,297


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S.C. ELECTROPUTERE S.A.
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2015
(all amounts are expressed in RON, unless otherwise specified)

	Note	March 31, 2015 RON	December 31, 2014 RON
Current liabilities			
Trade and other payables	18	66,513,417	49.993.228
Borrowings	16	153,074,920	151.368.219
Provisions	17	4,837,749	6.167.873
Short term finance lease and other interest bearing obligations	20	-	-
Other current liabilities	19	4,234,095	2.794.329
Total current liabilities		228,660,181	210.323.649
Total liabilities		426,463,597	411.368.946
Total equity and liabilities		376,386,166	361.547.912


OSAMA M.T. AL-HALABI
President




LAVINIA PETCU
Financial Manager

S.C. ELECTROPUTERE S.A.
STATEMENT OF CASH FLOW
FOR MARCH 31, 2015

(all amounts are expressed in RON, unless otherwise specified)

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Cash flow from operating activities		
Net loss	(256,397)	(3,335,864)
<i>Adjustments</i>		
Depreciation and amortization of non-current assets	1,439,318	1,496,866
Reversal of provisions for doubtful accounts receivable		(10,044)
Provisions for non-current assets	(739,088)	
Charges to / (Reversal of) provisions for slow moving and obsolete inventories	(181,555)	(597,336)
(Reversal of) / Charges to provisions for risks and charges	(1,330,124)	(3,896,689)
Provisions for penalties and interests for VAT		
Net gain/(loss) from sale/write off of fixed assets		
Net interest expenses	4,617,371	5,343,052
Fixed assets from own production	(58,601)	
Unrealized forex (gain) / loss differences	(4,342,932)	(3,286,569)
Loss on revaluation of land		
Movements in working capital		
Decrease in trade and other receivables	(13,877,371)	(15,329,208)
Decrease in inventories	(2,196,431)	247,716
(Increase) of good execution guarantees granted to customers	(67,367)	42,827
(Decrease)/Increase in trade and other payables	17,959,955	2,222,799
Cash generated by / (used in) operations	966,779	(17,102,449)
Interest paid	(1,401,779)	(999,248)
Interest received	356	368
Cash flows from operating activities	(434,644)	(18,101,329)
Cash flow from investing activities		
Payments for acquisitions of property, plant and equipment and intangible assets	(320,486)	(209,358)
Proceeds from disposals of property, plant and equipment		
Cash flows (used in) / generated by investing activities	(320,486)	(209,358)

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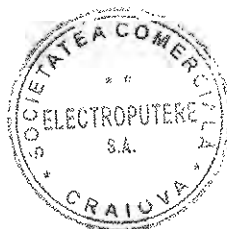
**S.C. ELECTROPUTERE S.A.
STATEMENT OF CASH FLOW
FOR MARCH 31, 2015**

(all amounts are expressed in RON, unless otherwise specified)

	<u>March 31, 2015</u>	<u>March 31, 2014</u>
Cash flow from financing activities		
Increase in loans from shareholders		11,903,916
Increase in loans from financial institutions	(408,199)	6,075,175
Payments for leasing		
Cash generated by / (used in) financing activities	<u>(408,199)</u>	<u>17,979,091</u>
Net increase / (decrease) in cash and cash equivalents	<u>(1,163,329)</u>	<u>(331,596)</u>
Cash and cash equivalents at the beginning of the year	<u>3,201,052</u>	<u>2,236,108</u>
Cash and cash equivalents at the end of the year	<u>2,037,723</u>	<u>1,904,512</u>



OSAMA M.T. AL-HALABI
President






LAVINIA PETCU
Financial Manager


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

	Share capital	Elements similar to share capital	Other reserves	Revaluation reserves	Accumulated deficit from the transition to IFRS	Accumulated deficit	Total
Balance at January 1, 2014	33,760,291	952,227,570	60,918,636	12,837,481	(574,840,761)	(568,746,170)	(83,842,953)
Increase in share capital	70,000,000	-	-	-	-	-	70,000,000
Loss for the year	-	-	-	-	-	(35,978,080)	(35,978,080)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance at December 31, 2014	103,760,291	952,227,570	60,918,636	12,837,481	(574,840,761)	(604,724,250)	(49,821,034)

During October 2014, the share capital of the Company has been increased by RON 70,000,000 (equivalent of EUR 15,938,069) through the conversion of a portion of the shareholders loan obtained from the main shareholder AL ARRAB CONTRACTING COMPANY LIMITED. The share capital increase has been approved by the Trade Register on October 22, 2014.


OSAMA M.T. AL-HALABI
President





LAVINIA PETCU
Financial Manager


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

	Share capital	Elements similar to capital	Other reserves	Revaluation reserves	Accumulated deficit from the transition to IFRS	Accumulated deficit	Total
Balance at January 1, 2015	103,760,291	952,227,570	60,918,636	12,837,481	(574,840,761)	(604,724,250)	(49,821,034)
Loss for the year	-	-	-	-	-	(256,397)	(256,397)
Other comprehensive income for the year, net of tax	-	(952,227,570)	-	-	574,840,761	377,386,808	-
Other	-	-	-	-	-	-	-
Balance at March 31, 2015	103,760,291	-	60,918,636	12,837,481	-	(227,593,840)	(50,077,431)


OSAMA M.T. AL-HALABI
President




LAVINIA PETCU
Financial Manager

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S.C. ELECTROPUTERE S.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in RON, unless otherwise specified)

1. GENERAL INFORMATION

S.C. ELECTROPUTERE S.A. (the „Entity”) is an entity set up under the Romanian law. The Entity was initially established in 1949, having its main business purpose the manufacturing of electrotechnical equipment of high currents for energy sector and railway transport, and initially structured in four main production sectors: rotative motors, power transformers, electrical devices and locomotives.

Electroputere S.A. became a holding Company on August 17, 1994 and was privatized in October 2007, Al-Arrab Contracting Company Limited being the major shareholder.

The adress of the registered office of the Company is: Craiova, Bucuresti street, no 80.

The main categories of products of the Entity are: power transformers, rotative electrical engines, repairs and upgrades to equipment and installations.

During 2014 approximately 91% (2013: 81%) of sales went to export. Electroputere S.A. is listed on Bucharest Stock Exchange, having the symbol „EPT”. Its prices per share could be analyzed as follows:

	<u>2014</u>	<u>2013</u>
Minimum price	0.0481	0.0300
Maximum price	0.0485	0.0314
Average price	0.0485	0.0309

The evolution of average number of the Entity's employees was as follows:

	<u>March 2015</u>	<u>2014</u>
Average number of employees	708	729

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

Adoption of new and revised standards and interpretations

Standards and Interpretations effective in the current period

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

- **IFRS 10 “Consolidated Financial Statements”**, adopted by the EU on 11 December 2012 (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),
- **IFRS 12 “Disclosures of Interests in Other Entities”**, adopted by the EU on 11 December 2012 (effective for annual periods beginning on or after 1 January 2014),
- **IAS 27 (revised in 2011) “Separate Financial Statements”**, 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),

S.C. ELECTROPUTERE S.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in RON, unless otherwise specified)

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (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),
- **Amendments to IFRS 10 “Consolidated Financial Statements”, IFRS 12 “Disclosures of Interests in Other Entities” and IAS 27 (revised in 2011) “Separate Financial Statements”** – Investment Entities, adopted by the EU on 20 November 2013 (effective for annual periods beginning on or after 1 January 2014),
- **Amendments to IAS 32 “Financial instruments: presentation”** – Offsetting Financial Assets and Financial Liabilities, adopted by the EU on 13 December 2012 (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, adopted by the EU on 19 December 2013 (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, adopted by the EU on 19 December 2013 (effective for annual periods beginning on or after 1 January 2014).

The adoption of these amendments to the existing standards has not led to any changes in the Entity's accounting policies.

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

At the date of authorisation of these financial statements the following standards, amendments to the existing standards and interpretations issued by IASB and adopted by the EU were in issue but not yet effective:

- **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 IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use in EU as at March 25, 2014 (the effective dates stated below is for IFRS in full):

S.C. ELECTROPUTERE S.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in RON, unless otherwise specified)

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

- 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),
- 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 Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

- According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: “Financial Instruments: Recognition and Measurement”, would not significantly impact the financial statements, if applied as at the balance sheet date.

S.C. ELECTROPUTERE S.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in RON, unless otherwise specified)

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

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

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards adopted by the European Union (EU), as provided for by the Public Finance Minister no 1286/2012 and its subsequent amendments.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for certain classes of property plant and equipment and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for assets

The principal accounting policies are set out below:

Going concern

The financial statements have been prepared on a going concern basis, under the historical cost convention adjusted for the effects of hyperinflation until 31 december 2004 for share capital and reserves, respectively equipments.

As at March 31, 2015, the Company recorded an accumulated loss in the amount of RON 227.593.840, negative net assets in the amount of RON 50.077.431, net current liabilities in amount of RON 119.808.474 and the loss for the year then ended amounts to RON 256.397. These matters indicate an uncertainty regarding the Company's ability to continue as a going concern and an increased liquidity risk. In addition, according to statutory commercial law 31/1990, revised, in the event where the administrators ascertain that, further to incurring losses, the net assets, calculated as the difference between total assets and total liabilities of the Company, are less than half the value of the share capital, the administrators shall convene the general meeting of shareholders to decide whether to increase the share capital or to reduce it to the remaining value or to dissolve the Company. Management believes that it is unlikely that the Company will be subject to dissolution procedures in the future. As a result, the Company's capacity to continue as a going concern depends on its ability to generate sufficient future income and on the financial support from its shareholders. Management believes that such a support will be available whenever necessary. These financial statements do not include adjustments that might arise from this uncertainty regarding the ability of the Company to continue as a going concern.

The principal accounting policies are presented below:

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced by estimated customer returns, rebates and other similar allowances.

Sale of goods

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

- The Entity has transferred to the buyer the significant risks and rewards of ownership of the goods;

S.C. ELECTROPUTERE S.A.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2014
(all amounts are expressed in RON, unless otherwise specified)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods (continued)

- The Entity 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 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, revenue from sale of goods is recognized when goods are delivered and legal title is passed. Revenues from the sale of power transformers are recognized using the principles of the construction contracts.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours and direct expenses are incurred.

Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Entity and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Construction contracts

In accordance with the provisions of IAS 11, when the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative for the stage of completion.

Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately and the Company records provisions for onerous contracts.

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts, where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as the amounts due to customers for contract work. Amounts received before the related work is performed are included in the statement of financial position, as a liability, as advances received. Amounts billed for work performed but not yet paid by the customer are included in the statement of financial position under trade and other receivables.

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NOTES TO FINANCIAL STATEMENTS
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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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.

The Entity's as lessor

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Entity's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Entity's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Entity as lessee

Assets held under finance leases are initially recognized as assets of the Entity 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 expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Entity's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods 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 arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The Company's operations are in Romania and the functional currency is RON.

In preparing the financial statements of the Entity, transactions in currencies other than the Entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

The official conversion rates used to convert foreign currency denominated balance sheet items at the end of the reporting periods were as follows:

- March 31st, 2015: 4.1115 RON/USD and 4.4098 RON/EUR;
- December 31st, 2014: 3.6868 RON/USD and 4.4821 RON/EUR;

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.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Employee benefits

The Entity, in the normal course of business, makes payments to the Romanian State on behalf of its employees for pensions, health care and unemployment cover. The cost of these payments is charged to profit or loss account in the same period as the related salary cost.

The Entity pays employees retirement benefits, benefits which are defined in the Collective Labor Agreement of the Entity.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Entity's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences.

Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 profits will be available to allow all or part of the asset to be recovered.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognized in the profit or loss account, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

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

Property, plant and equipment

Each asset with an acquisition cost exceeding RON 2,500 and estimated useful life of over one year are capitalized. Fixed assets with an acquisition cost lower than RON 2,500 are recorded as an expense.

Cost

The Entity's land and buildings were presented at the date of the transition to International Financial Reporting Standards based on deemed cost, which is equal to the market value of these assets at the date of the transition determined based on a revaluation carried out by an independent appraiser. Subsequently the land and buildings held by the Company have been revalued and are carried in the financial statements at revalued cost. At December 31, 2013 the buildings and land have been revalued by an independent appraiser, member of ANEVAR organization.

The Entity's equipments were presented at the date of transition to International Financial Reporting Standards at initial cost on which general price indexes have been applied for the period 1990 – 2003, during which Romania was a hyperinflationary economy.

The expenses with the major improvements are capitalized, based on the criteria whereas they extend the operating life of asset or lead to a significant increase in its ability to generate revenue. Cost of maintenance, repair and minor improvements are shown on expenses when they are carried out.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period. Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss account, in which case the increase is credited to profit or loss account to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recorded in profit or loss account to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. On subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at the value presented above, deducting any accumulated amortization and any subsequent impairment allowance.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

Assets in course of construction to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees, and, for qualifying assets, borrowing costs capitalised in accordance with the International Financial Reporting Standards. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continue use of the asset.

Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the statement of comprehensive income.

Depreciation and amortization

Property, plant and equipment and intangible assets are depreciated/amortized on a straight line basis, according to their estimated useful lives since the date of put in function, so that the cost to be decreased to the estimated residual value at the end of their useful life. The main useful lives for the various categories of property, plant and equipment are:

	<u>Years</u>
Buildings and special constructions	30 – 60
Installations and equipment	10 – 25
Computers and electronic equipment	3 – 5
Vehicles	3 – 5

Land is not depreciated as it is assumed to have an unlimited service life.

Estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period. If the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Assets held under finance leases are depreciated over the useful life on the same basis as owned assets or, where the period is shorter, over the term of the relevant lease contract.

An item of property is no longer recognized as a result of the disposal or when no future economic benefits are expected from continued use of the asset.

Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized and the carrying amount of the initial component is canceled. Other subsequent expenditure is capitalized only when future economic benefits are expected through the use of such assets. All other expenditure is recognized in the profit or loss account as incurred.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The 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
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognized in the statement of comprehensive income in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in the statement of comprehensive income when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Inventories like raw materials, consumables, materials in the form of inventory items, goods and packages are valued at acquisition cost or the price in foreign currency at the exchange rate on the date of acquisition, plus custom duties, custom fees and travel expenses such as insurance.

Production in progress, semi-finished and finished goods are valued at the production cost.

Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that the Entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognized and measured as provisions. An onerous contract is considered to exist where the Entity has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructuring

A restructuring provision is recognized when the Entity has developed 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 the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions (continued)

those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

Warranties

Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognized at the date of sale of the relevant products, at the directors' best estimate of the expenditure required to settle the Entity's obligation.

Financial instruments

Financial assets and financial liabilities are recognized when the Entity becomes a party to the contractual provisions of the instrument .

Financial assets

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss" (FVTPL), and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial assets is classified as held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

provided internally on that basis; or

- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "Net financial expenses" in the statement of comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans 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 recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Entity's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- The disappearance of an active market for that financial asset because of financial difficulties.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

Derecognition of financial assets

The Entity derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

On derecognition of a financial asset other than in its entirety (e.g. when the Entity retains 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 Entity allocates the previous carrying amount 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 amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Entity are recognized at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Entity manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Entity's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities and equity instruments (continued)

Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'financial cost, net' line item in the statement of comprehensive income/income statement.

Other financial liabilities

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

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Entity derecognises financial liabilities when, and only when, the Entity's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognized in profit or loss account.

Related parties

Parties are considered related when other party, either through ownership, contractual rights, family relationship or otherwise, has the ability to directly control or significantly influence the other party.

Operating segments

An operating segment is a component of the Entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the Entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment information is presented in respect of the Entity's business and geographical segments and is determined based on the Entity's management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments (other than investment property) and related revenue, loans and borrowings and related expenses, corporate assets (primarily the Entity's premises) and head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Use of estimates

In the application of the Entity's accounting policies, as described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates (continued)

are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgements

The following are the critical judgements that the directors have made in the process of applying the Entity's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

i) Impairment of tangible and intangible assets

At each balance sheet date, the Entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, management estimates future cash flows discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

ii) Useful lives of property, plant and equipment

The Entity reviews for adequacy the estimated useful lives of property, plant and equipment at the end of each annual reporting period.

iii) Restructuring provisions

iv) Deferred taxes

v) Provisions and contingent liabilities

vi) Allowances for bad and doubtful customers

vii) Allowances for obsolete inventory or for net realizable value adjustments

The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Comparatives

Certain amounts in the statement of financial position, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the prior year have been reclassified to conform to the current year's presentation.

The Company corrects material prior period errors retrospectively in the first set of financial statements authorised for issue after their discovery, in accordance with the provisions of IAS 8, by:

a. restating the comparative amounts for the prior period(s) presented in which the error occurred; or

b. if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

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4. REVENUES

Below, is in analysis of the Company's revenues for the year.

	March 31 2015	December 31 2014
Revenues from sales of goods	34,512,712	30,052,421
Revenue from commodities	132,702	126
Revenue from rendering of services	54,393	273,566
Other revenues	1,009,584	2,151,955
Total	35,709,391	32,478,068

5. COST OF SALES

	March 31 2015	December 31 2014
Raw materials	22,433,317	18,995,864
Consumables expenses	1,249,803	907,299
Packages expenses	430	4,183
Energy, water and gas	840,277	1,113,769
Repairs	3,343	497
Staff costs	4,690,200	3,463,193
Depreciation and amortization related to non-current assets	953,124	1,439,210
Others	4,025	5,718
Third party services	974,771	214,513
Transportation expenses	145,708	
Telecommunication expenses	14,244	
Rent	16,103	
Environmental expenses	35,734	
Total	31,361,079	26,144,246

6. OTHER GAINS AND LOSSES

	March 31 2015	December 31 2014
Income from sale of property, plant and equipment	-	-
Expenses with disposal of property, plant and equipment	-	-
Income/ (expense) net of exchange differences	-	(1,436)
Total		(1,436)

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7. OTHER OPERATING EXPENSES

	March 31 2015 <u>RON</u>	December 31 2014 <u>RON</u>
Other income	179,706	340,841
Reversal of provisions for current assets	2,008,981	3,752,769
Provisions for current assets		
Provisions for VAT receivable (see Note 13)		
Reversal of provision for risks and charges	83,153	778,621
Expenses with provisions for risk and charges		
Provisions for penalties and interest for late payment of VAT (see Note 13)		
Impairment related to property, plant and equipment		
Other expenses	(216,131)	512
Total	<u>2,055,709</u>	<u>4,872,743</u>

8. FINANCE COSTS, NET

	March 31 2015	December 31 2014
Interest income	(356)	(368)
Interest expense from loans and leasing	4,617,727	5,342,684
Total	<u>4,617,371</u>	<u>5,342,316</u>

9. ADMINISTRATIVE EXPENSES

	March 31 2015	December 31 2014
Energy, water and gas	167,982	222,053
Repairs expenses	12,117	4,769
Insurance premiums	131,312	132,884
Staff costs	1,625,497	3,303,922
Fees and charges	4,071	1,218,261
Entertainment, promotion and advertising	26,829	13,152
Other third party services	772,592	994,435
Other taxes, charges and similar expenses	331,975	344,650
Consumables expenses	331,201	1,678
Bank charges	836,915	521,837
Other administrative expenses	651,339	352,507
Total	<u>4,891,830</u>	<u>7,110,148</u>

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10. OTHER ASSETS

	March 31 2015	December 31 2014
Guarantees on long-term	577,836	510.469
Commercial guarantees paid	319,980	233.364
Provisions for guarantees	(200,419)	(225.923)
Other investments	1,817	1.817
Sundry debtors	112,858	187.043
Amounts paid in advance	981,410	
VAT receivable	14,774,217	14.324.103
Less: Allowance for doubtful VAT receivable	(3.705.076)	(3.705.076)
Total	12,862,623	11.325.797

During the year ended December 31, 2014 the Company was subject to a VAT reimbursement control by the local tax authorities, covering prior periods December 2008 – February 2014. The VAT amount requested by the Company for reimbursement was RON 8,507,956. The VAT inspectors disallowed the amount requested for reimbursement by the Company and assessed additional VAT liabilities in amount of RON 8,404,943 and additional late payment interest and related penalties in the amount of RON 5,635,396. Based on management's best estimate related to the recoverability of these amounts as at December 31, 2014 an allowance for doubtful VAT receivable of RON 3,705,076 and a provision for risks and charges of RON 4,248,418 (see Note 7 and Note 20) for the penalties and interests requested by the fiscal authorities were recorded in the financial statements as of December 31, 2014. The management of the Company believes based on internal assessment that the additional amounts not provided for are defensible in court and a claim against the fiscal authorities will be submitted in the court of law during April 2015.

	March 31 2015	December 31 2014
Guarantees on long-term	577,836	510.469
Other current assets	12,284,787	10.815.328
Total	12,862,623	11.325.797

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11. INVENTORIES

	March 31 2015	December 31 2014
Raw materials	15,821,959	12.404.350
Consumables	299,658	435.280
Materials in the form of inventory items	1,205,210	1.071.394
Packaging	278,162	182.326
Finished goods	2,418,685	2.535.872
Work in progress	1,038,177	2.242.254
Semi-finished goods	1,239,176	1.228.358
Residual products	20,670	25.430
Allowance for impairment of inventories	(7,637,785)	(7.819.340)
Total	14,683,912	12.305.924

The movement in the allowance for slow moving and obsolete inventory is presented below:

	March 31 2015	December 31 2014
Balance at the beginning of the year	7,819,340	7,139,029
Charge/(Release) in the current year	(181,554)	680,311
Balance at the end of the year	7,637,786	7,819,340

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12. TRADE AND OTHER RECEIVABLES

	<u>March 31 2015</u>	<u>December 31 2014</u>
Trade receivables	61,809,237	42.591.878
Trade receivables recognised under IAS 11	18,347,644	25.248.136
Allowance for doubtful receivables	(521,762)	(521.762)
Advances paid for inventory	159,750	101.095
Advances paid for services	50,416	18.026
Total	<u>79,845,285</u>	<u>67.437.373</u>

In determining the recoverability of trade receivables, the Company takes into account changes in the creditworthiness of the customer from the date of credit to the reporting date. Concentration of credit risk is limited due to the existence of a large portfolio of clients unaffiliated. Thus, the Company's management believes that no additional adjustments are needed for trade receivables impairment than those recognized in these financial statements.

Aging of receivables that are older than 60 days:

	<u>March 31 2015</u>	<u>December 31 2014</u>
60-90 days	198,441	1.228.869
90-120 days	1,228,495	1.525.389
Over 120 days	2,250,124	1.237.838
Total	<u>3,677,060</u>	<u>3.992.096</u>

Movement in allowance for trade receivables is as follows:

	<u>March 31 2015</u>	<u>December 31 2014</u>
Balance at the beginning of the year	521,762	2.245.145
(Release) in the current year	0	(1.723.383)
Balance at the end of the year	<u>521,762</u>	<u>521.762</u>

Aging of receivables past due and impaired:

	<u>March 31 2015</u>	<u>December 31 2014</u>
Over 120 days	521.762	521.762
Total	<u>521.762</u>	<u>521.762</u>

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13. CASH AND CASH EQUIVALENTS

	<u>March 31 2015</u>	<u>December 31 2014</u>
Bank accounts	1,938,299	3.200.761
Other	99,302	-
Cash equivalents	122	291
Total	<u>2,037,723</u>	<u>3.201.052</u>

14. ISSUED CAPITAL

Share capital is fully paid as at December 31, 2014 and March 31, 2015.

	<u>No. of shares</u>	<u>Share capital RON</u>
Share capital at		
December 31, 2014	1,037,602,913	103,760,291
Effect of inflation on capital		952,227,570
Share capital at		
December 31, 2014		<u>1,055,987,861</u>

	<u>No. of shares</u>	<u>Share capital RON</u>
Share capital at		
March 31, 2015	1,037,602,913	103,760,291
Effect of inflation on capital		
Share capital at		
March 31, 2015		<u>1.037.602.913</u>

Shareholder structure December 31, 2014

	<u>No of shares</u>	<u>Procent</u>
Al-Arrab Contracting Company Ltd	991,284,640	95.53%
Other shareholders	46,318,273	4.63%
Total	<u>1,037,602,913</u>	<u>100%</u>

Shareholder structure March 31, 2015

	<u>No of shares</u>	<u>Procent</u>
Al-Arrab Contracting Company Ltd	991,284,640	86.28%
Other shareholders	46,318,273	13.72%
Total	<u>1,037,602,913</u>	<u>100%</u>

During October 2014, the share capital of the Company has been increased by RON 70,000,000 (equivalent of EUR 15,938,069) through the conversion of a portion of the shareholders loan in share capital. The share capital increase has been approved by the Romanian Trade Register on October 22, 2014.

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15. RESERVES

	March 31 2015	December 31 2014
Legal reserves	17,784,866	17,784,866
Revaluation reserves	12,837,480	12,837,479
Other	43,133,772	43,133,772
Total	73,756,117	73,756,117

16. BORROWINGS

	March 31 2015	December 31 2014
<u>Loans guaranteed</u>		
Short term loans	83,602,363	84.010.561
Current portion of long term loans	69,472,557	67.357.658
<u>Loans guaranteed</u>		
Long term loans	197,732,327	200.974.208
Total	350,807,247	352.342.427

a) Amounts due to credit institutions

The Company contracted a credit facility amounting to 29,800,000 EUR from Blom Bank for the financing of working capital and for the payment of the outstanding debts towards state authorities. The credit facility comprises the following credit limits:

- An overdraft loan of EUR 3,000,000 for the current activity, that can be utilized up until May 31, 2015, with an attached interest rate of EURIBOR 1m plus 2.5% fix margin per annum, but no lower than 4.75% per annum;
- A loan of EUR 5,300,000 for the full payment of budget obligations, that can be utilized up until May 31, 2015, with an attached interest rate of EURIBOR 1m plus 2.5 % . per annum, but no lower than 4.75% per annum;
- A revolving facility of EUR 4,000,000 EUR, for the financing contracts, that can be utilized up until May 31, 2015, with an attached interest rate of EURIBOR 1m plus 2.5% . per annum, but no lower than 4.75% per annum;
- A revolving facility of EUR 9,000,000 for the issuance of letters of credit, that can be utilized up until May, 31, 2015:
 - For abroad suppliers, with an attached interest rate of EURIBOR 1m plus 2.5% fix margin per annum, but no lower than 4.75% per annum,
 - For domestic suppliers, with an attached rate of ROBOR 1m plus 0.5% per annum, but no lower than 10% per annum.

A revolving facility of EUR 8,500,000 for issuance of warranty letters, that can be utilized up until May, 31, 2015 (non cash) .

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16. BORROWINGS (continued)

The above mentioned agreement is pledged with:

- Real estate mortgage over the land located in Craiova, Calea Bucuresti Str., No. 80, Dolj county, with a surface of 468.862 sqm., property of SC Electroputere SA, as well as the related constructions.
- Pledge over the cash accounts of the debtor;
- Pledge over the receivables resulting from the agreement sealed by SC Electroputere SA with its clients. According to the addendum 1/30.08.2011 to the Real Warranty agreement, the company is unconditionally obliged to warrant the above mentioned credit through the of rights from the selling agreements between the company and its final clients;
- Guarantee contract entitled „Guarantee and Indemnity” signed by Mada Group For Industrial and Commercial Investment Company Limited, related party, for the amount of EUR 26,200,000.
- Real estate mortgage over the land located in Mogosoaia, Ifov county with a surface of 184.000 sqm, property of SC Electroputere SA

b) Amounts due to shareholders

As at March 31, 2015 the amounts owed to the shareholders, are long-term loans from the main shareholder of the Company, Al-Arrab Contracting Company Ltd, in the amount of EUR 44,839,296 equivalent of RON 197,732,327 (December 31, 2014: RON 200.974.208, equivalent of EUR 44.839.296), granted for financing of working capital, environment and development investments, according to the obligations assumed under the privatization agreement no. 67/30.10.2007.

Interest payable at March 31, 2015 on loans from shareholders amounts to RON 67,357,658, equivalent of 15,028,147 EUR (31 December 2013: RON 50,584,562, equivalent of 11.279.364 EUR), calculated at rates ranging between 0% and 6.5% per year.

During October 2014, the share capital of the Company has been increased by RON 70,000,000 (equivalent of EUR 15,938,069) through the conversion of a portion of the shareholders loan in share capital. The share capital increase has been approved by the Romanian Trade Register on October 22, 2014.

The interest expense related to the shareholders loan for the year ended December 31, 2014 is in amount of RON 16,632,253 (for the year ended December 31, 2013: RON 17,178,201).

According to the loan agreement, Electroputere undertakes to establish in favour of Al-Arrab Contracting Company Ltd a pledge on movable assets (plant, machinery and equipment) required for the manufacture of transformers and electric motors, as well as a real estate mortgage on the land located in Craiova, with the following cadastral numbers: 10493/3 (mortgaged to Blom Bank France S.A.), 10493/4 (mortgaged to Blom Bank France S.A), 10493/5 (mortgaged to Blom Bank France S.A), 10493/6/1 (mortgaged to Blom Bank France S.A), 10493/7 (mortgaged to Blom Bank France S.A), 10493/8 (mortgaged to Blom Bank France S.A), 10493/9 (mortgaged to Blom Bank France S.A), 10493/10 (mortgaged to Blom Bank France S.A), 10493/11/2 (mortgaged to Blom Bank France S.A), 10493/11/3 (mortgaged to Blom Bank France S.A), 10493/12 (mortgaged to Blom Bank France S.A), 10493/13/1 (mortgaged to Blom Bank France S.A), 10493/13/3 (mortgaged to Blom Bank France S.A) and 11.042 (without mortgaged to Blom Bank France S.A.).

As of the balance sheet date this pledges/mortgages have not been made.

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17. PROVISIONS

	<u>March 31 2015</u>	<u>December 31 2014</u>
Provisions for guarantee to customers	-	-
Provisions for restructuring	3,857	64.087
Provisions for onerous contracts		1.269.894
Provisions for penalties and interest related to the VAT reimbursement control (Note 14)	4.248.418	4.248.418
Other provisions	585.474	585.474
Total	<u>4,837,749</u>	<u>6.167.873</u>

Provisions for restructuring are provisions for redundancy payments to be paid to employees made redundant during 2013, in accordance with the collective labor agreement.

18. TRADE AND OTHER PAYABLES

	<u>March 31 2015</u>	<u>December 31 2014</u>
Trade payables		
Invoices to be received	37,351,145	22.965.098
Advances from customers	4,486,888	3.888.493
Sundry creditors	15,382,810	17.721.302
Total	<u>9,292,574</u>	<u>5.418.335</u>

19. OTHER CURRENT LIABILITIES

	<u>March 31 2015</u>	<u>December 31 2014</u>
Wages	2,086,264	1.909.678
Social contributions	413,506	344.760
Other taxes	4,136	5.472
Tax on salaries	229,261	224.739
Other current liabilities	1,500,928	309.680
Total	<u>4,234,095</u>	<u>2.794.329</u>

20. FINANCE LEASE LIABILITIES

The following table shows finance leases payable associated with the financial lease contracts grouped by repayment date:

	<u>March 31 2015</u>	<u>December 31 2014</u>
Within one year	-	-
Over 1 year and less than 5 years	-	-
	<u>-</u>	<u>-</u>

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Total		
Less future finance charges	-	-
Present value of lease obligations	-	-
	March 31 2015	December 31 2014
Current portion	-	-
Non-current portion	-	-
Total	-	-

21. FINANCIAL INSTRUMENTS

a) Capital risk management

The Entity's objectives when managing capital are to safeguard the Entity's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Entity consists of debt, which includes the borrowings presented at note 21, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings, as presented in notes 17 and 18.

Consistent with others in the industry, the Entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as 'capital and reserves' as per the balance sheet plus net debt.

The gearing ratios as at December 31, 2014 and March 31, 2015 were as follows:

	March 31 2015	December 31 2014
Total borrowings	350.807.247	352.342.427
Less: cash and cash equivalents	(2.037.723)	(3.201.052)
Net debt	348.769.524	349.141.375
Total capital and reserves	(50.077.431)	(49.821.034)
Gearing ratio	n/a	n/a

b) Interest rate risk management

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. Financial instruments bear interest at market rates, therefore it is considered that their fair values did not differ significantly from the carrying amounts.

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Interest rate sensitivity

The sensitivity analysis presented below has been determined for existing interest bearing loans outstanding at the reporting date, and the stipulated change taking place at the beginning of the financial year and held constant throughout the next reporting period in the case of borrowings linked to floating rates.

If interest rates would be higher / lower by 1% (100 basis points) and all other variables are held constant, the Company's net loss for 2014 would increase / decrease by RON 211,230 (2013: RON 209,388). This is mainly attributable to the Entity's exposure to interest rates on its variable interest rate for EUR denominated borrowings.

c) Credit risk management

The Company is subject to credit risk due to its trade receivables and other types of claims. The Company has policies to ensure that sales are made to customers with appropriate references on their creditworthiness. Date of maturity of debt is closely monitored and amounts due after exceeding it are pursued promptly. Trade receivables (customers) are presented net of adjustments for impairment of doubtful debts. The company develops policies that limit the amount of credit exposure to any financial institution.

d) Fair value of the financial instruments

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

- The fair values of financial assets and financial liabilities with standard term and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes);
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments;
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available using discounted cash flow analysis, based on the yield curve which do not include options models and valuation models for derivatives which have options pricing models.

The financial instruments from statement of financial position includes trade and other receivables, cash and cash equivalents, borrowings both short term and long term and other liabilities. Estimated fair values of these instruments approximate their carrying amounts. Carrying amounts represent the Company's maximum exposure to credit risk of existing claims.

e) Foreign currency risk management

The Entity is exposed to foreign exchange rate fluctuations in trade and finance. Currency risk arising from recognized assets and payables including loans denominated in foreign currency. Due to the high costs associated with Company policy is not to use derivative financial instruments to mitigate this risk.

f) Liquidity risk management

A prudent liquidity management involves maintaining sufficient cash and credit lines available, by a continuous monitoring of the estimated and real cash flow and by correlating the due dates of the financial assets and liabilities. Given the nature of its business, the Company aims at being flexible with regard to financing options, by maintaining credit lines available to finance the operating activities, as well as by the financial support from the majority shareholder.

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

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22. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties are as follows:

	Amounts receivable from Related Parties		Amounts payable from Related Parties	
	March 31, 2015	December 31, 2014	March 31, 2015	December 31, 2014
	RON	RON	RON	RON
Al -Arrab Contracting Company Ltd	-	-	267,204,882	312,389,531
Mada Group for Industrial and Commercial investment	-	-	4,658,245	4,772,495
Parc Industrial Mija SA- avansuri pentru imobilizari corporale	3,602,600	3,602,600	-	-
MIS Consulting	-	-	-	-
Griro SA	-	-	44,445	44,445
Cummins Generator Technologies Romania – sale of goods	-	-	-	-
Total	3,602,600	13,065,362	271,907,572	273,517,927

23. COMMITMENTS AND CONTINGENCIES

Litigations

As at 31 March 2015 the Entity is subject to a number of lawsuits arising in the normal course of business. The Company's management believes that these actions will not have a material adverse effect on economic performance and financial position of the Company.

Taxation

The taxation system in Romania is undergoing a continuous development phase and is subject to various interpretations and constant changes which may sometimes be retroactive. Although the actual tax due for a certain transaction can be minimal, penalties can be significant, as they can be calculated at the value of the transaction and at a minimum ratio of 0.1% per day starting with 2006, but can be significantly higher. In Romania, the fiscal year remains open for tax audit for a period of 5 years. The management considers that the tax liabilities included in these financial statements are adequate.

In accordance with the requirements issued by the Ministry of Public Finance, which relates to the fiscal treatment of the elements of equity that have not been subject to the calculation of the income tax as at the date of their recording in the accounts, due to their nature, should the Company change in the future the destination of the revaluation reserves (to cover losses or to distribute to the shareholders), this will lead to additional income tax liabilities.

Environment

The regulations regarding the environment are in a development phase in Romania and the Company did not record any liabilities as at March 31, 2015 and December 31, 2014 for any anticipated costs, including legal and consulting fees, design and implementation of remedial plans regarding the environment.

On February 24, 2010, the Regional Agency of Environment of Dolj County issued an environmental authorization valid until February 24, 2020. By this authorisation the Company was not required to adhere to any compliance program.

Privatization of the Company

In 2007, the majority shareholder of the Company offered for sale the package of shares held in SC Electroputere S.A., representing 62.82% of the total number of shares issued by the Company.

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The winner of the sale offer regarding the Electroputere shares managed by AVAS was declared Al-Arrab Contracting Company Ltd, a company with which it was concluded the shares sale-purchase contract no. 67/30.10.2007 on October 30, 2007.

According to this privatization contract, the main post-privatization obligations of the buyer are the following:

- To approve measures aiming at maintaining the normal production capacity of the equipment and plant;
- To assume all the rights and obligations stated in the Collective Labour Agreement, Individual labour agreements, laws regarding social protection and the protocol signed with Electroputere Trade Union;
- To make from own resources an investment aiming at the protection of the environment in the total amount of EUR 3,084,000 to comply with the environment obligations and the measures included in the environmental program of conformity;
- To ensure the working capital of the Company by an investment in amount of EUR 37,000,000 to support the current activity. In this respect, Al-Arrab Contracting Company Ltd transferred the entire amount of EUR 37,000,000 to the Company's accounts in order to support the current activity, before the deadline set for May 13, 2008;
- To invest from own sources in amount of EUR 20,000,000 during five years in development purposes. In 2009, the value of development investments according to the privatization contract was 6,000,000 EUR (2008: 7,000,000 EUR). Both amounts have been transferred up to the due date of 13 November 2009 and 13 November 2008 respectively.

In the business plan presented as Annex to the Privatization agreement, the following is stated:

- The buyer agrees to maintain the number of employees from the signing date of the privatization agreement (2.635 employees);
- The activity will focus on the locomotive production for export and the rise in sales of power transformers;
- The buyer proposes the technological restructuring, through the software and hardware acquisition, as well the implementation of an ERP system, which started to be implemented with the financial year 2013.

As at December 31, 2014, post-privatisation obligation mentioned above were partially accomplished.

During 2015 the main shareholder of the Company – Al Arrab Contracting Company Ltd. received a legal claim from AAAS (former AVAS) stating that part of the privatisation obligations have not been properly met. The first hearing term is set for April 2015 and the shareholders defense is in the beginning stage. Based on the representation of the lawyers, the post privatisation obligations remain in the responsibility of the shareholders of the Company, rather than the Company itself. The management of the Company believes, based on legal advice and facts to date that the outcome of the claim should not have a negative effect on the financial statements of the Company. Accordingly, these financial statements do not reflect any adjustments for this uncertainty.

24. RESULT PER SHARE

	March 31 2015	December 31 2014
Loss of the year	(256.397)	(35.978.080)
No. of shares	1.037.602.913	1.037.602.913
Loss per share	(0,0002)	(0,03)

25. SUBSEQUENT EVENTS

None.