S.C. ELECTROPUTERE S.A.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2012

PREPARED IN ACCORDANCE WITH

INTERNATIONAL FINANCIAL REPORTING STANDARDS

AS ADOPTED BY THE EUROPEAN UNION

(TOGETHER WITH THE INDEPENDENT AUDITOR'S REPORT)

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To the Shareholders of
S.C. Electroputere S.A.
Craiova, România

INDEPENDENT AUDITOR'S REPORT

S.C. ELECTROPUTERE S.A.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31, 2012	Year ended, December 31, 2011
Revenue	5	127,917,376	191,509,085
Cost of sales	6	(106,227,858)	(149,968,076)
Gross profit		**21,689,518**	**41,541,009**
Administration expenses	10	(46,247,340)	(61,863,167)
Other operating expenses	8	(31,261,475)	(54,791,915)
Other gains and losses	7	17,224,390	(7,353,436)
Finance costs	9	(18,189,785)	(13,517,187)
Profit before tax		(56,784,692)	(95,984,696)
Income tax expenses	11	-	-
Profit/ (Loss) for the year		**(56,784,692)**	(95,984,696)
Other comprehensive income, net of tax			
Gain on revaluation of properties		20,224,049	866,772
Total comprehensive income		**(36,560,643)**	**(92,117,924)**

These financial statements were authorized for issue by management on xyz.

Adrian Dumitriu
General Manager

Marius Daraban
Chief Financial Officer

Lavinia Petcu
Finance Manager

S.C. ELECTROPUTERE S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2012
(all amounts are expressed in RON, unless otherwise specified)

	Note	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
ASSETS		**RON**	**RON**	**RON**
Non-current assets				
Property, plant and equipment	**12**	278,661,710	297,574,226	350,511,850
Intangible assets	**13**	1,423,608	1,318,512	900,277
Other non-current financial assets	**14**	-	3,562,669	3,562,669
Other assets	**14**	84,232	283,905	5,389,783
Total non-current assets		**280,169,550**	**302,739,312**	**360,364,579**
Current assets				
Inventories	**15**	18,953,178	11,885,536	16,416,430
Trade and other receivables	**16**	89,712,591	100,026,620	47,050,647
Other assets	**14**	5,508,533	11,218,259	4,275,989
Cash and cash equivalents	**17**	4,013,166	5,208,461	34,707,446
Total current assets		**118,187,468**	**128,338,876**	**102,450,512**
Total assets		**398,357,018**	**431,078,188**	**462,815,091**
EQUITY AND LIABILITIES				
Capital and reserves				
Issued capital	**18**	985,987,861	985,987,861	985,987,861
Reserves	**19**	82,009,457	61,785,408	60,918,636
Retained earnings		(1,085,270,328)	(1,027,915,235)	(931,930,550)
Total equity		**(17,273,010)**	**19,858,034**	**114,975,947**
Non-current liabilities				
Borrowings	**20**	258,535,836	252,172,704	232,996,605
Long term finance lease and other interest bearing obligations	**24**	39,559	92,661	50,397
Other non-current liabilities		194,071	213,500	207,933
Total non-current liabilities		**258,769,466**	**252,478,865**	**233,254,935**

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

	Note	Year ended December 31, 2012	Year ended December 31, 2011	Year ended December 31, 2010
		RON	RON	RON
Current liabilities				
Trade and other payables	**22**	42,424,365	59,230,768	40,005,177
Borrowings	**20**	104,958,944	89,180,579	5,034,078
Provisions	**21**	5,243,653	5,813,837	8,065,400
Short term finance lease and other interest bearing obligations	**24**	103,092	50,972	79,848
Other current liabilities	**23**	4,130,508	4,465,134	61,399,706
Total current liabilities		**156,860,562**	**158,741,290**	**114,584,209**
Total liabilities		**415,630,028**	**411,220,155**	**347,839,144**
Total equity and liabilities		**398,357,018**	**431,078,188**	**462,815,091**

These financial statements were authorized for issue by management on xyz.

Adrian Dumitriu
General Manager

Marius Daraban
Chief Financial Officer

Lavinia Petcu
Finance Manager

S.C. ELECTROPUTERE S.A.
CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in RON, unless otherwise specified)

	Year ended December 31, 2012	**Year ended December 31, 2011**
Cash flow from operating activities		
Net loss	**(56,784,692)**	**(95.984.696)**
Adjustments		
Impairment allowance for property, plant and equipment	739,088	(562,377)
Depreciation and amortization of non-current assets	5,783,638	5,254,268
Allowances for doubtful receivables	797,941	(1,299,407)
Allowances for slow moving and obsolete inventories	(1,818,128)	4,241,812
Provisions	(570,183)	(2,251,563)
Net income/(loss) from sale/write off of fixed assets	(8,961,965)	(3,612)
Net interest expenses	18,189,791	14,402,291
(Income)/loss from the sale of shares	(16,523,773)	
Other financial income	-	(884,294)
Expenses regarding receivables written-off	-	2,887,895
Fixed assets from own production	-	(477,628)
Loss on revaluation of land	29,298,139	49,797,745
Movements in working capital		
Increase/(decrease) in trade and other receivables	14,655,413	(61,637,186)
Increase/(decrease) in inventories	(5,249,514)	(550,002)
(Increase) / (decrease) of good execution guarantees granted to customers	199,673	6,611,649
(Increase)/ decrease in trade and other	(31,623,600)	(37,088,858)
(Increase)/ decrease in prepaid expenses	-	38,713
Cash used in operations	**(51,868,172)**	**(117,505,251)**
Interest paid	(3,816,901)	(1,937,846)
Interest received	178,693	44,376
Net cash provided by operating activities	**(55,506,380)**	**(119,360,652)**
Cash flow from investing activities		
Payments for acquisitions of property, plant and equipment and intangible assets	(1,244,392)	(1,417,717)
Proceeds from disposals of property, plant and equipment	13,328,523	946,198
Proceeds from disposals of shares in other companies	20,086,440	-
Net cash used in investing activities	**32,170,571**	**(471,519)**

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

	Year ended December 31, 2012	Year ended December 31, 2011
Cash flow from financing activities		
Increase in loans received from affiliated companies	-	15,118,950
Net movement of loans received from intercompany	21,256,873	4,057,149
Net movement of loans from financial instiution	884,624	71,348,316
Payments for leasing	(982)	(153,161)
Net cash provided by financing activities	**22,140,515**	**90,371,254**
Net increase/(decrease) in cash and cash equivalents	**(1,195,295)**	**(29,460,917)**
Cash at the beginning of the year	**5,208,461**	**34,669,378**
Cash at the end of the year	**4,013,166**	**5,208,461**

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Adrian Dumitriu
General Manager

Marius Daraban
Chief Financial Officer

Lavinia Petcu
Finance Manager

S.C. ELECTROPUTERE S.A.
STATEMENT OF SHAREHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31,2011
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Elements similar to capital	Other reserves	Revaluation reserves	Retained earnings from the transition to IFRS	Retained earnings	Total
Balance at January 1, 2011	**33,760,291**	**952,227,570**	**60,918,636**	**-**	**(574,840,761)**	**(357,089,789)**	**114,975,947**
Loss for the year	-	-	-	-	-	(95,984,696)	(95,984, 696)
Reserves – surplus from revaluation reserves	-	-	-	866,772	-	-	866,772
Other comprehensive income	-	-	-	-	-	11	11
Other movements – reclassifications	-	-	-	-	-	-	-
Balance at December 31,2011	**33,760,291**	**952,227,570**	**60,918,636**	**866,772**	**(574,840,761)**	**(453,074,474)**	**19,858,034**

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LAVINIA PETCU
Finance Manager

MARIUS DARABAN
Chief Financial Officer

ADRIAN DUMITRIU
General Manager

S.C. ELECTROPUTERE S.A.
STATEMENT OF SHAREHOLDERS EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Elements similar to capital	Other reserves	Revaluation reserves	Retained earnings from the transition to IFRS	Retained earnings	Total
Balance at January 1, 2012	**33,760,291**	**952,227,570**	**60,918,636**	**866,772**	**(574,840,761)**	**(453,074,474)**	**19,858,034**
Loss for the year	-	-	-	-	-	(56,784,692)	(56,784,692))
Reserves – surplus from revaluation reserves	-	-	-	20,224,049	-	-	20,224,049
Other comprehensive income for the year, net of tax	-	-	-	-	-	(570,401)	(570,401)
Other movements - reclassifications	-	-	-	-	-	-	-
Balance at December 31, 2012	**33,760,291**	**952,227,570**	**60,918,636**	**21,090,821**	**(574,840,761)**	**(510,429,567)**	**(17,273,010)**

These financial statements were authorized for issue by management on xyz.

LAVINIA PETCU
Finance Manager

MARIUS DARABAN
Chief Financial Officer

ADRIAN DUMITRIU
General Manager

(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 2012 approximately 55% (2011: 73%) 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:

	2012	**2011**	**2010**
Minimum price	0.0233	0.044	0.076
Maximum price	0.0263	0.090	0.204
Average price	0.0253	0.069	0.132

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

	2012	**2011**	**2010**
Average number of employees	1,152	1,636	1,936

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 amendments to the existing standards issued by the International Accounting Standards Board and interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period:

- **Amendments to IFRS 1 "First time Adoption of IFRS"** – Severe hyperinflation and Removal of Fixed Dates for First-time adopters (effective for annual period beginning on or after 1 July 2011);

- **Amendments to IFRS 7 "Financial instruments: disclosures"** – Transfers of financial assets, addopted by the EU on 22 November 2011 (effective for annual periods beginning on or after 1 July, 2011);

- **Amendments to IAS 12 "Income taxes"** – Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2012).

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

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

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations were in issue but not yet effective.

- **IFRS 9 "Financial instruments"** (effective for annual periods beginning on or after 1 January 2015);
- **IFRS 10 "Consolidated Financial Statements"** (effective for annual periods beginning on or after 1 January 2013);
- **IFRS 11 "Joint Arrangements"** (effective for annual periods beginning on or after 1 January 2013);
- **IFRS 12 "Disclosures of Involvement with other Entities"** (effective for annual periods beginning on or after 1 January 2013);
- **IFRS 13 "Fair Value measurement"** (effective for annual periods beginning on or after 1 January 2013);
- **IAS 27 (revised in 2011) "Separate Financial Statements"** (effective for annual periods beginning on or after 1 January 2013);
- **IAS 28 (revised in 2011) "Investments in associates and Joint Ventures"** (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 1 "First-time Adoption of IFRS" – Government Loans** (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFSR 7 "Financial instruments: disclosures" –** offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IFRS 9 "Financial instruments" and IFRS 7 "Financial instruments: disclosures" –** mandatory effective date and transition disclosures;
- **Amendments to IAS 1 "Presentation of financial statements" –** presentation of items of other comprehensive income (effective for annual periods beginning on or after 1 July 2013);
- **Amendments to IAS 19 "Employee benefits"** – improvements to the accounting for Post-employment benefits (effective for annual periods beginning on or after 1 January 2013);
- **Amendments to IAS 32 "Financial instruments: presentation" –** offsetting financial assets and financial liabilities (effective for annual periods beginning on or after 1 January 2014);
- **Amendments to various standards "Improvements to IFRSs (2012)" –** resulting from the annual improvement project of IFRS published on 17 May 2012 (IFRS 1, IAS 1, IAS 16, IAS 32, 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 2013);
- **IFRIC 20 "Stripping costs in the production phase of a surface mine"** (effective for annual periods beginning on or after 1 January 2013);

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.

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 as adopted by the European Union.

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:

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;
- 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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.

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

- December 31st, 2010: 3.2045 RON/USD and 4.2848 RON/EUR;
- December 31st, 2011: 3.3393 RON/USD and 4.3197 RON/EUR;
- December 31st, 2012: 3.3575 RON/USD and 4.4287 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs (continued)

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.

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, 2012 was 16% (December 31, 2011:16%).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Each asset with an acquisition cost exceeding RON 1,800 and estimated useful life of over one year are capitalized. Fixed assets with an acquisition cost lower than RON 1,800 are recorded as an expense.

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 revalaued and are carried in the financial statements at revalued cost.

At December 31, 2012 and December 31, 2011 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.

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, pland 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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 live. The main useful lives for the various categories of property, plant and equipment are:

	Years
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.

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;

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

- 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 attibutable 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

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

Inventories like raw materials, consumables, materials in the form if 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.

<u>Onerous contracts</u>

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 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 .

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Loans and receivables (continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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-tem 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Other financial liabilities (continued)

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 re required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that 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 mmay differ from these estimates.

The estimates and underlying assumptions are reviewed on a 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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 2003, for share capital and reserves.

At 31 December 2012 the Company recorded an accumulated loss of RON 481,229,118, and loss for the year then ended is RON 29,885,865. These aspects indicate an uncertainty about the Company's business continuity. Therefore, the ability of the Company to continue its activity depends on its ability to generate sufficient future income and financial support from shareholders. The Company's management believes that such support will be available whenever necessary. These financial statements do not include adjustemnts that might result from the outcome of this uncertainty relating to business continuity.

Comparatives

Certain amounts in the statement of financial position, statement of 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.

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

In preparing its opening IFRS balance sheet as at 1 January 2011 and the balance sheet as at 31 December 2011 and 31 December 2012, the Company has adjusted amounts reported previously in financial statements prepared with MOF 3055/2009 with subsequent amendments. An explanation of how the transition from MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS") has affected the Company's financial position, financial performance and cash flows is set out in the following tables and notes that accompany the tables.

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

The effect of transition to International Financial Reporting standards ("IFRS"), are summarized below:

I. Exemptions from transition;

II. Reconciliation of equity and comprehensive income as previously been reported under MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS");

III. Reconciliation of statement of financial position as previously been reported under the MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS");

IV. Adjustments for Cash flow statement.

i. Exemptions from transition

The Company has applied the following transition exceptions and exemptions from full retrospective application of International Financial Reporting Standards ("IFRS"):

- Use of deemed cost for the following classes of property: Land and Buildings;
- Reconciliation of equity and comprehensive income as previously been reported under 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS").

Reconciliation of equity	**Note**	**December 31, 2011**	**December 31, 2010**
Equity reported in accordance with MOF 3055/2009 as amended		(20,898,016)	(117,141,947)
Adjustments arising from the transition to IFRS:			
Adjustments resulting from adoption of deemed cost in accordance with IFRS 1.D5	a	3,311,459	3,311,459
Adjustments resulting from the adoption of IAS 11	b	1,340,720	(79,274)
Adjustments resulting from the adoption of IAS 39	c	-	884.294
Adjustments required by IFRS		(3,612,197)	(1,950,479)
Equity reported in accorance with International Financial Reporting Standards ("IFRS")		(19,858,034)	(114,975,947)

Reconciliation of other comprehensive income	**Note**	**December 31, 2011**
		RON
Comprehensive income presented in accordance with MOF 3055/2009 as amended		(48,179,973)
Adjustments resulting from adoption of the deemed cost of the derogation on transition	a	49,046,745
Comprehensive income presented in accordance with International Financial Reporting Standards ("IFRS")		866,772

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

ii. Reconciliation of statement of financial position as previously been reported under the MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS")

	Note	1 January, 2011 Local GAAP reporting	Effect of transition to IFRS	1 January, 2011 IFRS Reporting	December 31, 2011 Local GAAP reporting	Effect of transition to IFRS	December 31, 2011 IFRS Reporting
Property, plant and equipment	d	353,823,309	(3,311,459)	350,511,850	299,239,799	(1,665,573)	297,574,226
Intangible assets		900,277	-	900,277	1,318,512	-	1,318,512
Other financial assets	c	6,274,077	(884,294)	5,389,783	283,905	-	283,905
Other non-current assets		3,562,669	-	3,562,669	3,562,669	-	3,562,669
Total non-current assets		**364,560,332**	**(4,195,753)**	**360,364,579**	**304,404,885**	**(1,665,573)**	**302,739,312**
Current assets							
Inventories	b	27,465,875	(11,049,445)	16,416,430	16,765,910	(4,880,374)	11,885,536
Trade and other receivables	b	33,971,449	13,079,198	47,050,647	94,520,656	5,505,965	100,026,621
Other assets		4,275,989	-	4,275,989	11,218,259	-	11,218,259
Cash and cash equivalents		34,707,446	-	34,707,446	5,208,461	-	5,208,461
Total current assets		**100,420,759**	**2,029,753**	**102,450,512**	**127,713,286**	**625,951**	**128,338,877**
Total assets		**464,981,091**	**(2,166,000)**	**462,815,091**	**432,118,171**	**(1,039,982)**	**431,078,189**
Borrowings		(238,030,683)	-	(238,030,683)	(341,353,283)	-	(341,353,283)
Finance lease and other interest bearing obligations		(130,245)	-	(130,245)	(143,633)	-	(143,633)
Other non-current liabilities		(207,933)	-	(207,933)	(213,500)	-	(213,500)

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

ii. Reconciliation of statement of financial position as previously been reported under the MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS")

	Note	1 January, 2011 Local GAAP reporting	Effect of transition to IFRS	1 January, 2011 IFRS Reporting	December 31, 2011 Local GAAP reporting	Effect of transition to IFRS	December 31, 2011 IFRS Reporting
Trade and other payables		(40,005,177)	-	(40,005,177)	(59,230,768)	-	(59,230,768)
Other current liabilities		(61,399,706)	-	(61,399,706)	(4,465,134)	-	(4,465,134)
Defferred tax liabilities		-	-	-	-	-	-
Provisions		(8,065,400)	-	(8,065,400)	(5,813,837)	-	(5,813,837)
Total liabilities		**(347,839,144)**	**-**	**(347,839,144)**	**(411,220,155)**	**-**	**(411,220,155)**
Total assets minus liabilities		**117,141,947**	**(2,166,000)**	**114,975,947**	**20,898,016**	**(1,039,982)**	**19,858,034**
Issued capital	**d**	(33,760,291)	(952,227,570)	(985,987,861)	(33,760,291)	(952,227,570)	(985,987,861)
Reserves	**a. d**	(441,616,904)	380,698,268	(60,918,636)	(393,436,931)	331,651,523	(61,785,408)
Retained earnings	**a. c**	358,235,248	573,695,302	931,930,550	406,299,206	621,616,028	1,027,915,234
Total equity		**(117,141,947)**	**2,166,000**	**(114,975,947)**	**(20,898,016)**	**1,039,981**	**(19,858,035)**

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

iii. Reconciliation of Statement of comprehensive income as previously reported under MOF 3055/2009 with subsequent amendments to International Financial Reporting Standards ("IFRS")

	Note	31 Decembrie, 2011 Local GAAP reporting	Effect of transition to IFRS	December 31, 2011 IFRS Reporting
Revenues	b	199,082,319	(7,573,234)	191,509,085
Cost of sales	b	(158,474,605)	8,506,529	(149,968,076)
Gross profit		**40,607,714**	**933,295**	**41,541,009**
Administrative expenses	a	(61,863,167)	-	(61,863,167)
Other gains and losses	c	(8,612,344)	1,258,908	(7,353,436)
Distribution costs		(3,794,691)	(50,997,224	(54,791,915)
Finance costs		(14,401,481)	884,294	(13,517,187)
Profit before tax		**(48,063,969)**	**(47,920,727)**	**(95,984,696)**
Income tax expense		-	-	-
Profit/(Loss) for the year		**(48,063,969)**	**(47,920,727)**	**(95,984,696)**
Other comprehensive income, net of tax				
Gain / (loss) on revaluation of properties	a	(48,179,973)	49,046,745	866,772
Total comprehensive income for the year		**(96,243,942)**	**1,126,018**	**(95,117,924)**

iv. Adjustments for Cash Flow statement

	Note	December 31, 2011 Local GAAP reporting	Effect of transition to IFRS	December 31, 2011 Raportare IFRS
Net profit before tax	a. b	(48,063,969)	(47,920,727)	(95,984,696)
Adjustments for:				
Depreciation and amortization	d	5,657,079	(402,811)	5,254,268
Provision for trade receivables		(1,299,407)	-	(1,299,407)
Provision for inventories		2,291,333	1,950,479	4,241,812
Impairment of property, plant and equipment		(562,377)	-	(562,377)
Provisions		(2,251,563)	-	(2,251,563)
Net income/(loss) from sale/write-off of fixed assets	d	1,255,296	(1,258,908)	(3,612)
Financial expenses, net		14,402,291	-	14,402,291
Other financial revenue	c	-	(884,294)	(884,294)

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

iv. Adjustments for Cash Flow statement (continued)

	Note	December 31, 2011		December 31, 2011
		Local GAAP reporting	**Effect of transition to IFRS**	**Raportare IFRS**
Expenses regarding receivables written-off		2,887,895	-	2,887,895
Fixed assets from own production		(477,628)	-	(477,628)
Loss on revaluation of land	a	751,000	49,046,745	49,797,745
Cash uses in operation before changes in working capital		**(25,410,051)**	**530,484**	**(24,879,567)**
Decrease/(increase) in trade and other receivables	b	(69,172,352)	7,573,234	(61, 599, 118)
Decrease in guarantees of good execution granted to customers		6,611,649	-	6,611,649
Decrease in inventories	b	7,553,716	(8,103,718)	(550,002)
(Increease)/decreasse in prepaid expenses		38,713	-	38,713
Decrease in payables and other payables		(37,088,858)	-	(37,088,858)
Cash used in operations		**(117,467,183)**	**-**	**(117,467,183)**
Interest received		(1,937,846)	-	(1,937,846)
Interest paid		44,376	-	44,376
Income tax expense		-	-	
Net cash provided by operating activities		**(119,360,652)**	**-**	**(119,360,652)**
Payments for acquisitions of property, plant and equipment and intangible assets		(1,417,717)	-	(1,417,717)
Proceeds from disposals of property, plant and equipment and shares		946,198	-	946,198
Net cash used in investing activities		**(471,519)**	**-**	**(471,519)**
Cash flow from financing activities				
Payments for financial lease		(153,161)	-	(153,161)
Net movement of loans from financial institurions		71,348,316	-	71,348,316
Net movement of loans received from intercompanies		19,176,099	-	19,176,099

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

4. TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

iv. Adjustments for Cash Flow statement (continued)

	Note	December 31, 2011		December 31, 2011
		Local GAAP reporting	Effect of transition to IFRS	Raportare IFRS
Net cash provided by financing activities		**90,371,254**	**-**	**90,371,254**
Net increase/ (decrease) in cash and cash equivalents		**(29,460,917)**	**-**	**(29,460,917)**
Cash at the beginning of the year		**34,669,378**	**-**	**34,669,378**
Cash at the end of the year		**5,208,461**	**-**	**5,208,461**

Notes:

a) In accordance with IFRS transitional provisions, the Company's land and buildings were presented at the date of transition to International Financial Reporting Standards at the deemed cost, which is equal to the market value of these assets at the date of transition determined based on a revaluation performed by an independent appraiser, member of ANEVAR. Subsequently, the land and buildings were revalued at 31 December 2012 and 31 December 2011, buildings and land were revalued by an independent appraiser, member of ANEVAR.

b) Under IFRS, the Company presented results for the long term production at the end of each reporting period based on the degree of completion. According to MOF 3055/2009 with the subsequent amendments, long-term production was measured only on full cost method, meaning that revenues and costs were recognized shen selling property. Until selling the products, they were recorded as inventories.

c) Under IFRS, the Company presented on transition, the long-term receivables at the discounted value using the interbank rate as the discount rate - ROBOR 1M. According to MOF 3055/2009 with the subsequent amendments those receivables were stated at cost, not being adjusted with the effect of time value of money.

d) Under IFRS, the Company adopted the provisions of International Accounting Standards 0- IAS 29. Applying the related general price indexes for the period 1990 – 2003 (the period when Romania was hyperinflationay economy) on capital accounts and equipment from that period. The Company used the indexes as published by the Romanian Institute of Statistics.

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

5. REVENUES

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

	December 31 2012	December 31 2011
Revenues from sales of goods	124,975,560	186,335,117
Revenue from commodities	126,010	319,300
Revenue from rendering of services	212,586	577,938
Other revenues	2,603,220	4,276,730
Total	**127,917,376**	**191,509,085**

	Segment revenue	
	December 31, 2012	December 31, 2011
Domestic sales (Romania)	59,577,304	51,355,078
Sales on foreign markets	68,340,072	140,154,007
Total	**127,917,376**	**191,509,085**

Segmentation revenue and profits

	Segment revenues		Segment profits	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
Power transformers	87,159,553	128,189,411	(7,048,133)	2,933,195
Electric engines	22,516,686	41,053,193	(1,379,313)	(1,941,262)
Others	18,241,137	22,266,481	(48,357,246)	(96,976,629)
Total from operations	**127,917,376**	**191,509,085**	**(56,784,692)**	**(95,984,696)**

	Segment Assets		Segment Liabilities	
	31-Dec-12	31-Dec-11	31-Dec-12	31-Dec-11
Segment Assets and Liabilities				
Power transformers	163,118,958	248,183,228	215,209,554	228,660,645
Electric engines	86,886,275	72,323,491	110,756,810	41,737,016
Others*	148,351,785	110,571,469	89,663,664	140,822,494
Total Assets/Liabilities	**398,357,018**	**431,078,188**	**415,630,028**	**411,220,155**

In the heading Others for both 2012 and 2011 were included the divisions: Repair and Maintenance, Components and Holding division.

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

Informatii pe zone geografice

	Venituri pe zone geografice	
	31-Dec-12	31-Dec-11
Romania	59,577,304	51,355,078
Grecia	23,484,144	74,853,857
Arabia Saudita	18,483,928	-
Siria	1,691,000	18,304,000
Italia	8,133,000	11,074,071
Germania	3,768,000	9,127,008
Iraq	1,640,000	8,049,000
Iordania	205,000	5,188,000
Egipt	2,272,000	2,838,800
Kosovo	209,000	1,807,420
Olanda	2,170,000	1,680,660
Liban	912,000	1,513,994
Maroc	1,824,000	1,288,660
USA	348,000	953,150
Slovacia	1,624,000	-
Altele	1,576,000	3,475,387
Total	**127,917,376**	**191,509,085**

6. COST OF SALES

	December 31, 2012	**December 31, 2011**
Raw materials	70,336,863	107,213,591
Consumables expenses	3,224,284	4,408,865
Packages expenses	3,241	35,551
Energy, water and gas	2,468,240	1,469,009
Repairs	2,636,369	4,314,232
Staff costs	17,227,340	20,160,902
Depreciation and amortization related to non-current assets	5,112,808	4,928,695
Others	1,467,447	3,430,417
Third party services	3,546,882	3,834,781
Cost of goods sold	204,384	172,033
Total	**106,227,858**	**149,968,076**

7. OTHER GAINS AND LOSSES

	December 31, 2012	**December 31, 2011**
Income from sale of property, plant and equipment	13,328,528	946,198
Net income from sale of shares	16,523,771	-
Expenses with disposal of property, plant and equipment	(4,815,798)	(1,521,125)
Income/ (expense) net of exchange differences	(7,812,106)	(6,778,509)
Total	**17,224,390**	**(7,353,436)**

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

8. OTHER OPERATING EXPENSES

	December 31, 2012 RON	December 31, 2011 RON
Other income	1,166,510	1,854,848
Income/(expense) net of adjustments for current assets	616,050	(2,967,154)
Write-off of doubtful debts	(173,851)	(2,887,895)
Income/(expense) net of provisions for risks and charges	570,184	2,251,563
Transport of goods and personnel	(3,405,032)	(4,366,822)
Impairment related to property, plant and equipment	(30,037,227)	(48,484,368)
Other expenses	1,891	(192,087)
Total	**(31,261,475)**	**(54,791,915)**

9. FINANCIAL COSTS, NET

	December 31, 2012	December 31 2011
Interest income	(178,693)	(44,376)
Interest from loans and leasing	18,368,483	14,446,667
Income from discounting	(5)	(885,104)
Total	**18,189,785**	**13,517,187**

10. ADMINISTRATIVE EXPENSES

	December 31, 2012	December 31, 2011
Energy, water and gas	2,686,300	4,246,525
Repairs expenses	485,318	286,773
Rental expenses	196,299	356,936
Insurance premiums	218,084	216,692
Studies and research expenses	374,154	179,079
Staff costs	27,276,027	35,604,072
Fees and charges	1,708,189	4,855,471
Entertainment, promotion and advertising	360,079	224,076
Travel expenses	1,557,222	1,004,014
Post and telecommunications	275,539	264,905
Other third party services	6,492,649	4,977,589
Other taxes, charges and similar expenses	1,586,935	1,786,945
Environment expenses	312,551	121,174
Consumables expenses	882,407	828,519
Other administrative expenses	821,813	4,715,488
Bank charges	1,013,694	2,194,909
Total	**46,247,340**	**61,863,167**

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

11. INCOME TAX

Income tax recognized in profit or loss account:

	December 31, 2012	December 31, 2011
Current tax		
Current income tax expense	-	-
	-	
Deferred tax		
Expenses/ (Income) in deferred tax not recognized in current year related to revaluation reserves	3,235,848	138,684
Expenses/ (Income) in deferred tax not recognized in current year related to carried forward losses		(10,701,798)
	-	**-**
Total income tax expense recognized this year	**-**	**-**

The tax rate applied to the above reconciliation for years 2012 and 2011 is 16%.

	December 31, 2012	December 31, 2011
Profit before tax	**(56,784,692)**	**(95,984,696)**
Tax calculated at the rate of 16%	(9,085,551)	(15,357,551)
Effect of revenue exempted from taxation	-	(4,593,751)
Effect of not deductible expenses	-	9,401,646
Effect of tax losses not recognized	-	2,882,341
Effect of tax losses carried forwards	9,085,551	7,667,315
Income tax expense recognized in profit or loss account	**-**	**-**

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

12. . PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings and other constructions	Plant and machinery	Equipment and vehicles	Advances for fixed assets	Total
Cost						
At 1 January 2011	**270,739,900**	**70,207,024**	**330,386,645**	**107,748,530**	**7,032,905**	**786,115,005**
Additions	-	-	366,128	-	1,166,428	1,532,556
Transfers		1,695,646	2,712,158	24,234	(4,432,038)	-
Disposals	(2,637,758)	(2,226,655)	(28,420,006)	(367,786)	-	(33,652,205)
Inputs/ (outputs) from revaluation	-	(1,530,254)	-	-	-	(1,530,254)
At December 31 2011	**268,102,142**	**68,145,761**	**305,044,925**	**107,404,979**	**3,767,295**	**752,465,101**
Additions	-	82,698	-	-	-	82,698
Transfers	-	-	-	-	-	-
Disposals	(4,336,457)	(217,731)	(39,682,534)	(112,257)	(29,736)	(44,378,715)
Inputs/ (outputs) from revaluation	10,888,204	746,697	-	-	-	11,634,901
At December 31 2012	**274,653,889**	**68,757,425**	**265,362,391**	**107,292,722**	**3,737,559**	**719,803,986**
Accumulated depreciation						
At 1 January 2011	**-**	**(6,921,802)**	**(320,479,431)**	**(107,527,699)**	**-**	**(434,910,013)**
Depreciation expense		(3,529,676)	(1,554,838)	(55,835)	-	(5,140,349)
Eliminated on disposals of assets	-	1,921,123	28,714,988	331,400	-	30,967,430
Eliminated from revaluation	-	3,369,564	-	-	-	3,369,564
At December 31 2011	**-**	**(5,160,791)**	**(293,319,362)**	**(107,252,133)**	**-**	**(405,732,287)**
Depreciation expense	-	(3,596,163)	(1,992,183)	(41,268)	-	(5,629,614)
Eliminated on disposals of assets	-	167,805	39,808,588	110,812	-	40,087,205
Eliminated from revaluation	-	8,589,149	-	-	-	8,589,149
At December 31 2012	**-**	**-**	**(255,502,957)**	**(107,182,589)**	**-**	**(362,685,546)**

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment allowance	Land	Buildings and other constructions	Plant and machinery	Equipment and vehicles	Advances for fixed assets	Total
At 1 January 2011	**-**	**-**	**(673,260)**	**-**	**(962)**	**(674,222)**
Impairment losses recognized in profit or loss account	(48,531,262)	(515,483)	-	-	-	(49,046,745)
Reversals of impairment losses recognized in profit or loss account	-	-	562,377	-	-	562,377
At December 31 2011	**(48,531,262)**	**(515,483)**	**(110,883)**	**-**	**(962)**	**(49,158,590)**
Impairment losses recognized in profit or loss account	(23,471,144)	(2,221,817)	-	-	(3,605,178)	(29,298,140)
Reversals of impairment losses recognized in profit or loss account	-	-	-	-	-	-
At December 31 2012	**(72,002,406)**	**(2,737,300)**	**(110,883)**	**-**	**(3,606,140)**	**(78,456,729)**
Net book value						
At January 1 2011	**270,739,900**	**63,285,222**	**9,233,954**	**220,832**	**7,031,943**	**350,511,850**
At December 31 2011	**219,570,880**	**62,469,487**	**11,614,680**	**152,846**	**3,766,333**	**297,574,226**
At December 31 2012	**202,651,483**	**66,020,125**	**9,748,551**	**110,133**	**131,419**	**278,661,710**

Advances granted for tangible assets include an amount of RON 3,602,600 paid in 2008 towards Mija Industrial Park S.A., an affiliated entity, under contract execution of construction works consisting of refurbishment of office building with a ground area of 820 sqm, and a built area of 3,280 sqm, owned by the Company. The total value of the agreement is estimated at EUR 2,000,000 without VAT, the final value being set to be determined based on the execution project. As at December 31, 2012, the contracted works have not started yet.

At 31 December, 2012, the Company management believes that the advance granted to Mija Industrial Park S.A. is not recoverable and an impairment allowance has been recorded.

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

1. Pledged property, plant and equipment

As at December 31, 2012 the net book value of the property, plant and equipment pledged in favour of banks, with regard to the loans of the Entity, is of RON 244,981,215 (December 31, 2011: RON 260,612,288).

2. Property, plant and equipment purchased under finance lease

As at December 31, 2012, the net book value of the property, plant and equipment purchased under finance leases was of RON 188,926 (December 31, 2011: RON 257,207).

3. Revaluation of the property, plant and equipment

As at December 31, 2012, the Company's buildings and land were revalued by an independent appraiser, member of ANEVAR, and the result was a net loss of RON 5,969,865.

As at December 31, 2011, the Company's buildings and land were revalued by an independent appraiser, member of ANEVAR, and the result was a net revaluation loss of RON 48,182,789.

13. INTANGIBLE ASSETS

	Development expenses	Other intangibles	Advances for intangibles	Total
Cost				
At January 1, 2011	**217.867**	**389.794**	**467.878**	**1.075.539**
Additions	27.000	134.269	370.885	532.154
Disposals	-	-	-	-
At December 31, 2011	**244.867**	**524.063**	**838.763**	**1.607.693**
Additions	-	104.828	919.133	1.023.961
Disposals	27.000	-	-	27.000
At December 31, 2012	**217.867**	**628.891**	**1.757.896**	**2.604.654**
Accumulated amortisation				
At January 1, 2011	**116,826**	**58,436**	**-**	**175,262**
Amortisation expense	93,520	20,399	-	113,919
Eliminated on disposal of assets	-	-	-	-
At December 31, 2011	**210,346**	**78,835**	**-**	**289,191**
Amortisation expense	-	152,777	-	152,777
Eliminated on disposal of assets	-	-	-	-
At December 31, 2012	**210,346**	**231,612**	**-**	**441,958**

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

13. INTANGIBLE ASSETS (continued)

Impairment allowance	Development expenses	Other intangibles	Advances for intangibles	Total
At January 1, 2011	**-**	**-**	**-**	**-**
Impairment losses recognized in profit or loss	-	-	-	-
Reversal of impairment losses recognized through profit or loss	-	-	-	-
At December 31, 2011	**-**	**-**	**-**	**-**
Impairment losses of intangible assets in progress	-	-	739,088	739,088
At December 31, 2012	**-**	**-**	**739,088**	**739,088**
At January 1, 2011	**101,041**	**331,358**	**467,868**	**900,277**
At December 31, 2011	**34,521**	**445,228**	**838,763**	**1,318,512**
At December 31, 2012	**7,521**	**397,279**	**1,757,896**	**1,423,608**

The Company's management conducted an analysis of impairment of net book value of tangible and intangible assets and decided to record additional adjustments for them in the year 2012.

14. OTHER ASSETS

	December 31, 2012	December 31, 2011	December 31, 2010
Guarantees on long-term	84,232	283,905	5,389,783
Commercial guarantees paid	2,965,272	5,724,789	4,797,265
Adjustments for impairment of financial assets	(896,536)	(728,765)	(753,513)
Other investments	1,818	1,818	1,818
Amounts paid in advance	-	-	38,713
Sundry debtors	145,837	189,842	191,706
Recoverable taxes	3,292,142	6,030,575	-
Total	**5,592,765**	**11,502,164**	**9,665,772**

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

	December 31, 2012	December 31, 2011	December 31, 2010
Guarantees on long-term	84,232	283,905	5,389,783
Other current assets	5,508,533	11,218,259	4,275,989
Total	**5,592,765**	**11,502,164**	**9,665,772**

In determining the recoverability of trade receivables, the entity considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Thus, the Company's management believes that no additional adjustments are required for trade receivables other than those recognized in the financial statements.

Long term commercial guarantees include performance guarantees to customers.

a1) Other long-term assets

As at December 31, 2011 and December 31, 2010, the Company held the following financial investments:

Type of share held	Percentage of detention 2012	Percentage of detention 2011	Cost RON 2011
ordinary shares	0%	17.04%	3,652,669

The investment of Cummins Generator Technologies S.A. represents 237.511 shares with a nominal value of 15 RON/ share.

As at December 31, 2011, management has performed an impairment analysis regarding the value of investment in Cummins Generator Technologies S.A. and has assessed that no impairment allowances are required.

As at December 31, 2012, the Company's stake in Cummins Generator Technologies S.A. was sold.

15. INVENTORIES

	December 31, 2012	December 31, 2011	December 31, 2010
Raw materials	14,099,984	12,035,905	9,365,593
Consumables	666,167	750,047	418,729
Materials in the form of inventory items	-	247,104	165,133
Packaging	28,325	108,370	58,253
Finished goods	3,110,715	2,219,061	4,960,293
Work in progress	7,988,322	6,008,176	6,790,178
Semi-finished goods	1,519,028	796,385	664,685
Residual products	80,846	78,825	109,545
Commodities	-	-	544
Allowance for impairment of inventories	(8,540,209)	(10,358,337)	(6,116,523)
Total	**18,953,178**	**11,885,536**	**16,416,430**

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

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

	December 31, 2012	December 31, 2011	December 31, 2010
Balance at the beginning of the year	10,358,337	6,116,523	4,806,931
(Release)/Charge in the current year	(1,818,127)	4,241,814	1,309,592
Balance at the end of the year	8,540,209	**10,358,337**	**6,116,523**

16. TRADE AND OTHER RECEIVABLES

	December 31, 2012	December 31, 2011	December 31, 2010
Trade receivables	93,431,699	101,811,477	50,938,233
Allowance for doubtful receivables	(4,263,308)	(3,465,367)	(4,740,811)
Advances paid for inventory	544,200	1,679,236	828,257
Advances paid for services	-	1,274	24,968
Total	**89,712,591**	**100,026,620**	**47,050,647**

Aging of receivables that are older than 60 days:

	December 31, 2012	December 31, 2011	December 31, 2010
60-90 days	3,340,799	2,678,128	168,734
90-120 days	282,982	510,137	14,365,930
Over 120 days	16,697,658	2,769,493	3,363,598
Total	**20,321,439**	**5,957,758**	**17,898,261**

Movement in allowance for trade receivables is as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
Balance at the beginning of the year	3,465,367	4,740,026	5,159,761
(Release)/Charge in the current year	797,941	(1,274,659)	(419,735)
Balance at the end of the year	**4,263,308**	**3,465,367**	**4,740,026**

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

Aging of receivables past due and impaired:

	December 31, 2012	December 31, 2011	December 31, 2010
Over 120 days	4,224,133	185,534	3,346,397
Total	**4,224,133**	**185,534**	**3,346,397**

17. CASH AND CASH EQUIVALENTS

	December 31, 2012	December 31, 2011	December 31, 2010
Bank accounts	4,008,631	5,141,774	34,626,224
Petty cash	-	31,635	3,316
Other	4,535	34,938	76,406
Cash equivalents	-	114	1,500
Total	**4,013,166**	**5,208,461**	**34,707,446**

18. ISSUED CAPITAL

Share capital is fully paid in.

	No. of shares	Share capital RON
Share capital at		
December 31, 2012 and December 31, 2011	337,602,913	33,760,291
Effect of inflation on capital		952,227,570
Share capital at		
December 31, 2012 and December 31, 2011		**985,987,861**

19. RESERVES

	December 31, 2012	December 31, 2011	December 31, 2010
Legal reserves	17,784,866	17,784,866	17,784,866
Revaluation reserves	21,090,821	866,772	-
Other	43,133,770	43,133,770	43,133,770
Total	**82,009,457**	**61,785,408**	**60,918,636**

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

20. BORROWINGS

	December 31, 2012	December 31, 2011	December 31, 2010
Loans guaranteed			
Short term loans	72,232,940	71,348,316	-
Current portion of long term loans	32,726,004	17,832,263	5,034,078
Loans guaranteed			
Long term loans	258,535,836	252,172,704	232,996,605
Total	**363,494,780**	**341,353,283**	**238,030,683**

a) Amounts due to credit institutions

The Company contracted a credit facility amounting to 27,000,000 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 March 31, 2013, 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 6,000,000 for the full payment of budget obligations, that can be utilized up until March 22, 2013, with an attached interest rate of EURIBOR 1m plus 2.5 p.p. per annum, but no lower than 4.75% per annum;
- A revolving facility of EUR 7,000,000 EUR, for the issuance of warranty letters, that can be utilized up until March 31, 2013, with an attached interest rate of EURIBOR 1m plus 7.5 p.p. per annum, but no lower than 9.75% per annum;
- A revolving facility of EUR 7,000,000 EUR, for the issuance of letters of credit for import, with an attached interest rate of EURIBOR 1m plus 2.5% fix margin per annum, but no lower than 4.75% per annum, that can be utilized up until March 31, 2013.
- A revolving facility of EUR 4,000,000 for advances for the financing of agreements, that can be utilized up until March 31, 2013, with an attached interest rate of EURIBOR 1m plus 2.5 p.p. per annum, but no lower than 4.75% per annum.

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 481,306 sqm., property of SC Electroputere SA, as well as the related constructions. As at 31 December 2012 the net accounting value of the assets pledged in favour of the bank, is of RON 244,981,215;
- 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;
- Bill of order issued by the Company for the amount of EUR 4,280,000 and avalised by Mr. Fathi (M. Taher) Mah’d Ahmad, chairman of the Board of Directors;

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

- Guarantee contract entitled „Guarantee and Indemnity” signed by Mada Group For Industrial and Commercial Investment Company Limited, related party, for the amount of EUR 18,400,000

b) Amounts due to shareholders

As at December 31, 2012 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 58,377,365 equivalent of RON 258,535,836 (December 31, 2011: RON 252,172,704), 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 December 31, 2012 on loans from shareholders amounts to RON 32,761,847 (31 December 2011: RON 17,832,263), calculated at rates ranging between 0% and 6.5% per year.

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.

As of the balance sheet date this pledges/mortgages have not been constituted in the favour of Al-Arrab Contracting Company Ltd.

21. PROVISIONS

	December 31, 2012	December 31, 2011	December 31, 2010
Provisions for litigations	-	-	872,100
Provisions for guarantee to customers	334,667	599,875	334,667
Provisions for restructuring	4,312,878	5,213,962	2,787,301
Provisions for risks and charges	596,108	-	4,071,332
Total	**5,243,653**	**5,813,837**	**8,065,400**

Provisions for restructuring are provisions for redundacy payments to be paid to employees made redundant during 2012 , in accordance with the collective labor agreement.

22. TRADE AND OTHER PAYABLES

	December 31, 2012	December 31, 2011	December 31, 2010
Trade payables	27,775,066	35,863,254	30,124,294
Invoices to be received	3,782,245	4,160,643	1,532,994
Advances from customers	2,273,741	14,603,845	8,300,528
Sundry creditors	8,593,313	4,603,026	47,361
Total	**42,424,365**	**59,230,768**	**40,005,177**

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

23. OTHER CURRENT LIABILITIES

	December 31, 2012	December 31, 2011	December 31, 2010
Wages	2,606,929	2,028,979	1,737,976
Social contributions	930,867	1,798,661	13,929,411
Income tax	-	-	10,750
VAT payable	-	-	24,862,599
Other taxes	4,916	24,090	9,502,970
Tax on salaries	357,759	627,089	4,782,110
Interest to be paid	-	-	-
Other current liabilities	230,037	(13,685)	6,573,890
Total	**4,130,508**	**4,465,134**	**61,399,706**

24. FINANCE LEASE LIABILITIES

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

	December 31, 2012	December 31, 2011	December 31, 2010
Within one year	121,015	60,579	93,689
Over 1 year and less than 5 years	48,519	111,538	66,862
Total	**169,534**	**172,117**	**160,551**
Less future finance charges	26,883	28,484	30,306
Present value of lease obligations	**142,651**	**143,633**	**130,245**

	December 31, 2012	December 31, 2011	December 31, 2010
Current portion	103,092	50,972	79,848
Non-current portion	39,559	92,661	50,397
Total	**142,651**	**143,633**	**130,245**

25. 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 19 and 20.

25. FINANCIAL INSTRUMENTS (continued)

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, 2012, 2011 and 2010 were as follows:

	December 31, 2012	December 31, 2011	December 31, 2010
Total borrowings (note 21)	363,637,431	341,496,916	238,160,928
Less: cash and cash equivalents (note 18)	(4,013,166)	(5,208,461)	(34,707,446)
Net debt	**359,624,265**	**336,288,455**	**203,453,482**
Total capital and reserves	(17,273,010)	19,858,034	114,975,947
Gearing ratio	n/a	1693%	177%

b) Foreign currency risk management

The Entity is exposed to foreign exchange risk because the predominant part of its sales of power transformers is linked to the EUR while the vast majority of its operating costs (such as wages, etc) are denominated in or linked to the RON. The Entity is therefore exposed to the risk that movements in the EUR/RON exchange rates will affect both its net income and financial position, as expressed in RON.

Due to the high costs associated, the Company's policy is not to use derivative financial instruments to mitigated this risk.

c) Interest rate risk management

The interest rate risk regarding the cash flow is the risk that the future cash flows fluctuate as a result of the variation in the market interest rates.

The interest rate risk regarding fair value is the risk that the value of a financial instrument fluctuates as a result of the variations in the market interest rates. The financial instruments bear interest at market rates and, as a result, it is considered that their fair values do not differ significantly from the book value.

The Company's cash flows are affected by the variations in the interest rates mainly due to the short term bank loans. The Company contracted loans which bear variable interest. Given the high costs related, the Company does not hedge the risks regarding the cash flows and interest rates.

d) Credit risk management

Credit risk is the risk that one of the parties of a financial instrument fails to execute the obligation assumed causing a financial loss to the other party.

The Company is subject to a credit risk due to its trade receivables and other types of receivables. The Company has policies in place to ensure that the sales are made to clients with adequate references regarding their credit worthiness. The due date of the liabilities is carefully monitored and the amounts due after the term had elapsed are promptly pursued. The Company develops policies which limit the value of the credit exposure to any financial institution.

25. FINANCIAL INSTRUMENTS (continued)

e) 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.

f) 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 iabilities 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.

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

25. FINANCIAL INSTRUMENTS (continued)

f) Fair value of the financial instruments

The carrying amounts of the Entity's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

2012	EUR 1EUR=RON 4,4287	USD 1USD = RON 3,3575	CHF 1CHF=RON 3,6681	RON 1 RON	December 31, 2012 Total
ASSETS	RON	RON	RON	RON	RON
Cash and cash equivalents	1,644,680	1,173,674	2,451	1,192,361	4,013,166
Trade and other receivables	30,377,564	621,162	-	64,222,398	95,221,124
Other non-current assets	-	-	-	84,232	84,232
LIABILITIES					
Trade and other payables	21,103,351	129,270	669,462	24,652,790	46,554,873
Borrowings short term and long term	363,392,840	101,940	-	-	363,494,780
Finance lease short term and long term	142,651	-	-	-	142,651
Net exposure	**(352,616,598)**	**1,563,626**	**(667,011)**	**40,846,201**	**(310,873,782)**

2011	EUR 1 EUR=RON 4,3197	USD 1 USD=RON 3,3393	CHF 1 CHF=RON 3,5528	RON 1 RON=RON	December 31, 2011 Total
ASSETS	RON	RON	RON	RON	RON
Cash and cash equivalents	3,246,755	1,173,674	2,451	785,581	5,208,461
Trade and other receivables	72,870,483	777,345	-	31,376,634	105,024,462
Other non-current assets	146,762	-	-	137,143	283,905
LIABILITIES					
Trade and other payables	34,646,627	3,090,524	2,091,077	23,867,674	63,695,902
Borrowings short term and long term	336,580,260	4,773,023	-	-	341,353,283
Finance lease short term and long term	143,633	-	-	-	143,633
Net exposure	**(295,106,520)**	**(5,912,528)**	**(2,088,626)**	**8,431,684**	**(294,675,990)**

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

25. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

The following table details the entity sensitivity to a 10% increase and decrease in the RON against the relevant foreign currencies. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitvity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A negative number indicates a decrease in profit where the RON weakness 10% against the relevant foreign currency.

For a 10% strengthens of the RON against the relevant currency (EUR/USD), there would be an equal and opposite impact on the profit and other equity, and the balancs below would be positive. Changes will be attributable to exposure of the borrowings, mostly in EUR, at the end of the reporting period.

	December 31, 2012	**December 31 2011**
	RON	**RON**
Profit or loss +10%	(35,171,998)	(30,310,767)
Profit or loss -10%	35,171,998	30,310,767

	Impact on the profit as at :	
	December 31, 2012	**December 31, 2011**
EUR	(35,261,660)	(29,510,652)
USD	153,363	(591,253)
CHF	(66,701)	(208,863)
	(35,171,998)	**(30,310,767)**

Tables related to liquidity and interest rate risk

The following tables detail the Company's remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company cand be required to pay. The table includes both interest and principal cash flows.

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

25. FINANCIAL INSTRUMENTS (continued)

2012	**Weighted average interest rate**	**Less than 1 month**	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**Total**
Non-interest bearing						
Trade and other payables	-	-	46,554,873	-	-	**46,554,873**
Interest bearing instruments						
Borrowing short and long term	(EURIBOR 1M+2.5% but max 4.75%; EURIBOR 1M +7.5 b.p, but max 9.75%)		104,958,944	-	**258,535,836**	**363,494,780**
Finance lease short and long term	13%		103,092	39,559	**-**	**142,651**
Cash and cash equivalents	-	4,013,166	-	-	**-**	**4,013,166**
Trade and other receivables	-	-	95,221,124	-	**-**	**95,221,124**

2011	**Weighted average interest rate**	**Less than 1 month**	**Less than 1 year**	**1 - 2 years**	**2 - 5 years**	**Total**
Non-interest bearing						
Trade and other payables	-	-	63,695,902	-	-	**63,695,902**
Interest bearing instruments						
Borrowing short and long term	EURIBOR 1M+2.5% but max 4.75%; EURIBOR 1M +7.5 b.p, but max 9.75%)	-	-	89,180,579	252,172,704	**341,353,283**
Finance lease short and long term	13%	-	-	50,972	92,661	**143,633**
Cash and cash equivalents	-	5,208,461	-	-	-	**5,208,461**
Trade and other receivables	-	-	111,244,879	-	-	**111,244,879**

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

26. RELATED PARTY TRANSACTIONS

Balances and transactions with related parties are as follows:

	Amounts receivable from Related Parties		Amounts payable from Related Parties	
	December 31, 2012	December 31, 2011	December 31, 2012	December 31, 2011
	RON	RON	RON	RON
Al -Arrab Contracting Company Ltd - imprumuturi	-	-	291,261,840	270,004,967
Mada Group for Industrial and Commercial investment	-	-	4,667,783	4,603,026
Parc Industrial Mija SA- avansuri pentru imobilizari corporale	3,602,600	3,602,600	-	-
MIS Consulting	-	-	104.278	357.948
Griro SA	-	-	-	637
Cummins Generator Technologies Romania – sale of goods	-	102,615	-	-
Total	**3,602,600**	**3,705,215**	**295,929,623**	**274,608,630**

	Sale of goods and services		Purchase of goods and services	
	12 months 2012	12 months 2011	12 months 2012	12 months 2011
	RON	RON	RON	RON
Griro SA	-	-	-	917,891
MIS Consulting	-	-	506.530	438.296
Al -Arrab Contracting Company Ltd	-	-	-	12,508,821
Cummins Generator Technologies Romania	-	727,477	-	-
Total	**-**	**727,477**	**-**	**13,426,712**

27. COMMITMENTS AND CONTINGENCIES

Potential liabilities:

Litigations

As at 31 December 2012 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.

27. COMMITMENTS AND CONTINGENCIES (continued)

Environment

The regulations regarding the environment are in a development phase in Romania and the Company did not record any liabilities as at December 31, 2012 and December 31, 2011 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 offerred 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.

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 Electoputere 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.

28. SUBSEQUENT EVENTS

Subsequent to the year ended 31 December 2012, the Company concluded a sale of the trademark "Electric Apparatus" for a total value of EUR 400,000 towards the Company Aparataj AE Soft S.R.L.