S.C. AUDIT EXPERT S.R.L.

Str. Mircea cel Bătrân, nr.14 A, Ploiești
RC. J29/68/1998; CIF. RO 10117602
Tel/fax: 0244 596 421; 0244 571 692; E-mail auditexpert2004@yahoo.com
Authorized by Chamber of Financial Auditors in Romania no. 50/2001

STATUTORY AUDITOR'S REPORT

Attn:

General Meeting of Shareholders PREFAB SA Bucharest

Report on individual financial statements

1. We have audited the attached individual financial statements of PREFAB SA BUCHAREST ("Company"), including individual situation of financial position on December 31st, 2014, individual situation of profit or loss, other elements concerning the overall results, individual situation of cash flow, individual situation concerning the changes in equity capital, with regard to the year ended on mentioned date, and a summary of significant accounting policies and other explanatory notes, numbered form page 1 to page ___.

The mentioned financial statements refers to:

- Total own capital 205.655.687 lei (NT: Romanian currency)
- The net result of financial year (profit) 1.172.196 lei (NT: Romanian currency)

The undersigned, Ilie Ovidiu-Stefan, sworn translator, I do certify the accuracy of this translation from the Romanian language into English language made by me on the basis of the Certification 771/October 30, 1998, issued by the Ministry of Justice.
The present translation is identical to the original document in Romanian language.

SWORN TRANSLATOR

ROMANIA BUCUREȘTI Ovidiu-Stefan ILIE TRADUCĂTOR AUTORIZAT N.:771 MINISTERUL JUSTIȚIEI

Managing Board responsibility for financial state

2. Managing Board of the Company is responsible for drafting and presenting of these faithful financial situations, according to Order of Minister of Public Finance no.1286/2012 concerning approval the accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with subsequent modifications and additions for the internal controls considered relevant in order to prepare financial statements with no significant distortions due to fraud or error.

Auditor responsibility

3. Our responsibility is, based on the performed audit, to express an opinion on these financial statements. We conducted the audit in accordance with International Auditing Standards. These standards expect that we respect the ethical requirements, to plan and perform the audit in order to obtain reasonable assurance that the financial conditions do not contain significant distortions.

4. An audit consists in performing procedures in order to obtain audit evidence about the amounts and information included in the financial statements. The selected procedures depend on the reasoning of the professional auditor, including risk assessment of significant distortion of financial statements due to fraud or error. In assessing these risks, the auditor considers internal control relevant to the elaboration and faithful presentation of financial statements of the Company to determine the audit procedures in the relevant circumstances, but not with the

The undersigned, Ilie Ovidiu-Stefan, sworn translator, I do certify the accuracy of this translation from the Romanian language into English language made by me on the basis of the Certification 771/October 30, 1998, issued by the Ministry of Justice.
The present translation is identical to the original document in Romanian language.

SWORN TRANSLATOR

purpose to express an opinion about the efficiency of internal control of the Company. An audit also includes assessing the adequacy of accounting policies used and the reasonableness of accounting estimates made by Managing Board, as well as presenting the financial assessment considered in their entirety.

5. We believe that the audit evidences we have obtained are sufficient and appropriate to provide the basis for our audit opinion.

OPINION

6. In our opinion, the attached financial statements offer an accurate image, in all significant respects, for the financial statement of PREFAB SA BUCHAREST on December 31st, 2014, as well for the financial performance and cash flows, for the year ended on mentioned date, in accordance with Ministry of Public Finance Order no.1286/2012, concerning the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with subsequent modifications and additions.

Report on other legal and regulatory requirements

7. In accordance with the Ministry of Public Finance Order no.1286/2012, article 16, comma c), chapter II, we have red the Administrators Report which is attached to the Individual Financial Statements numbered from page 1 to page 41. The Administrators Report is not a part

---

The undersigned, Ilie Ovidiu-Stefan, sworn translator, I do certify the accuracy of this translation from the Romanian language into English language made by me on the basis of the Certification 771/October 30, 1998, issued by the Ministry of Justice.
The present translation is identical to the original document in Romanian language.

SWORN TRANSLATOR

Ovidiu-Stefan, ILIE
TRADUCĂTOR AUTORIZAT
Nr.771

of Individual Financial Statements. We did not identified in Individual Administrators Report, financial information to be significantly inconsistent in respect to the other information shown in the attached Individual Financial Statements on December 31st, 2014

Ploieşti - March 27th, 2015

Financial auditor,

Gheorghiu Genica - registered within Chamber of Financial Auditors in Romania under the number 2810/2009

Camera Auditorilor Financiari din Romania
Gheorghiu Genica Nr.2810

On behalf of

S.C.AUDIT EXPERT S.R.L.

A company registered within the Chamber of Financial Auditors in Romania with no.50/2001

General Manager

Constantin Maria

License number 184/2001

[indecipherable signature]

SOCIETATEA COMERCIALA * AUDIT EXPERT S.R.L. * ROMANIA *

The undersigned, Ilie Ovidiu-Stefan, sworn translator, I do certify the accuracy of this translation from the Romanian language into English language made by me on the basis of the Certification 771/October 30, 1998, issued by the Ministry of Justice.
The present translation is identical to the original document in Romanian language.

SWORN TRANSLATOR

ROMANIA BUCUREŞTI Ovidiu-Ştefan,ILIE TRADUCĂTOR AUTORIZAT N.:771 MINISTERUL JUSTIŢIEI

S.C. PREFAB S.A. Bucuresti

Individual financial statements *prepared in accordance with International Financial Reporting Standards* **- *for the year ended on 31.12.2014***

(All amounts are in lei, unless otherwise specified)

TABLE OF CONTENTS Page

STATEMENT OF FINANCIAL POSITION	3
STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF GLOBAL RESULT	5
STATEMENT OF CHANGES IN EQUITY	6
STATEMENT OF CASH FLOW	8
NOTES TO FINANCIAL STATEMENTS	10
1. Information about the company	10
2. Basis of preparation of financial statements	11
3. Principles, policies and accounting methods	13
4. Intangible assets	32
5. Tangible assets	33
6. Property investments	36
7. Investments in affiliates entities	37
8. Receivables and other assets	38
9. Stocks	40
10. Assets held for sale	40
11. Cash and cash equivalents	41
12. Equity	42
13. Reserves	42
14. Retained earnings	43
15. Distribution of profit	44
16. Provisions	44
17. Loans and other liabilities	44
18. Short-term loans	45
19. Long-term loans	46
20. Other liabilities	48
21. Deferred taxes	48
22. Subsidies for investment	49
23. Operating revenues	49
24. Operating expenses	51
25. Financial revenues	52
26. Financial expenses	52
27. Corporation tax	52
28. Basic earnings per share. Diluted earnings.	54

29. Medium number of employees	54
30. Transactions with affiliates parties	55
31. Informations per segments	58
32. Commitments and contingents	60
33. Risk management	61
34. Analysis of the main economic and financial indicators	66
35. Events after the reporting date	66

STATEMENT OF FINANCIAL POSITION

	Note	December 31, 2014	December 31, 2013
Intangible assets	5	218.262.683	217.241.998
Tangible assets	4	306.943	421.056
Investment property	6	2.928.503	2.908.864
Financial assets available for	7	9.439.669	9.439.669
Sales, of which:			
Investments in affiliates		9.439.669	9.439.669
Biological assets		14.328	15.356
TOTAL INTANGIBLE ASSETS		**230.952.126**	**230.026.943**
Stocks	9	16.034.153	13.947.746
Trade receivables and other receivables	8	34.029.616	37.334.712
Cash and cash equivalents	11	369.587	541.925
Other assets (Prepayments)		6.182	15.740
TOTAL CURRENT ASSETS		**50.439.538**	**51.840.123**
1. TOTAL ASSETS		**281.391.664**	**281.867.066**
Share capital	12	24.266.709	24.266.709
Adjustments of share capital		0	0
Other components of share capital		(759.849)	(843.216)
Share premium	13	14.305.342	14.305.342
Revaluation reserves	13	125.207.389	125.299.143
Reserves	13	33.813.654	32.991.016
Retained earnings except that from the	14	7.724.555	7.843.444
adoption for the first time of IAS 29			
Retained earnings from the adoption for		0	0
the first time IAS 29			
Profit at the end of the reporting period	15	1.172.196	803.402
Distribution of profit	15	(74.309)	(55.073)
2. TOTAL EQUITY		**205.655.687**	**204.610.767**
Long-term loans	19	16.356.490	24.639.961
Deferred income tax liability	21	759.849	843.216
TOTAL LONG-TERM LIABILITIES		**17.116.339**	**25.483.177**
Trade payables and other payables	17	11.705.728	6.118.518

Short term loans	18	39.173.159	34.842.383
Current income tax liability	18	178.509	122.486
TOTAL SHORT-TERM LIABILITIES		**51.057.396**	**41.083.387**
Subsidies for investment, of which:	22	**7.562.242**	**10.689.735**
- current party		523.928	524.111
- more than one year		7.038.314	10.165.624
3. TOTAL LIABILITIES		**281.391.664**	**281.867.066**

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by

Chairman of the Board of Directors,	Economic Director,
Eng. Milut Petre Marian	**Ec. Boitan Daniela**

STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF GLOBAL RESULT

For the year ended on 31.12.2014

		Note	December 31, 2014	December 31, 2013
1.	Revenue from sales	23	57.223.421	68.377.338
2.	Cost of sales	24	44.634.268	53.334.324
3.	**Gross margin**		**12.589.153**	**15.043.014**
4.	Other operating incomes	23	17.794.073	19.313.620
5.	Distribution expenses	-	1.104.412	1.319.683
6.	Administrative expenses	-	7.067.092	8.444.601
7.	Other operating expenses	24	18.265.548	20.120.559
8.	**Operating result**		**3.946.174**	**4.471.791**
9.	Financial income	25	75.235	145.352
10	Financial expenses	26	2.483.339	3.515.684
11.	**Financial result**		**(2.408.104)**	**(3.370.332)**
12.	**PROFIT FROM CURRENT ACTIVITY**		1.538.070	1.101.459
13.	Income tax expense	27	365.874	298.057
14.	**Net profit for the period**	**27**	**1.172.196**	**803.402**
15.	**Items that will not be reclassified in the statement of profit and loss, total, of which**		**(244.346)**	**0**
16.	- increases/decreases in tangible assets revaluation reserve		(210.643)	0
17.	- Tax on other items of global result		(33.703)	0
18.	**Total of global result for the period**		**927.850**	**803.402**
19.	Basic earnings per share	28	0.024152	0.016553
20.	Diluted earnings	28	0.024152	0.016553

Note: although the company presents consolidated financial statements, it chose the presentation of earnings per share and of diluted earnings in the individual financial statements. (IAS 33 Earnings per share)

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by

Chairman of the Board of Directors,	Economic Director,
Eng. Milut Petre Marian	**Ec. Boitan Daniela**

STATEMENT OF CHANGES IN EQUITY

	Share capital	**Adjustments of share capital (acct. 1028)**	**Other own capital items (acct. 1034)**	**Share premium**	**Own shares**	**Reserves**	**Retained and current earnings**	**Total**
December 31, 2012	**24.266.709**	**97.408.809**	**(928.730)**	**14.305.342**	**0**	**166.388.783**	**(97.719.063)**	**203.721.850**
Current global result							803.402	803.402
Allocations legal reserve						55.073	(55.073)	-
Allocations other reserves						2.231.145	(2.231.145)	-
Covering loss IFRS transition		(97.408.809)			0	(10.288.887)	107.697.696	-
Reserve increase from assets revaluation			85.514					85.514
Transfer reserve from revaluation to retained earnings						(95.955)	95.955	-
December 31, 2013	**24.266.709**	**0**	**(843.216)**	**14.305.342**	**0**	**158.290.159**	**8.591.773**	**204.610.767**

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by

Chairman of the Board of Directors,	Economic Director,
Eng. Milut Petre Marian	**Ec. Boitan Daniela**

STATEMENT OF CHANGES IN EQUITY

	Share capital	**Adjustments of share capital (acct. 1028)**	**Other own capital items (acct. 1034)**	**Share premium**	**Own shares**	**Reserves**	**Retained and current earnings**	**Total**
December 31, 2013	**24.266.709**	**0**	**(843.216)**	**14.305.342**	**0**	**158.290.159**	**8.591.773**	**204.610.767**
Current global result							1.172.196	1.172.196
Allocations legal reserve						74.309	(74.309)	-
Allocations other reserves						748.329	(748.329)	-
Covering loss IFRS transition		0			0	0	0	-
Reserve increase from assets revaluation			83.367			(210.643)		(127.276)
Transfer reserve from revaluation to retained earnings						118.889	(118.889)	-
December 31, 2014	**24.266.709**	**0**	**(759.849)**	**14.305.342**	**0**	**159.021.043**	**8.822.442**	**205.655.687**

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by

Chairman of the Board of Directors,	Economic Director,
Eng. Milut Petre Marian	**Ec. Boitan Daniela**

STATEMENT OF CASH FLOW

Indirect method

Item name	31.12.2014	31.12.2013
Cash flows from operating activities:		
Net profit before tax	1.538.070	1.101.459
Adjustments for:		
Depreciation and value adjustments related to tangible assets	7.823.984	6.961.902
Depreciation and value adjustments related to intangible assets		
Value adjustments reversed during the year	-21.967	-86.863
Subsidies - variation	3.127.493	409.515
Expenses interest and other financial expenses	2.483.339	3.515.684
Interest income and other financial income	-75.235	-145.352
Loss/ (profit) from sale of tangible assets	-41.000	-466.358
Income tax paid	-365.874	-611.149
Operating profit before changes in working capital	**14.468.810**	**10.678.838**
Decrease/ increase of trade receivables and otherwise	3.305.096	8.087.968
Decrease/ increase of stocks	2.086.407	-924.717
Decrease/ increase commercial debts and otherwise	-5.559.866	-261.855
Net cash from operating activities	**14.300.447**	**17.580.234**
Cash flows from investing activities:		
Payments for acquisition of tangible and intangible assets	-7.920.516	-15.312.128
Proceeds from sale of tangible and intangible assets	41.000	466.358
Interests received	75.235	145.352
Net cash from investing activities	**-8.036.751**	**-15.923.838**

Item name	31.12.2014	31.12.2013
Cash flows from financing activities:		
Loans received	77.976.903	42.984.822
Repayments of loans	-81.929.598	-47.039.460
Interests paid	-2.483.339	-3.515.684
Net cash from financing activities	**-6.436.034**	**-7.570.322**
Increase /Decrease of net cash and cash equivalents	**-172.338**	**-5.913.926**
Cash and cash equivalents at the beginning of financial year	**541.925**	**6.455.851**
Cash and cash equivalents at the end of financial year	**369.587**	**541.925**

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by

Chairman of the Board of Directors, Economic Director,

Eng. Milut Petre Marian **Ec. Boitan Daniela**

EXPLANATORY NOTES TO FINANCIAL STATEMENTS
for the year ended on December 31, 2014

1. Information about the company

S.C. PREFAB S.A. is a company limited by shares thet operates in accordance with the Law no. 31/1990 on the companies, republished, including subsequent amendments and additions, founded on the basis of Government Decision no. 1200/November 12, 1990.

The company is registered at Trade Registry Office under no. J40/9212/04.07.2003 and had the tax registration no. RO 1916198.

S.C. PREFAB S.A. is a company that produces precast concrete elements and other construction materials; was founded in 1967 to meet the requirements of elements for residential construction, industrial objectives, agribusiness and irrigation; was privatized in 1999 by buying the majority of shares of F.P.S. by the company with mixed capital, Romerica International.

The share capital subscribed and paid on 31.12.2014 is **24.266.709,5 lei**, divided into **48.533.419 shares** at a nominal value of 0.5 lei/share.

During the year 2014, the share capital of S.C. PREFAB S.A has not changed.

The shares of S.C. PREFAB SA Bucuresti are traded on the Bucharest Stock Exchange, at the first category, starting with July 5, 2010.

The last trading price of the Company PREFAB SA Bucuresti shares, available on 10.03.2015 was for 1.58 lei/share.

The specific activities of independent registry for S.C.PREFAB SA were carried out by the *Central Depository*.

S.C. PREFAB S.A. holds shares worth 149.850 lei and a share of 99.9% in the share capital of S.C.PREFAB INVEST S.A.Bucuresti. This holding is materialized in a number of 3.996 shares with nominal value of 37.5 lei per share and gives control over it, considering the percentage held in the share capital of this company. Equity were recorded at the actual cost.

The Company holds equity-shares at PREFAB BG EOOD, trading company established in 2003, with sole shareholder 100% S.C. PREFAB S.A. and a share capital of 18.918,90 lei.

It also holds equity-shares worth 9.270.900 lei at S.C. Fotbal Club Prefab 05, a company founded in 2005, representing 99.8707% of the share capital. These titles are materialized in 30.903 shares with nominal value of 300 lei per share.

The company note that these actions are not traded on the stock market.

The company has not issued bonds or other debt securities.

On 31.12.2014, the company has the following locations:

1. Premises in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi
2. Premises in Statiunea Jupiter, sat vacanta Zodiac, lot nr.3, Mangalia, jud. Constanta
3. Premises in sat Tancabesti, DN1, km.26, comuna Snagov, jud. Ilfov
4. Premises in Bucuresti, str. Radu de la Afumati, nr. 12B, sector 2

On 31.12.2014 the ownership structure were as follows:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L.		
BUCURESTI	40.247.995	82.9284
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDER - LEGAL PERSONS	417.435	0.8601
OTHER SHAREHOLDER - NATURAL PERSONS	1.572.989	3.2411
TOTAL	**48.533.419**	**100**

2. BASIS OF PREPARATION

2.1. Declaration of conformity

The financial statements of the company have been prepared in accordance with the recognition and measurement principles stipulated by International Financial Reporting Standards adopted by European Union („IFRS") in force on the company annual reporting date, respectively December 31, 2014 in accordance with the provisions of Ordinance of the Public Finances Ministry no. 1286/2012, including subsequent amendments and additions, being available on the premises of the Company situated in str. Bucuresti, nr. 396.

The financial statements include the statement of financial position, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows and the explanatory notes to the financial statements.

The date of passing to IFRS is 01.01.2011 and the first year of preparation of individual financial statements in accordance with IFRS was the year 2012.

In accordance with the Ordinance of the Public Finances Ministry no. 881/2012 provisions on the application by companies whose values are admitted to trading on a regulated market of the International Financial Reporting Standards and of Minister of Finance Order no. 1286/2012 for approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, **the companies whose securities are admitted to trading on a regulated market are required**, starting with the fiscal year 2012, to apply the International Financial Reporting Standards (IFRS) for the preparation of the annual financial statements. Because SC Prefab SA adopts IFRS as the new basis of accounting for the year 2012, the company has applied including the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards"
IFRS 1 is applied in all cases in which an entity adopts for the first time IFRS, by an explicit and unreserved statement of compliance with IFRS.
SC Prefab SA applies all the IFRS in force at the reporting date for the financial statements IFRS.

2.2. Basis of assessment

The financial statements are presented in RON ("Romanian leu"), have been prepared under the historical cost, except for the revaluation of certain fixed assets and financial instruments that are measured at fair value and the elements of share capital, legal reserves and other reserves from net profit, which was adjusted to International Accounting Standard ("IAS") 29 "Financial reporting in hyperinflationary economies", until December 31, 2003.
The financial statements ended on 31.12.2014 have been prepared using the principles for business continuity.

2.3. Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the economic environment in which the entity operates („functional currency"), meaning "RON". The financial statements are presented in RON, which is the functional and presentation currency of the Company.

According to the Minister of Finance Order no. 1286/2012 for the approval of Regulations in accordance with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, Chapter I pt. 4 "**Accounting is kept in Romanian language and currency**. Accounting of transactions in foreign currency is kept both in national currency and in foreign currency. The currency means a currency other than RON. The annual consolidated financial statements are prepared in Romanian and in national currency."

The operations denominated in foreign currencies are recorded in RON at the official rate of exchange on the settlement date. Monetary assets and liabilities denominated in foreign currencies at the date of the statement of financial position are expressed in RON at the exchange rate of the day. The gains or losses from their settlement and from the conversion of monetary assets and liabilities denominated in foreign currencies using the exchange rate from the end of financial year, are recognized in the result of exercise. Non-monetary assets and liabilities that are measured at historical cost in a foreign currency are recorded in RON at the exchange rate from the transaction date.

For the evaluation of the foreign currency items at the end of each reporting period, is used the exchange rate of the currency market, communicated by Banca Naţională a României in the last banking day of the month in question.

The exchange rates of main currencies were the following:

CURRENCY	Rate Dec. 31, 2014	Rate Dec. 31, 2013	Rate Dec. 31, 2012
EUR	4.4821	4,4847	4,4287
USD	3.6868	3,2551	3,3575

2.4. Use of estimates and professional judgment

Preparation of financial statements in accordance with IFRS adopted by European Union requires by the management the use of estimates and assumptions that affect the application of accounting policies, and the reported amounts of assets, liabilities, income and expenses. The estimates and judgments associated to this are based on historical data and other factors considered to be eloquent in this circumstances and the result of these factors forms the basis of the judgments used in determining the carrying amounts of assets and liabilities for which there are no other evaluation sources available. The actual results could differ from these estimates.

The estimates and judgments are reviewed periodically. The revisions of accounting estimates are recognized in the period in which the estimate is revised, if the revision affects only that period or in the current and in future periods, if the revision affects both the current period, and the future periods. The effect of change related to the current period is recognized as income or expense in the current period. If there is, the effect on future periods is recognized as income or expense in those future periods.

The management of the company believes that any deviations from these estimates will not have a material impact on the financial statements in the near future.

The estimates and assumptions are used mainly to impairment of fixed assets, of securities held and valued at cost, estimating the useful life of a depreciable asset, for adjustment of impairment of receivables, for provisions, for recognition of deferred income tax assets.

According to IAS 36, both tangible and intangible assets are analyzed to identify any indications of impairment at the balance sheet date, if any impairment loss is recognized to reduce the net carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in subsequent periods, the net carrying amount of the asset is increased until the net book value that would have been determined if no impairment loss had been recognized. The rating for doubtful debts is made individually and is based on the best estimate of the management regarding the present value of cash flows which is expected to be received. The company reviews its trade receivables and for other nature at each financial position date, to assess whether must register in profit and loss account an impairment of value. In particular, the professional judgment of the management it is necessary to estimate the amount and to coordinate the future cash flows when is determined the impairment loss. These estimates are based on assumptions about many factors and the actual results may differ resulting in future changes of the adjustments.

The deferred tax assets are recognized for the tax losses, to the extent that it is probable that a taxable profit will exist in order to be covered the losses. It is necessary to exercise the professional judgment to determine the value of assets regarding the deferred tax recognizable based on probability in terms of period and the level of the future taxable profit and the future tax planning strategies.

3. PRINCIPLES, POLICIES AND ACCOUNTING METHODS

According to IFRS - International Accounting Standard 8 ”Accounting policies, changes in accounting estimates and errors”, the *accounting policies* represent the principles, bases, conventions, rules and the specific practices applied by this entity in preparing and presenting the financial statements.

The Company has selected and applied consistently the accounting policies for transactions, other events and similar conditions, unless a standard or an interpretation specifically requires or permits the

classification of items that might be appropriate for the application of different accounting policies. If a standard or an interpretation requires or permits such a classification, it must be consistently selected and applied for each category an appropriate accounting policy.

The Company change an accounting policy only if the change:

- is required by a standard or an interpretation; or
- results in financial statements providing reliable and more relevant information about the effects of transactions, of other events or conditions on the financial position, financial performance or cash flows of the entity.

We present a summary of the significant accounting policies which have been applied consistently to all periods presented in the financial statements:

3.1. Intangible assets and tangible assets; property investments;

3.1.1. The intangible assets acquired by the Company are measured at the cost less the accumulated amortization and the impairment losses.

The Company chose as its accounting policy for evaluating the intangible assets after the initial recognition, the cost model.

The Company has opted to use for the amortization of intangible assets the straight line depreciation formula.

To determine whether an intangible asset is measured at a depreciated cost, the Company applies IAS 36 ”Impairment of assets”. An impairment loss is recognized immediately in profit or loss.

For the purpose of presenting the profit and loss account, the gains or the losses arising with the cessation of the use or leaving an intangible asset, is determined as the difference between revenues by the output of asset and its unamortized value, including the expenses incurred in removing it from record and must be presented as a net amount in the profit and loss account, according to IAS 38 ”Tangible assets”.

Goodwill

The goodwill acquired in a business combination is initially measured at cost, representing the excess of the cost of the business combination over the Company's interest in the net fair value of assets, liabilities and contingent liabilities recognized.

The goodwill is not amortized but it is tested for impairment at least once a year. The goodwill impairment losses are recognized immediately against income and are not reversed in subsequent periods.

3.1.2. The tangible assets are initially recognized at the acquisition or construction cost and are presented net of accumulated amortization and accumulated impairment losses.

The cost of purchased tangible assets is represented by the value of the consideration given to acquire the assets and the amount of other costs directly attributable to bringing the asset to the location and condition necessary so that they can operate in the manner intended by the management.

The cost of self-constructed assets includes the wage costs, the material costs, the indirect production costs and other costs directly attributable to bringing the asset to the current location and condition.

The company opted to use to assess after the initial recognition of tangible assets, the **revaluation model**. Under the revaluation model, an item of tangible asset whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses.

The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ significantly from that which would be determined using fair value at the end of the reporting period.

The fair value of land and buildings is generally determined based on market evidence, through an evaluation carried out by professionally qualified valuers.

The fair value of tangible asset elements is generally determined by the market value assessment.

Frequency of revaluations depends on changes in fair value of tangible assets revalued. If the fair value of an asset differs significantly from the carrying value, it is required a new revaluation.

When a tangible asset element is revalued, any accumulated depreciation at the revaluation date is treated by the company as follows: it is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.

Consequently, frequency of revaluations depends on changes in the fair value of tangible assets. If the fair value of an item of tangible assets revalued at the balance sheet date is significantly different from its carrying amount, is necessary another revaluation. If the fair values are volatile, as can be for land and buildings, are necessary frequent revaluations. If the fair values are stable over a long period of time, as can be the case with installations and equipment, the assessments may be needed less frequently. IAS 16 suggests that the annual reassessments may be needed if there are significant and volatile changes in values.

The Company opted for revaluation of buildings and lands at least once every three years, and for the other categories of assets at least once every five years.

If a tangible asset item is revalued, then the entire class of tangible assets of which that asset belongs shall be revalued.

The last revaluation was performed on December 31, 2014 according to the regulations in force at that time, in order to determine their fair value, taking into account the inflation, the utility of goods, their condition and the market value. The results were recorded on the basis of the Report of technical expertise rating prepared by a certified valuation company. The decrease in book value resulting from these revaluations was debited to revaluation reserve in the limit of the existing amounts from its revaluation. The residual value and the useful life of the asset shall be reviewed at least at the end of financial year.

The depreciation of an asset begins when it is available for use i.e. when it is in the location and condition necessary for operate in the manner intended by the management.

The depreciation of an asset ceases at the first date between the date when the asset is classified as held for sale (or included in a disposal group which is classified as held for sale), in accordance with IFRS 5 and the date when the asset is recognized. Therefore, the depreciation does not cease when the asset is not used or is out of service, unless it is fully depreciated.

The lands and the buildings are separable assets and are separately accounted even when they are acquired together. The owned lands are not depreciated.

If the cost of land includes the costs of disassembly, removal, restoration, these costs are amortized over the period when it is obtained benefits as a result of performing these costs.

The depreciation method used reflects the expected pattern of consumption of future economic benefits of the asset by unit. At the end of each financial year is reviewed the method of depreciation and if is noticed a significant change of the expected pattern of consumption of future economic benefits, this is changed to reflect the changed pattern.

SC PREFAB SA has opted to use straight line depreciation method for all fixed assets.

The residual value, the life and the depreciation method are reviewed on the date of the financial statements.

The useful life of tangible assets on the date of these financial statements are within the limits set on the Government Decision no. 2139/2004 and they are estimated by management as fair.

The depreciation calculated are the following useful lives for different categories of property:

Tangible assets	**Duration (years)**
Constructions	8-60
Technological equipment	3-24
Devices and systems of measurement, control and adjustment	4-24
Means of conveyance	4-18
Furniture, office equipment, human and material values protection equipment	3-18

Depreciation policy applied by the company

According to IAS 36 ”Impairment of assets”, both tangible and intangible assets are investigated to identify if present any indications of impairment at the balance sheet date. For the intangible assets with indefinite useful life, the impairment test are performed annually, even if there is no indication of impairment. If the carrying amount of an asset exceeds its recoverable value, an impairment loss is recognized to reduce the carrying amount of the asset to its recoverable amount. If the reasons for recognition of an impairment loss disappear in the subsequent periods, the net carrying amount of the asset is increased until the net book value, that would have been determined if no impairment loss had been recognized. The difference is presented as other operating income.

The carrying amount of an item of a tangible asset is derecognized on disposal or when no future benefits are expected from its use or disposal. The revaluation surplus included in equity related to an item of a tangible asset is transferred directly to the retained earnings when the asset is derecognised on disposal or scrapping. Any gain or loss arising on derecognition of an item of a tangible asset must be included in the profit or loss when the item is derecognised.

If are repeatedly sold the items of the tangible assets that have been held for rental to others, these assets will be transferred in stocks at the carrying value on the date when they cease to be rented and they are held for sale. The proceeds from the sale of these assets are recognized as income in accordance with IAS 18 ”Incomes”.

The assets classified as “held for sale” are presented at the lower value of net book value and fair value less the costs for sale. The fixed assets (or the groups of fixed assets) are classified as ”held for sale” if their carrying amount will be recovered principally through a sales operation, and not through their continued use. This classification is based on assumptions that the sale of those assets have a high probability and that the assets are available for the immediate sale and in the form in which they are in that moment.

3.1.3. Property investments

According to IAS 40 “**Property investments**”, an investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows which are largely independent from the other assets held by the company. Thus, the property investments are different from the real estate property used by the owner. The production of goods or the provision of services (or the use of property for administrative purposes) generate cash flows which can not be attributed only to the

real estate property, but also to other assets used in the production process or in that of supply of goods or services.

The evaluation of real estate investments at the initial recognition is made at cost. The cost of a real estate investment consists of the purchase price plus any directly attributable expenditure (professional fees for legal services, property transfer taxes etc.). The property investments are presented later in the financial statements at the fair value.

After the initial recognition, an entity that chooses the fair value model must evaluate all of its investment property at fair value, unless it can not be reliably determined.

A gain or loss generated by a change in fair value of investment property is recognized in the profit or the loss from the period in which it arises. An entity measures the fair value without deducting the transaction costs it may incur for the sale or for other type of disposal.

SC PREFAB SA owns a land and a building that are recognized in accordance with IAS 40 as **real estate investments** and they were revalued on 31.12.2014 based on a valuation report issued by the technical expert, member of ANEVAR.

The Company has elected the fair value model for the evaluation after recognition and the presentation of real estate investments in the financial statements. The fair value is determined annually by an authorized assessor. The fair value of the investment property reflects the market conditions at the end of the reporting period.

From an accounting perspective, is no longer recorded the amortization but is recorded the depreciation/appreciation according to the annual evaluation at the fair value through the profit or loss account, depending on the outcome of the evaluation.

3.2. Leasing

The tangible assets may include too the assets held under a finance lease. Since the Company benefits from the advantages associated with the ownership right, the assets must be capitalized to the lowest value of the present value of minimum lease payments and their fair value, and then depreciated over the useful life or the lease term, if it is less than the useful life. Simultaneously it is recognized a liability equal to the amount capitalized and the future lease payments are split into the finance charges and principal (reduction of the outstanding debt).

All the lease agreements that are not classified as finance leases are treated as operating leases and the payments are included in the expenses of the period.

On 31.12.2014, The Company has no ongoing leasing contracts.

3.3. Biological assets

In the meaning of IAS 41 "Agriculture", an agricultural activity represents the administration by a company of the biological transformation and harvesting biological assets for sale or for conversion into agricultural products or in additional biological assets.
A biological asset is an animal or a plant. On the initial recognition of a biological asset is possible to be not available the prices or the values determined on the market and the alternative estimates of fair value may be unreliable.
In this case, according to pt. 30 from IAS 41, that asset must be measured at cost less any accumulated depreciation and any accumulated impairment loss.
The Company has established an agricultural sector, and the production obtained is destined to the domestic consumption directed to the company canteen.
By the SAPARD program were upgraded two of the three existing vegetable greenhouses. The entire production is consumed internally.
The free spaces inside the Company were planted with vegetables and culture of the vine for grapes and the production will be destined for domestic consumption.
The Company recognized as biological assets the vineyard valued at cost less the depreciation, under the provisions above, following that once the fair value can be measured reliably to be presented at this value less the costs of sale.
The length of depreciation is 24 years. All the difference in revaluation of assets reclassified in this category was transferred to retained earnings originated from the transition to IFRS.

3.4. Assets and financial liabilities

The investments for which there is no price list or an active market are presented at cost or at a smaller value where there is a permanent impairment. Interest-bearing loans are shown at nominal value and that with interest-free and low interest, are shown at their present value.
The securities available for sale are presented at their fair value. Temporary decreases in value and increases in fair value are not recognized in the profit and loss account, but in equity. Temporary decreases in fair value are recognized in the profit and loss account.
Investments held until maturity are presented at amortized cost (reduced accordingly if it is found a temporary impairment).
Securities designated as financial assets at fair value through profit and loss account are reflected at fair value including gains and losses in profit and loss account. Equity and other financial assets for which

there is no active market trading or market values, whose fair value can not be estimated in a credible way, are stated at cost less the impairment losses.

Financial instruments at fair value through profit and loss are measured at the fair value and the subsequent changes are recognized in other comprehensive income.

Classification:

IAS 39, pt. 9 and 45 classify the financial instruments held by entities in the following categories:

Financial assets or liabilities evaluated at fair value through profit and loss account

This category includes financial assets or financial liabilities held for trading and financial instruments classified at fair value through profit or loss account at the moment of initial recognition. An asset or a financial liability is classified in this category if it was acquired mainly with speculative purpose or if it was designated in this category by the management of the Company. The company has no assets or financial liabilities held for trading classified at fair value through profit and loss account on December 31, 2014.

Investments held until maturity

Investments held until maturity are those non-derivative financial assets with fixed or determinable parts and fixed maturities, which the Company has the firm intention and the ability to hold them until maturity. Investments held until maturity are measured at amortized cost by effective interest method minus impairment losses. The Company has no investments held until maturity on December 31, 2014.

Loans and receivables

The loans and the receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Company intends to sell immediately or in the near future.

Financial assets available for sale

The financial assets available for sale are the financial assets not classified as loans and receivables, investments held until maturity or financial assets at fair value through profit and loss account.

On the date of passing to IFRS and on 31.12.2014, The Company has classified investments held in affiliated companies amounted to 9.439.669 in financial assets available for sale.

The estimated fair value at the date of the financial statements normally is based on available market information. When such quotes or prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c).

3.5. Interest on loans

The loans costs that are directly attributable to the acquisition, construction or production of a qualifying asset production are capitalized until the asset is ready for use or for sale. All other costs of borrowing are recognized as an expense in the profit and loss account for the period in which they arise.

3.6. Government grants

In accordance with IAS 20, the government grants are recognized only when there is sufficient certainty that the conditions attaching to them will be met and that the grants will be received. The grants that meet these criteria are presented as other liabilities and are recognized systematically in the profit and loss account over the useful life of the asset to which it relates.

3.7. Stocks

According to IAS 2 "**Stocks**", these assets are:

- held for resale in the ordinary course of business
- under production for such a sale or
- in the form of materials and other consumables which will be used in the production process or for the provision of services

The stocks are stated at the lower value between the cost and the net realizable value. The net realizable value is the estimated on the basis of the selling price related to normal course of activity, less the estimated costs of completion and sale. For damaged or slow moving stocks, there are formed provisions on the basis of the management estimates. The evaluation for impairment of the stocks is performed individually and is based on the best estimate of the management regarding the present value of the cash flows which is expected to be received. To estimate these flows, the management makes certain estimates on the utility value of stock, given the expiry date, the possibility of use in the current activity of the company and other factors specific to each category of stock.

Setting and adjustment resumption for impairment of costs is done based on the profit and loss account.

To determine the cost of materials supplied, the Company uses the **weighted medium cost method determined at the end of each month**.

3.8. Receivables and other similar assets

With the exception of derivative financial instruments recognized at fair value and of items denominated in a foreign currency, which are converted at the closing rate, the receivables and the other similar assets are presented at amortized cost. This value can be considered a reasonable estimate of the fair value, given that in most of cases, the maturity is less than one year. Long-term receivables are updated using the effective interest method.

In order to present in the annual financial statements, the receivables are measured at the likely amount receivable.

When it is estimated that a receivable will not be fully collected, in accounting are recorded adjustments for depreciation, on the amount that can not be recovered. The objective evidence indicating that the financial assets are impaired may include: failure to meet payment obligations by a debtor, restructuring of an amount due to the company according to terms that in other conditions the company would not accept, indications that a debtor will enter in bankruptcy, disappearance of an active market for an instrument. All the receivables that individually are significant, are tested for impairment at each asset. Losses are recognized in profit or loss account and reflected in an adjustment account of receivables. The impairment losses recognized in prior periods are assessed at each reporting date to determine whether there is evidence that the loss has decreased or no longer exists. An impairment loss is reversed if there were no changes in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount of the asset which could have determined if no impairment had been recognized. Deregistration of receivables occurs as a result of them cashing or disposal to a third party. Current receivables can be deducted from records by mutual compensation between the third parties of the receivables and liabilities, under the law. The deduction from records of the receivables whose terms of collection are prescribed, is performed after the company obtained documents showing that all legal steps have been undertaken for their settlement with the approval of the Board of Directors. The receivables deducted from records are recorded in the statement of order and records out of balance sheet and they are aimed for collection.

3.9. Cash and cash equivalents

In terms of the Statement of Cash Flows, it is considered that cash is cash in hand and from current bank accounts. Cash equivalents represent deposits and investments with a highly degree of liquidity, with maturities of less than three months.

3.10. Liabilities

A liability is a present obligation of the Company arising from past events and the settlement of which is expected to result in an outflow of resources which incorporates economic benefits.
A liability is recognized in accounting and presented in the financial statements when it is probable that an outflow of resources bearing economic benefits will result from the settlement of a present obligation (probability) and when the amount at which the settlement will be achieved can be measured reliably (credibility).

It must be made distinction between the short-term debts and the long-term debts.

Current liabilities are those debts to be paid over a period of up to one year.

A liability shall be classified as short-term debt, also called current debt, when:

a) is expected to be settled during the normal operating cycle of the Company; or
b) is held primarily for trading;
c) is payable within 12 months of the balance sheet date;
d) the company has no unconditional right to defer the payment of debt for at least 12 months after the balance sheet date.

All the other liabilities shall be classified as ***long-term liabilities***, even in situations where they must be settled within 12 months of the balance sheet date, if:

- the initial term was for a period longer than 12 months;
- the Company intends to refinance the obligation on long term; and

the intention is supported by an agreement to refinance or reschedule of payments, which is completed before the financial statements are approved for publication.
The liabilities are carried at amortized cost, except for financial derivative instruments which are stated at fair value.
Long-term liabilities are updated using the effective interest method. The discount rate used for this purpose is the rate ruling at the end of the year for instruments that represent debts with similar maturities. The carrying amount of other liabilities is the fair value, because they are predominantly short-term maturities.
The Company derecognizes a liability when the contractual obligations are paid or are canceled or expired.

If the goods and services supplied in connection with the activities have not yet been invoiced, but if the delivery has been made and their value is available, that obligation is recorded as a liability (not as a provision).

The amounts representing dividends payable are recorded in earnings following that, after approval by the general meeting of shareholders of this destination, to be reflected in the account 457 "Dividends to be paid".

3.11. Income tax including the deferred tax

The income tax for the period includes the current tax and the deferred tax.

Income tax is recognized in the statement of comprehensive income or in other comprehensive income items if it relates to items recognized in the own equity.

3.11.1. Current income tax

The current tax payment is based on taxable profit for the year. The taxable profit differs from the profit reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items which are never taxable or deductible. The Company's liability for the current tax is calculated using tax rates that have been provided by law or in a draft law at the end of the year. Currently the tax rate is 16%.

3.11.2. Deferred tax

Deferred tax is provided using the balance sheet method for the temporary differences of assets and liabilities (differences between the carrying amounts shown in the balance sheet of the company and their tax base). The tax loss reported is included in the calculation of the debt regarding the deferred income tax. The debt regarding the deferred income tax is recognized only to the extent that is likely to be obtainde a future taxable profit, after compensation with the tax loss of previous years and with the income tax to be recovered.

Receivables and liabilities regarding the deferred income tax are compensated when there is a right and when they relate to the income taxes charged by the same taxation authority. If the probability of making the receivable regarding the deferred income tax is greater than 50%, then the debt is taken into account. Otherwise, it is recorded a value adjustment for the receivable regarding the deferred income tax.

3.12. Revenues recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced accordant with the estimated value of the goods returned by the clients, rebates and other similar items.

Sale of goods

The revenues from sale of goods are recognized when all the following conditions are met:

- the Company has transferred to the buyers the significant risks and advantages arising from the ownership of goods;
- the Company no longer manages the goods sold at the level it should be done in case of holding their own and no longer have effective control over them;
- amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- transaction costs can be measured reliably.

A primary issue in accounting of revenues is determining the moment when to recognize such an income. Income from ordinary activities is recognized when it is probable that the Company will flow to the future economic benefits and when these benefits can be measured reliably.
The amount of the revenues arising from a transaction is usually determined by the agreement between the entity and the buyer or user of the asset. The revenues are measured at the fair value of the consideration received or receivable, taking into account the amount of any trade discounts and quantity discounts granted.

Provision of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, the revenue associated with the transaction must be recognized according to the stage of completion of the transaction at the closing date of the reporting period.
The outcome of a transaction can be estimated reliably when all the following conditions are met:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity;
- stage of completion of the transaction at the balance sheet date can be measured reliably; and

- costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue recognition according to the stage of completion of the transaction is „percentage of completion method". According to this method, revenue is recognized in the accounting periods in which services are provided. The recognition of revenue on this basis provides useful information on the activity proportion of services performance and of its results during a period.

Revenue is recognized only when it is probable that the economic benefits associated with the transaction will flow to the entity. When an uncertainty arises about the collectability of an amount already included in revenue, the amount that can not be collected or the amount of which recovery has ceased to be probable is rather recognized as an expense, than as an adjustment of the amount of revenue initially recognized. When the outcome of a transaction involving the rendering of services can not be estimated reliably, the revenue shall be recognized only to the extent of the expenses recognized that are recoverable.

Income from rents related to the real estate investments are linearly recognized in profit and loss account, on the duration of the lease.

Dividends and interests

Dividend income is recognized when it is established the shareholder's right to receive the payment. Dividend income is recorded at the gross amount including tax on dividends, which is recognized as a current income tax expense.

Interest income is recognized on an accrual accounting basis, by reference to the principal outstanding and the effective interest rate, the rate that exactly discounts the estimated future cash flow of the receipts.

3.13. Provisions - IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"

Provision is made for current obligations to third parties when it is probable that the obligation will be honored, and the amount required for the remittal of the obligations can be estimated reliably. Provision for individual obligations are set at an amount equal to the best estimate of the amount required to settle the obligation.

According to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision must be recognized if:

a) the Company has a current obligation (legal or default) generated by a past event;

b) It is likely to be required to settle the obligation an outflow of resources embodying economic benefits; and
c) It can be made an estimate of the amount of the obligation.

If these conditions are not met, any provision will be recognized.

The provisions are grouped by category in accounting and are constituted for:

a) litigation;
b) guarantees granted to customers;
c) decommissioning of tangible assets and other actions related thereto;
d) restructuring;
e) employees benefits;
f) other provisions.

When, on the basis of the analysis made by management together with the Legal Department on the chances of loss of process by the company, it is concluded that the estimated chances of loss are higher of 51%, it is constituted a provision at the credible estimated value.

Provisions for guarantees granted to customers are based on management and sales department estimates on the level of expenses with the repairs under warranty. The level of expenditure with repairs during the warranty period is determined as a percentage of the turnover of the reporting year.

Provisions for restructuring

The restructuring obligation arises where a company:

- has a detailed formal plan for restructuring in which to be pointed: the activity or the part of activity to which referred, the main locations affected, the location, the function and the approximate number of employees who will be compensated for termination of their activity, the expenses involved, the date on which it will be implemented the restructuring plan
- generated a justified expectation to those affected that the restructuring will be achieved by implementation start of that restructuring plan or by communicating its main characteristics of those who will be affected by restructuring

The restructuring provision includes only direct costs related to restructuring.

Provisions for employees benefits

For the remaining outstanding annual leave, for other long-term benefits granted to employees, (if they are stipulated in the labour contract), and those granted upon termination of employment are recorded during the financial year as provisions. At the time of their recognition as liabilities towards employees, the amount of provisions will be resumed by the appropriate revenue accounts.

Other provisions

If there are identified timing debts or debts with uncertain value that are qualified for the recognition of provisions pursuant to IAS 37 but they are not found in any of the categories identified above, other provisions are recorded.

At the end of each reporting period, the provision shall be reviewed and adjusted to reflect the best current estimate. When it is found from the analysis that is not likely to be required outflow of resources which incorporates economic benefits to settle the obligation, the provision should be annulled.

The Company does not recognize the provision for operating losses. The preview of the operating losses indicate that certain operating assets may be impaired in this case are tested these assets pursuant to IAS 36 "Impairment of assets".

3.14. Employees benefits - IAS 19 "Employees benefits"

Short-term benefits

Obligations with short-term benefits granted to employees are not updated and are recognized in the statement of comprehensive income as the services are provided.

Short-term benefits granted to employees include salaries, bonuses and social insurance contributions. Short-term benefits are recognized as expense when the services are rendered. It is recognized a provision for the amounts expected to be paid as short-term cash bonuses or staff participation schemes to profit given that the company currently has a legal or constructive obligation to pay those amounts as a result of past service provided by employees and whether the obligation can be estimated reliably.

Benefits after conclusion of labor agreement

Both the Company and its employees have a legal obligation to contribute to social security established to National Pension Fund managed by the National House of Pensions (contribution plan founded on the principle "you will pay over time").

Therefore the Company has no legal or default obligation to pay future contributions. Its only obligation is to pay the contributions when they fall due. If the Company ceases to employ people who are contributors to the financing plan of the National House of Pensions, shall have no obligation to pay the benefits earned by its own employees in the previous years. The contributions of Company to the plan of contributions are presented as expenses in the year to which it relates.

Defined contribution plans

The Company makes payments on behalf of their employees to the Romanian state pensions system, health insurance and unemployment fund, in the normal course of business.
All employees of the Company are members and have the obligation to contribute to the Romanian state pensions system. All related contributions are recognized in profit or loss account of the period when performed. The Company is not engaged in any other post employment benefit system. The Company has no obligation to provide further services to current or former employees.
The Company has a voluntary pension program from the month of April 2008 for employees who have at least one year seniority in the company and aged between 18 and 52 years. The contribution is paid by the employer up to the limit of 200 euro/year. The contracts of employees are for the voluntary pension fund ING Optim managed by ING Asigurari de viaţa SA.
The Company does not currently grant benefits as employees participating in profits.
The Company may grant benefits in form of the entity's own shares with the approval of the General Meeting of Shareholders of each consolidated units.

3.15. Earnings for the year

In accounting, the cumulative gain or loss is determined at the beginning of the financial year.
The result for the year is calculated as the difference between the revenues and expenses of the year.
The final result for the financial year is fixed at its closure and represents the final balance of profit and loss account.
The profit distribution is carried out in accordance with the legal provisions in force. The amounts representing gross reserves from the current financial year, based on legal provisions, for example, legal reserve established under the provisions of Law 31/1990 is recorded at the end of the current year. The accounting profit remained after this allocation, is taken at the beginning of the financial year following that for which are prepared the annual financial statements in the account 1171 "Retained earnings representing the undistributed profit or the uncovered losses", where they are distributed to other

destinations decided by the General Meeting of Shareholders, under the law. In accounting, the highlights of the destinations of accounting profit shall be made after the general meeting of shareholders approved the distribution of profit by recording the amounts of dividends due to shareholders, reserves and other destinations, according to the law.

3.16. Earnings per share. Diluted earnings.

IAS 33 "Earnings per share" requires that if an entity presents consolidated financial statements and separate financial statements, the presentation of earnings per share is drawn only on the basis of consolidated information. If it chooses to disclose earnings per share based on its separate financial statements, it must present such earnings per share information only on the statement of comprehensive income. In this case it should not disclose earnings per share in the consolidated financial statements.
An entity shall calculate the values of the diluted earnings per share at the profit or loss attributable to the ordinary shareholders of the parent company and, if recognized, at the profit or loss which derive from continuing operations attributable to those shareholders.
For the purpose of calculating the diluted earnings per share, an entity shall adjust the profit or loss attributable to the ordinary shareholders of the parent company and the weighted average number of shares outstanding with the effects of all the ordinary shares potentially diluted.
The objective of this indicator is to assess the participation of each ordinary share in the performance of an entity, taking into account the influence of all the ordinary shares potentially diluted in circulation at that moment.
Dilution is a reduction in earnings per share or an increase in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
Antidilution is an increase in earnings per share or a reduction in loss per share resulting in the assumption that convertible instruments are convertible, that the options or the warrants are exercised or that the ordinary shares are issued upon the satisfaction of specified conditions.
An ordinary share is an equity instrument which is subordinate to all other classes of equity instruments.
A potential ordinary share is a financial instrument or another contract which may entitle its holder to ordinary shares.
The Company has elected to present earnings per share and diluted earnings in these individual financial statements.

The Company presents the ***basic earnings per share („CPA")*** for its ordinary shares. The basic CPA is calculated by dividing the earnings or loss attributable to the holders of ordinary shares of the Company to the weighted average of the ordinary shares in circulation during the period.
The weighted average of the ordinary shares in circulation during the period = the number of shares in circulation at the beginning of the period adjusted with the number of shares repurchased or issued during that period multiplied by a weighting factor of time.
The weighting factor of time is the number of days that the shares were in circulation, as a proportion of the total number of days in the period.

3.17. Dividends

The quote of profit that is paid, under the law, to each shareholder of the entities constitute a dividend. The dividends distributed to shareholders, proposed or declared after the balance sheet date, and the other similar distributions conducted from profits, are not recognized as a liability at the balance sheet date, but when it is established the right of a shareholder to collect them.
Accounting profit remaining after allocation of the share of legal reserve made, limited to 20 % of the share capital, is taken within the earnings from the beginning of the next financial year to the one for which annual financial statements are prepared, and will be assigned to other legal destinations, according to AGA decision of each entity.
The highlighting in accounting of the destinations of the accounting profit is carried out in the next year after the General Meeting of Shareholders which approved the distribution of profit, by recording the amounts representing dividends due to shareholders or associates, reserves and other destinations, under the law for each entity. No return can be made on recordings of the distribution of profit.
For the accounting of dividends are considered the IAS 10 provisions.

3.18. Capital and reserves

Capital and reserves (equity) is the right of shareholders to the assets of an entity, after deducting all liabilities. The equity contain: capital contributions, capital premiums, reserves, earnings, outcome of the financial year.
The ***share capital*** consisting of common shares, is recorded at the value established based on the constitution documents. In the first set of financial statements prepared in accordance with IFRS, the Company has applied IAS 29 «Financial reporting in hyperinflationary economies» for the contributions

of shareholders obtained prior 01.01.2004, respectively they were properly adjusted with the inflation index.

The own shares repurchased, under the law, are presented in the balance as a correction to equity.
Gains or losses relating to the issuance, redemption, sale, transfer free of charge or cancel the entity's equity instruments (shares, holdings) are recognized directly in the equity in the rows „Gains or Losses related to equity instruments ".
The Company recognizes the changes in share capital in accordance with the legislation in force and only after their approval in the Extraordinary General Meeting of Shareholders and their registration in the Trade Register, for each entity.
Revaluation reserves. After the recognition as an asset, an item of tangible assets whose fair value can be measured reliably must be carried at a revalued amount, this being its fair value at the date of revaluation less any subsequent accumulated depreciation and any accumulated impairment losses. The revaluations should be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.
If the carrying amount of an asset is increased as a result of a revaluation, this increase should be recorded directly in equity in the item - row "revaluation reserves". Nevertheless, the increase shall be recognized in profit or loss to the extent that it offsets a decrease from revaluation of the same asset previously recognized in profit or loss.
If the carrying amount of an asset is impaired as a result of a revaluation, this decrease should be recognized in profit or loss. Nevertheless, the decrease shall be debited directly to equity in the item - row "revaluation reserves", to the extent that there is a credit balance in the revaluation surplus for that asset.
The revaluation surplus included in equity related to an item of tangible assets can be transferred directly to retained earnings when the asset is derecognised.
Starting on May 1, 2009, the reserves from fixed assets revaluation, including the lands, performed after January 1, 2004, which are deducted from taxable income through tax depreciation or expenditures on assets sold and/or scrapped, are taxed simultaneously with the deduction of tax depreciation, respectively in the moment of the decrease from the management of these fixed assets, where appropiate, in accordance with the Tax Code.
The reserves from fixed assets revaluation, including the lands, performed until December 31, 2003 plus the portion of revaluation performed after January 1, 2004 of the period up to April 30, 2009, will not be taxed in the moment of the transfer to retained earnings (acct. 1175) but when the destination is changed.
.

The reserves from fixed assets revaluation are transferred to retained earnings in the moment of the decrease from the management of the revalued fixed assets.
The reserves made are taxable in future, in case of changes in reserves destination in any form, in case of liquidation, merger of the Company, including its use to cover the accounting losses, except the transfer, after the date of May 1, 2009, of the reserves related to the assessments made after January 1, 2004.

Legal reserves

In accordance with the legislation of Romania, the companies must assign a value equal to at least 5% from the profit before tax, in the legal reserves, until this reach 20% of the share capital. When this level has been reached, the Company may make additional allocations of net profits only. The legal reserve is deductible in limit of the quote of 5% applied to the accounting profit, before determining the profit tax.
The entities from Romania were founded according to Law no. 31/1990 on companies.
In the financial statements prepared in accordance IFRS, the company has applied IAS 29 - "Financial reporting in hyperinflationary economies", corrected the historical cost of the share capital, of the legal reserves and other reserves, with the effect of inflation, until December 31, 2003. These adjustments were recorded in different analytical accounts.

3.19. Segment reporting

An operating segment is a distinct component of the Company which engage in activities following which could get revenues and record charges, including revenues and expenses related to transactions with any of the other components of the Company and which is subject to risks and rewards that are different from those of other segments. The main format of segment reporting of the Company is reppresented by the segmentation on activities.
Given that the shares of SC Prefab SA are traded in the BUCHAREST STOCK EXCHANGE, and the Company applied IFRS, it shows in the annual financial statements and in the interim reports made under ***IAS 34 Interim Financial Reporting***, information about the business segments, about its products and services, about the geographic areas in which it operates and about the major customers.
In accordance with ***IFRS 8 "Segments of activity***", a segment of activity is a component of an entity:

- that engages in business activities which can get revenues and from which can incur expenditure (including income related to transactions with other components of the same entity)
- whose results from activity are periodically reviewed by the main factor of the entity's operational decision-maker in order to take decisions on the allocation of resources by segment and its performance evaluation, and
- for which separate financial information is available.

Considering the criteria for identifying the business segments and quantitative thresholds described in IFRS 8, SC Prefab SA identified as a business segment for which is presenting the information separately, the AAC segment.

3.20. Affiliated parties

A person or a person's immediate family member is considered affiliated to a Company if that person:

- has control or joint control over the Company;
- has significant influence over the Company; or
- is a member of the staff - key management.

The staff - key management are those persons having authority and responsibility to plan, lead and control the Company's activities directly or indirectly, including any director (executive or otherwise) of the entity. The transactions with key personnel include only salary benefits granted to them as presented in Notes.

An entity is affiliated to the Company if it meets any of the following conditions:

- The Entity and the Company are members of the same group (which means that each parent company, branch and subsidiary of the same group is linked to the other)
- An entity is associate or joint venture of the other entity (or associate or joint venture of a member of the group of which is the other entity)
- Both entities are joint ventures of the same third
- An entity is a joint venture of a third party and the other is an associate of the third entity
- The entity is a post-employment benefit plan in the benefit of the employees of the reporting entity or of the affiliated entities of the reporting entity. If the reporting entity is itself such a plan, the sponsors employers are also, the affiliates of the reporting entity.
- The entity is controlled or jointly controlled by a person affiliated
- An affiliated person having the control significantly influence the entity or a member of the key personnel from the entity management (or of the entity parent company).

Information on relationships with the affiliated parties, subsidiaries and associates entities are presented in the note 30.

3.21. Changes in accounting policies

Application of the new and revised International Financial Reporting Standards

New or revised Standards and interpretations mandatory for the company applicable to the accounting periods starting with January 01, 2014.

- **IFRS 10 Consolidated financial statements** (in force from January 1, 2014), adopted by the EU on December 11, 2012, replaces the sections of IAS 27 - Consolidated and Separate Financial Statements which treat the consolidated financial statements. SIC 12 - Consolidation - Special Purpose Entities - was withdrawn at the issue of IFRS 10. According to IFRS 10, there is only one basis for consolidation, which is the control. Furthermore, IFRS 10 includes a new definition of the control which contains 3 elements: (a) authority over the entity in which it invested, (b) exposure or rights to variable results based on its participation in the entity in which it invested and (c) the ability to use the authority over the entity in which it invested to influence the value of the investor results. Extensive guidance were added IFRS 10 to treat complex scenarios. The changes introduced by IFRS 10 determine a significant exercise judgment from management to determine which entities are controlled and they must be consolidated by the parent company in relation to the requirements which have been included in the IAS 27. The management of PREFAB SA has revised the degree of control held on investments in other entities in accordance with IFRS 10 and concluded that there is no effect over the classifications of any investment of the Company held during the reporting period or in the comparative periods covered by these financial statements.

- **Common commitments** (in force from January 1, 2014), adopted by the EU on December 11, 2012, replaces IAS 31 - Interests in Joint Ventures. IFRS 11 treat the manner in which must be classified the joint commitments where two or more parties have joint control. SIC-13 Jointly controlled entities - non-monetary contributions of joint ventures - was withdrawn with the issue of IFRS 11. Pursuant to IFRS 11, the joint ventures are classified as joint operations or joint stock companies, depending on the rights or obligations of the parties to the association. Contrariwise, according to IAS 31, there are three types of forms of joint ventures: jointly controlled entities; jointly controlled assets; jointly controlled operations. Furthermore, in accordance with IFRS11 a partner in a joint venture shall recognize an investment and to account it by equity method, while, according to IAS 31, it can use the equity method or proportional to its ownership. IFRS 11 does not have a significant impact on the financial statements, as the Company is not associated with joint venturer commitments.

- **IFRS 12 Presentation of existing interests in other companies** (in force from January 1, 2014), adopted by the EU on December 11, 2012, requires additional disclosures regarding the significant judgments and assumptions performed to determine the nature of the interest held in an entity or arrangement, subsidiary, common arrangement and joint venture and consolidated structured entities. The adoption of IFRS 12 not significantly affect the disclosure included in the Group's consolidated financial statements for the year ended on December 31, 2014.

- **IAS 27 Separate Financial Statements** (modified in 2011), in force from January 1, 2013, adopted by the EU on December 11, 2012. For companies applying IFRS adopted by the EU, the date of entry into force is January 1, 2014. The standard continues the existing accounting and disclosure requirements of IAS 27 (2008) as regards the individual financial statements, with some minor clarifications. Also, the existing requirements of IAS 28 (2008) and IAS 31 for the individual financial statements have been incorporated into IAS 27 (2011). The standard is no longer treat the control principle and the provisions related to consolidated financial statements, these being moved in IFRS 10 - Consolidated financial statements. The amendments had no material effect on the separate financial statements.

- **IAS 28 Investments in associates** (modified in 2011), in force from January 1, 2013, adopted by the EU on December 11, 2012. For companies applying IFRS adopted by the EU, the date of entry into force is January 1, 2014. There are limited amendments made in IAS 28 (2008):
  (a) IFRS 5 - The fixed assets held for sale and the discontinued operations are applied to an investment or a portion of an investment, in an associated entity or a joint venture that meets the criteria to be classified as an investment held for sale. For any remaining part of the investment that has not been classified as held for sale, is applied the equity method until is made the disposing of the part that is classified as held for sale. After the disposal occurs, any retained interest is accounted using the equity method if the retained interest continues to be an associated entity or a joint ventures;
  (b) previously, IAS 28 (2008) and IAS 31 predicted that the cessation of significant influence or joint control to trigger the remeasurement of any equity stored in all cases, even if the significant influence was followed by joint control. IAS 28 (2011) now provides that in such scenarios the retained interest in the investment is not remeasured.

- **Amendments to IFRS 10, IFRS 12 and IAS 27** on investment companies, adopted by the EU on November 20, 2013. Amendments to IFRS 10 define an investment company and provide that a company which meets the investment company conditions and prepare financial statements in accordance with IFRS, not to consolidate the subsidiaries, but measure them at fair value through profit or loss account in the consolidated and separate financial statements. The amendments do not impact the Company's financial statements since it is not an investment Company.

- **Amendments to IAS 32** - Financial instruments: presentation. Offsetting of financial assets and financial liabilities, in effect on or after January 1, 2014, adopted by the EU on December 13, 2012. The amendments address to the inconsistencies from the current practice in the application of the compensation criteria IAS 32 - Financial instruments: presentation. The amendments clarify the meaning of ”currently it has a legally enforceable right to compensation” and that some gross settlement systems may be considered equivalent to net settlement. The application of these amendments to IAS 32 had no impact on the financial statements of the Company because it does not have compensation arrangements in force. As in the past periods, the Company applies the Romanian law in force on the settlement by offsetting of receivables and mutual trade liabilities, respectively the Governmental Decision no. 685/2009 about “Rules of clearing debts for unpaid at maturity of the taxpayers, legal persons”.

- **Amendments to IAS 36** - Disclosure requirements concerning the recoverable amount of non-financial assets (issued on May 29, 2013 and effective for annual periods subsequent to January 01, 2014). The amendments specify that the scope of disclosures on the recoverable amount of assets, if that amount is based on fair value less the costs of disposals, is limited to impaired assets. The amendments have no impact on these financial statements.

- **Amendments to IAS 39** - The novation of financial instruments and the continued use of hedge accounting, adopted by the EU on December 19, 2013. Under amendments, there is no need to abandon the use of hedge accounting, if a derivative hedge financial instruments was novated, when certain criteria are met. The application of these amendments to IAS 39 has no significant impact on the financial statements.

- **Annual improvements made to IFRS** Cycle 2011-2013, with reference to IFRS 3 - Business combinations; IFRS 13 - Valuation at fair value and IAS 40 - Property investments, applicable for the period from July 2014. It states that IFRS 3 does not apply in accounting for the formation

of a joint commitment in the financial statements of joint commitment; it is explained how to apply the valuation at the fair value according to IFRS 13 in the case of financial assets and financial liabilities which are offset positions for market risk or credit risk of partner; explains the manner of classification of the property as an investment property or as real property used by the owner.

- **Annual improvements made to IFRS** Cycle 2010-2012, with reference to IFRS 2 - Share-based payment; IFRS 3 - Business combinations; IFRS 8 - Segments of activity; IAS 16 - Tangible assets; IAS 24 - Information on the affiliated parties; IAS 38 - Intangible assets; IAS 37 - Provisions, contingent liabilities and contingent assets. No material impact on these financial statements.

- **IFRIC 21** - Taxation, adopted by EU on June 13, 2013, establishes the accounting method for the liabilities from taxes, other than income taxes. The interpretation refers to defining an event which requires an entity to pay a fee and when such a liability should be recognized.

Societatea nu este expusa in prezent unor taxe semnificative, astfel ca impactul asupra Societatii nu este semnificativ.

Standards and interpretations issued by IASB but not yet in force

- **IFRS 9** - Financial instruments, issued on November 2009 (in force from January 1, 2015). This standard introduces new requirements for classification and measurement of financial assets. IFRS 9 amended in October 2010 includes requirements for the classification and measurement of financial liabilities and for deregistration (derecognition). Standard is not applicable until the date of January 1, 2015 but may be applied earlier.

- **Amendments to IAS 16 - Tangible assets and IAS 38** - Intangible assets: Clarifying the acceptable methods of depreciation (effective for annual periods beginning on or after January 1, 2016), has not yet been adopted by the EU. This amendment provides additional guidance on how it should be calculated the amortization of tangible and intangible assets. The management does not yet analyzed the implications resulting from the implementation of these changes.

- **Amendments to IAS 16 - Tangible assets and IAS 41** - Agriculture (effective for annual periods beginning on or after January 1, 2016), has not yet been adopted by the EU. To the biological assets will be applied the scope of IAS 16 Tangible assets and will be subject to all the requirements contained therein. The management does not believe that these changes will have a significant impact on the financial statements.

- **Amendments to IFRS 11 - Joint ventures**: Accounting for acquisitions of interests in operations jointly owned (effective for annual periods beginning on or after January 1, 2016), has not yet been adopted by the EU. IFRS 11 refers accounting of interests in joint ventures and operations jointly owned. This amendment brings new guidance on how to account in case of the acquisition of an interest in an operations jointly owned, which is a business in accordance with IFRS and specify the appropriate accounting treatment for such acquisitions. The management estimates that the adoption of IFRS 11 will not have a significant impact on the financial statements because the Company is not currently involved in joint ventures.

- **IFRS 15 - Revenues from contracts with customers** (effective for annual periods beginning on or after January 1, 2017), has not yet been adopted by the EU. IFRS 15 establishes a five-stage model, which will be applied to the incomes derived from a contract with a customer (with limited exceptions), indifferently of the type of income or industry. Standard requirements will be applied, also, at the recognition and measurement of gains and losses from the sale of non-financial assets which is not a product of the habitual activity of the group (for example: sales of tangible and intangible assets). Detailed presentations will be required, including the disintegration of total revenues; information on performance obligations; changes in balances of receivables or payables from time to time and critical judgment and estimates. The management anticipates that the application of the new standard may affect certain amounts reported in the financial statements and can lead to the particularization of certain information in the financial statements.

4. INTANGIBLE ASSETS

The intangible assets include software, licenses and various software and are accounted in the account 208 ”Other intangible assets”; They are depreciated on a straight-line; They are presented at historical cost, less the depreciation and any value adjustments. For the periods presented were not recorded value adjustments.

The Company has no internally generated intangible assets or acquired through a government grant and also, does not hold intangible assets with indefinite useful life.
The Company has no intangible assets classified as held for sale or included in a disposal group classified as held for sale in accordance with IFRS 5.
For the intangibles assets, the useful lives were estimated at 3 years.

The situation of the Company intangible assets on 31.12.2014 is as follows:

Cost

	Other intangible assets	**Total**
Balance on January 01, 2014	**1.257.252**	**1.257.252**
Entrances	35.650	35.650
Cessions	0	0
Balance on December 31, 2014	**1.292.902**	**1.292.902**

Accumulated amortization

	Other intangible assets	**Total**
Balance on January 01, 2014	**836.196**	**836.196**
Cost of the period	149.763	149.763
Cessions	0	0
Balance on December 31, 2014	**985.959**	**985.959**
Net book value January 01, 2014	**421.056**	**421.056**
Net book value December 31, 2014	**306.943**	**306.943**

5. TANGIBLE ASSETS

The Company opted in accordance with the provisions of IFRS 1 "Applying for the first time of IFRS" to use derogation on the deemed cost. Under this optional derogation, an entity that adopts for the first time the IFRS, may choose to use a revaluation according to previous generally accepted accounting principles anterioare of an item of tangible assets on or before the date of transition to IFRS, as deemed cost, if the revaluation was on revaluation date broadly comparable to the fair value, the cost or the depreciated cost in accordance with IFRS, adjusted to reflect, for example, a general or specific price changes.
On 31.12.2014, the Company has reassessed with authorized independent experts in the field, buildings, land and equipment assets existing in its heritage at that time. The depreciation was restated proportionately with the change in the gross carrying amount of the asset, so that the carrying amount of the asset, after revaluation, to be equal to its revalued amount.

.

Tangible assets of the parent company	**Lands**	**Buildings**	**Plant and machinery**	**Other systems, equipment and furniture**	**Tangible assets in progress**	**Total**
COST						
1.01.2013	**119.213.413**	**59.928.270**	**54.108.080**	**1.817.762**	**23.384.770**	**258.452.295**
Increases		6.883.491	24.325.960	2.253	(14.491.226)	16.720.478
Discounts		(179.307)	(550.176)			(729.483)
31.12.2013	**119.213.413**	**66.632.454**	**77.883.864**	**1.820.015**	**8.893.544**	**274.443.290**
Increases	29.551	35.641	18.300.430	37.933	9.329.492	27.733.047
Discounts	0	(1.161.932)	(691.320)		(18.223.036)	(20.076.288)
31.12.2014	**119.242.964**	**65.506.163**	**95.492.974**	**1.857.948**	**0**	**282.100.049**
AMORTIZATION						
1.01.2013	**317.633**	**17.338.761**	**32.106.728**	**1.141.982**		**50.905.104**
Cost of the period	64.746	2.786.134	3.739.672	113.026		6.703.578
Outputs		(200.872)	(206.518)			(407.390)
31.12.2013	**382.379**	**19.924.023**	**35.639.882**	**1.255.008**		**57.201.292**
Cost of the period	64.746	2.524.332	4.736.926	103.264		7.429.268
Outputs		(101.874)	(691.320)			(793.194)
31.12.2014	**447.125**	**22.346.481**	**39.685.488**	**1.358.272**		**63.837.366**
NET VALUES						
01.01.2013	**118.895.780**	**42.589.509**	**22.001.352**	**675.780**	**23.384.770**	**207.547.191**
31.12 2013	**118.831.034**	**46.708.431**	**42.243.982**	**565.007**	**8.893.544**	**217.241.998**
31.12. 2014	**118.795.839**	**43.159.682**	**55.807.486**	**499.676**	**0**	

5.1. Tangible assets entered and put into operation

In 2014 were placed in performing the upgrades and refurbishments to technical installations and equipment worth 18.300.430 lei, representing modernization related to the production activity.
Most of the inputs of equipment held in the cogeneration plant project.

5.2. Outgoing tangible assets

The Company has sold in the year vehicles worth 691.320 lei (fully amortized).

5***.3. Pledged fixed assets***

For guarantee of the guarantee agreements and credit contracts signed with the financing banks, the Company mortgaged these assets in favor of that banks, as follows:

For all the credit facilities contracted with Banca Italo Romena, the company constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2 .
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors

For all the credit facilities contracted with Raiffeisen Bank, listed above, the company constituted these guarantees in favor of the bank:

- The real estate mortgage on property located in Calarasi, str. Bucuresti, nr. 396, composed of an incorporated area, construction yard area of 56.635 m², with cadastral number 62/5 and existing buildings thereon (section Precasts).
- The security mortgage on movable goods representing technological equipment belonging to the Section Large Tubes and Section Precast.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 735 m² with cadastral number 62/1/1/1 and the buildings located on it, located in Calarasi, str. Bucuresti, nr. 396.

- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 15.979 m² with cadastral number 62/1/1/2 and the building located on it C6 kindergarten, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 1.208,91 m² with cadastral number 62/1/2 and the building located on it C5 residence, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 11.815 m² with cadastral number 62/3 and the constructions C9 Section Large Tubes and Tank of water, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by land in area of 941 m² with cadastral number 64 and the building located on it: housing block - apartments type studio, located in Calarasi, str. Victor Orlovschi, nr. 2.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 166 m² with cadastral number 204443 and the building located on it, located in str. Radu de la Afumati, nr.12 B, sector 2, Bucuresti, registered in the Land Register with the number 680 of the town Bucharest, sector 2.
- The mortgage on the land in area of 4.000 m² and the building located on it, villa accommodation for protocol P+E+M (developed area 751 m²) and pool (area 73 m²), with cadastral number 107450, 107450 C1 SI 107450 C2, tabulated in the Land Register of Jupiter, Mangalia, str. Aldea, nr. 14, Constanta.
- The mortgage on the land in area of 16.484,18 m² and the buildings on it (fuel power station and warehouses) located in loc. Snagov, sat Tancabesti, strip ground 216, land plot 760 jud. Ilfov, km 26+780, with cadastral number 276, tabulated in the Land Register under the no. 90 of Snagov town.
- The mortgage on the company receivables and on the current accounts opened at Raiffeisen Bank.

In 2011, the Company started two major investment projects which have continued over the years 2012 and 2013, namely:

For all the credit facilities contracted with BRD Groupe Societe Generale, the company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipiul Calarasi, in area of 83.928,74 m², located within the enterprise PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.

- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/Municipiul Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of S.C. PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

For the project in partnership with BERD and supported by the credit agreement 80025/2011, concluded with Raiffesen Bank, the company constituted as guarantee in favor of the bank, the security mortgage on machinery and technological equipment of the project, consisting of:

- an automatic lathe
- an AAC pallet wrapping machine
- a plant shape armature
- slurry pumps
- an autoclave

5.*4. Assets in progress*

On 31.12.2014, the Company does not record amounts in the statement of assets in progress.

6. PROPERTY INVESTMENTS

The land and the building owned by the parent company in the resort Jupiter, are considered as Property investments, are not used by the company for conducting the operational activity and have not a destination established.

	Land and land improvements	**Constructions**	**Property investments in progress**	**Total**
Balance on December 31, 2012	**1.403.902**	**1.539.472**	**0**	**2.943.374**
Increases:	0	0	0	0
Discounts:	4.658	29.853	0	34.511
Balance on December 31, 2013	**1.399.244**	**1.509.619**	**0**	**2.908.863**

	Land and land improvements	Constructions	Property investments in progress	Total
Balance on December 31, 2013	**1.399.244**	**1.509.619**	**0**	**2.908.863**
Increases:	16.506	3.643	0	20.149
Discounts:	510	0	0	510
Balance on December 31, 2014	**1.415.240**	**1.513.262**	**0**	**2.928.502**

On 31.12.2014, SC PREFAB SA revalued the land and the buildings owned in the resort Jupiter, recognized as property investment based on the valuation report issued by an expert assessor, member of ANEVAR. The differences registrated were as follows: reduction with the amount of 510 lei for the land value lot 1 (4000,08 m²), the increase with the amount of 16.506 lei for the land value lot 2 (2500 m²) and the increase with the amount of 3.643 lei for the building value concomitant with their recognition in the profit and loss account of the period in accordance with IAS 40 "Property Investment".

7. INVESTMENTS IN AFFILIATED ENTITIES

At the date of transition to IFRS and respectively on 31.12.2014, the Company has classified, in its separate financial statements, the investments held in affiliated companies amounted to 9.439.669 lei in financial assets available for sale in accordance with IAS 39. None of the companies where these investments are made is not rated on securities market.

The estimates of fair value at the balance sheet date are normally based on available market information. When such quotes and prices are not available and no present value can not be established, the determination of fair value is not feasible, the assessment being done at cost. (IAS 39,9 and 46c)

The financial assets available for sale listed and whose fair value can not be determined reliably are recorded at the acquisition cost less the impairment losses and are tested annually for impairment. To fix this, the management uses a series of judgments and envisages, in addition to other factors, the duration and extent to which the value of the investment at the reporting date is less than the cost of its; the financial health and the short-term perspective of the issuer, including the factors such as industry performance and the industry in which it operates, technological changes and operating cash flows and for financing. On 31.12.2014, the management has not identified factors leading to record an impairment of investments held in subsidiaries.

Participation situation of SC PREFAB SA at the share capital of other companies (unquoted) during the year 2014, compared to the year 2013, is as follows:

Company name	**Balance on 31.12.2014**			**Balance on 31.12.2013**		
	Value	No. shares		Value	No. shares	
PREFAB INVEST S.A.	149.850	3.996	99.9	149.850	3.996	99.9
PREFAB BG EOOD Silistra	18.919	100	100	18.919	100	100
Fotbal Club S.A. Modelu	9.270.900	30.903	99.8707	9.270.900	30.903	99.8707
TOTAL	**9.439.669**			**9.439.669**		

These companies will be included in the financial consolidation statements prepared in accordance with IFRS 10 "Consolidated and Separate Financial Statements". The financial consolidation statements are the financial statements of a group, presented as if it were a single economic entity.

8. RECEIVABLES AND OTHER ASSETS

The receivables are recorded at nominal value and are pointed in the analytical accounting for each person or entity. Foreign currency receivables have been assessed based on exchange rate in force at the end of the exercise, and the rate differences were recognized as incomes or expenses of the period.

a) The trade receivables are presented below.

	Receivables	**Balance on December 31, 2014**	**Balance on December 31, 2013**
1	Trade receivables from affiliates (subsidiaries)	31.350.186	31.052.133
2	Trade receivables - others	2.950.827	2.694.790
3	**Trade trade receivables**	**34.301.013**	**33.746.923**

4	Adjustments for impairment of trade receivables	(757.919)	(764.876)
5=3-4	**Trade receivables, net**	**33.543.094**	**32.982.047**

The main receivables are:

Clients in gross value of 33.543.094 lei consist of:

- Internal clients worth 32.707.879 lei, of which the most important are: Prefab Invest, Arcocim S.R.L., Arabesque, Metale International, Oyl Company Logistic. The most important client, through which is sold mainly the autoclaved aerated concrete, with a quote of 72% of turnover, was in the year 2014, SC PREFAB SA INVEST, the affiliated company. This, in its turn, distribute nationwide cargo to various clients.
- External and intra-community Clients worth 610 lei, of which we mention: Prefab BG EOOD (affiliated company), Basconslux S.R.L. Chisinau.
- We mention that until 28.02.2015 were collected from the balance on 31.12.2014, customers in proportion of 20%**.**

The doubtful clients or in litigation had on 31.12.2014 the gross value of 1.592.321 lei keeping in balance, much of that registered at the beginning of the year which were not collected.

For these doubtful clients, the process started in the previous years have continued.

For some of them, for which the management has estimated that there is a risk of non-recovery, there are made adjustments for doubtful debts worth 757.919 lei. Also they were undertaken legal action to recover the debts.

Term liquidity analysis Trade receivables	**Balance on December 31, 2014**	**Balance on December 31, 2013**
Under a year	**33.543.094**	**32.982.047**
More than a year	**0**	**0**

Other assets	**Balance on December 31, 2014**	**Balance on December 31, 2013**
b) Other assets, of which:		
Debtors	11.552	12.593
Prepayments	6.182	15.740
VAT to be recovered	0	30.467
VAT not do in	13.586	28.948
Suppliers debtors	329.153	196.268
Other receivables	132.231	4.084.389
Total 31.12.2014	**492.704**	**4.368.405**

Term liquidity analysis Other assets	**Balance on December 31, 2014**	**Balance on December 31, 2013**
Under a year	**492.704**	**4.368.405**
More than a year	**0**	**0**

c) Adjustments of depreciation for trade receivables and other receivables

The evolution of adjustments of depreciation is as follows:

	December 31, 2014	**December 31, 2013**
At the beginning of the period	**764.876**	**851.637**
Increase/ (reversals)	0	0
Decreases	6.957	86.761
At the end of the period	**757.919**	**764.876**

d) The Company did not constitute adjustments for the depreciation of doubtful clients in the amount of 609.816,22 lei, because the management estimates that it can be collected in their full value.

Prepayments

The prepayments in the amount of 6.182 lei (December 31, 2013: 15.794 lei) mainly represents the insurance premiums for the liability insurance.

Suppliers debtors

The suppliers debtors in the amount of 329.153 lei mainly represent the establishment of advance for the supplier Kawasaki for cooling equipment of the cogeneration plant.

9. STOCKS

December 31, 2013	**Cost**	**Adjustments**	**Net value**
1. Raw materials and consumables	4.689.968	0	4.689.968
2. Production in progress	718.379	0	718.379
3. Finished products and goods	8.557.969	18.570	8.539.399
Total	**13.966.316**	**18.570**	**13.947.746**

December 31, 2014	**Cost**	**Adjustments**	**Net value**
1. Raw materials and consumables	3.829.450	0	3.829.450
2. Production in progress	2.270.841	0	2.270.841
3. Finished products and goods	9.384.518	3.560	9.380.958
4. Fixed assets held for sale	552.904	0	552.904
Total	**16.037.713**	**3.560**	**16.034.153**

The main categories of stocks are the raw materials and and the consumables, the production in progress, the finished products and goods, the advances for purchases of stocks.

The cost of stocks includes all costs of acquisition and processing and other costs incurred in bringing the stocks to the form and in the place where there are.

The cost of finished products and of production in progress includes the direct costs related to production, namely: direct materials, energy consumption for technological purposes, direct labor and other direct costs of production and the quote of indirect production costs rationally allocated as related to their manufacturing.

On leaving the management, the stocks are evaluated based on the weighted average cost method.

This method involves the calculation of the cost of each element on the basis of the weighted average of the similar cost items being in stock at beginning of period and of the cost of similar items purchased or produced by the company during that period. The average is are calculated monthly, at the end of each month.

On the date of financial statements, the stocks are valued at the lower value between the cost and the net realizable value.

The net realizable value is the estimated selling price to be obtained in the ordinary course of business, less the estimated costs of property completion, when appropriate, and the estimated costs necessary for sale.

Where appropriate it is constitute provision for the outdated, slow moving or defective stocks.

On 31.12.2013, the parent company recorded adjustments for stocks impairment in the amount of 18.570 lei, based on the minutes of the inventory committee which analyzed the stock of finished products. Of these, on 31.12.2014, are maintained adjustments in the amount of 3.560 lei.

10. ASSETS HELD FOR SALE

To the extent that it is estimated that a fixed asset will generate flow benefits to the company after ceding its, rather than its continued use, it must be classified as assets held for sale.

The classification of assets held for sale involves in accounting terms:

- Termination of amortization;
- Determination of the recoverable amount at the balance sheet date as value of sale less the costs of ceding
- The registration of value adjustments related when the recoverable amount so determined is less than the carrying value;
- The separate presentation in the annual financial statements.

Thus, the assets that meet the criteria for classification as assets held for sale should be valued at the lowest value between the carrying amount and the fair value less the costs for sale and the depreciation of these assets should cease.

On 31.12.2014, the Company classified in the category of the assets held for sale, these tangible assets:

- the building located in Bucharest, str. Radu de la Afumati, nr. 12B, sector 2, with the value of 168.891,37 lei (after the reassessment of 31.12.2014).
- the land on which the property is located located in Bucharest, str. Radu de la Afumati, nr. 12B, sector 2, with the value of 384.012,88 lei (after the reassessment of 31.12.2014).

The building with the land on which it is placed were sold at the beginning of the year 2015.

11. CASH AND CASH EQUIVALENTS

On 31.12.2014 the cash and cash equivalents are in amount of 369.587 lei, lower than the values recorded on 31.12.2013 of 541.925 lei and shall consist of:

	Balance on December 31, 2014	**Balance on December 31, 2013**
Cash	5.385	12.872
Deposits and available money in banks	364.202	529.053
Letters of credit	0	0
Total	**369.587**	**541.925**

On 31.12.2014 the Company did not register short-term deposits held with banks.
Of the total of cash accounts and cash equivalents, the restricted amounts on 31.12.2014 and on 31.12.2013 consisted of:

	Balance on December 31, 2014	**Balance on December 31, 2013**
Performance guarantees	261.119	203.320
Managers guarantees	17.818	5.015
Other guarantees	4.410	4.410
Total	**283.347**	**212.745**

12. EQUITY

The **subscribed and paid capital** is worth 24.266.709,5 lei, composed of 48.533.419 shares with nominal value of 0,50 lei/share.

The ownership structure on 31.12.2014 is:

Shareholder	No. of shares	%
ROMERICA INTERNATIONAL S.R.L. BUCURESTI	40.247.995	82.9284
SIF MUNTENIA	6.295.000	12.9704
OTHER SHAREHOLDERS - LEGAL PERSONS	417.435	0.8601
OTHER SHAREHOLDERS - NATURAL PERSONS	1.572.989	3.2411
TOTAL	**48.533.419**	**100**

The members of the Board of Directors on 31.12.2014 held shares of the Company on the market (as independent shareholders) as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Ionescu Marian Valentin	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

The shares are nominative, are issued in dematerialized form, each share having a nominal value of 0.50 lei/share. During the financial year 2014, the nominal value of a share did not change.

We note that the actions S.C. Prefab S.A. are traded on the Bucharest Stock Exchange, Category I, starting with 05.07.2010. The prices of the company shares had a oscillating trend manifested in terms of number of shares traded, a trend primarily due to cash shortage and to the general reduction of transactions on the Bucharest Stock Exchange.

The last trading price of the Company's shares PREFAB SA Bucuresti, available on 10.03.2015 was for 1.58 lei/share.

The specific activities of independent registry for S.C.PREFAB SA were conducted by the *Central Depository*.

13. RESERVES

The reserves include the following components:

	Balance on December 31, 2014	Balance on December 31, 2013
Legal reserves	4.192.217	4.117.908
Other reserves	29.621.437	28.873.108
Revaluation reserves	125.207.389	125.299.143
Total	**159.021.043**	**158.290.159**

The **legal reserves** of the Company have increased in 2014 with the amount of 74.309 lei following the creation of the legal reserve (5% from the accounting profit according to the Law no. 571/2003 including subsequent amendments and additions and to the Law no. 31/1990 including subsequent amendments and additions).

The Company recorded at the end of the year 2014 "**Legal reserves**" in the account 1061 the amount of 4.222.481 lei of which 1.483.092 lei represents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the Company correcting the historical cost of the legal reserves with the effect of inflation until December 31, 2003.

The Company recorded at the end of the year 2014 "**Other reserves**" in the account 1068 the amount of 32.771.744 lei of which 2.676.474 lei epresents reserves formed in accordance with IAS 29 „Financial reporting in hyperinflationary economies", the Company correcting the historical cost of the other reserves with the effect of inflation until December 31, 2003.

The **revaluation reserves** are in the amount of 125.211.949 lei on 31.12.2014. The last revaluation was performed on December 31, 2014 for land, buildings and equipment from records according to the regulations in force based on Report of technical expertise rating prepared by an evaluation firm, member of ANEVAR, in order to determine their fair value, taking into account the inflation, the utility goods, their condition and the market value. The decrease or increase in book value resulting from these revaluations was debited to the revaluation reserve.

The following describes the nature and the purpose of each reserve within the equity:

Reserve	Description and purpose
Legal reserves	According to Law no. 31/1990, every year it is taken at least 5% of profit for the formation of reserve fund, until it reaches a minimum of one fifth of share capital.
Other reserves	Other reserves include on December 31, 2014 the reserves constituted on the net profit distribution.
Revaluation reserve fixed assets	If the carrying value of a tangible assets is increased as a result of revaluation, then the increase should be recognized in other comprehensive income items and accumulated in equity, with title of revaluation surplus. The revaluation reserves can not be distributed and can not be used to increase the share capital.

14. RETAINED EARNINGS

The retained earnings include the following components:

	Balance on December 31, 2014	Balance on December 31, 2013
Retained earnings, except the retained earnings due to the adoption for the first time of IAS 29 (acct. 117)	7.724.555	7.843.444
Retained earnings due to the adoption for the first time of IAS 29 (acct. 118)	0	0
Total	**7.724.555**	**7.843.444**

15. DISTRIBUTION OF PROFIT

On 31.12.2013, S.C. Prefab S.A. recorded a net profit worth 803.402 lei of which was allocated in the year 2013 the legal reserve in the amount of 55.073 lei, the difference of 748.329 lei being distributed based on the decision AGA no. 2 of 29.04.2014 to other reserves, according to the legal regulations.
On 31.12.2014, S.C. Prefab S.A. recorded a net profit worth 1.172.196 lei of which was allocated in the year 2014 the legal reserve in the amount of 74.309 lei, the difference of 1.097.887 lei will be distributed based on the decision AGA, according to the legal regulations.

The net profit distribution is proposed below (comparatively, there are presented the distributions of the previous years for):

Distribution of profit	Financial year ended on December 31, 2014	Financial year ended on December 31, 2013
Net profit to be distributed	1.172.196	803.402
- legal reserve	74.309	55.073
- other reserves	1.097.887	748.329

The legal framework for setting up its own financing sources and other distributions from profit consists of the following legislation:

- Law no. 571/2003 on the Fiscal Code subsequently amended
- Law no. 31/1990 republished, on companies

16. PROVISIONS

S.C. PREFAB S.A. not constituted at the closure of the financial year 2014 provisions for risks and expenses, considering that the future uncertainty does not justify the creation of provisions or the deliberate evaluation of future obligations.

17. LOANS AND OTHER LIABILITIES

The liabilities are recorded at the nominal value and are recognized in the accounting for each person or entity. Foreign currency liabilities were valued based on exchange rate in force at the end of the exercise, and foreign exchange differences are recognized as income or expense for the period.

The liabilities situation is as follows:

Liabilities	Balance on December 31, 2014	Balance on December 31, 2013
Amounts owed to credit institutions	55.529.649	59.482.344
Advances collected for orders	1.562.679	459.132
Trade payables - suppliers, affiliates parties	0	0
Trade payables - third-party suppliers	9.424.932	5.013.584
Other liabilities including tax and social security debts	896.626	768.288
Deferred income tax	759.849	843.216
Total liabilities	**68.173.735**	**66.566.564**

Analysis of chargeability term	Balance on December 31, 2014	Balance on December 31, 2013
Under a year	51.057.396	41.083.387
More than a year	17.116.339	25.483.177
Total	**68.173.735**	**66.566.564**

Sumele datorate institutiilor de credit au urmatoarea componenta **:**

Amounts due to credit institutions	Balance on December 31, 2014	Balance on December 31, 2013
Short term loans	39.173.159	34.842.383
Long term loans	16.356.490	24.639.961
Of which, the current part of the long-term loans	6.425.430	8.272.722
Total	**55.529.649**	**59.482.344**

18. SHORT-TERM LOANS

The Company benefited during the year 2014 of short-term loans granted by commercial banks, as follows:

Bank	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2014
Raiffeisen Bank	Credit line	Overdraft 10/03/2003 + addendum no. 22/2013	2015	Ron	20.000.000	18.952.759 lei
Italo Romena	Credit line	Credit convention 10614/12.08.2014	2015	Ron	7.556.600	7.555.420 lei
Italo Romena	Credit line	Convention credit line no. 8929/10.10.2013	2015	Ron	9.000.000	8.792.348 lei
Italo Romena	Credit line	Convention credit line no. 10040/12.08.2014	2015	Ron	4.500.000	3.872.632lei
Total						**39.173.159 lei**

19. LONG-TERM LOANS

The Company benefited during the year 2014 of long-term loans granted by commercial banks, as follows:

Description	Loan type	Date of contract	Maturity	Currency	Principal	Balance on 31.12.2014
BRD Groupe Societe General	Long-term credit	Contract no. 77/29.09.2011	20.10.2018	Eur	4.778.750	7.243.346 lei
Raiffeisen Bank	Long-term credit	Contract no.80025/2011	30.09.2015	Eur	1.200.000	1.386.004 lei
Raiffeisen Bank	Credit facility	Contract term credit facility no. 80012/2012	2014	Ron	2.500.000	0 lei
Raiffeisen Bank	Credit facility	Overdraft 80008 25/02/2008 + addendum no. 15/2013	15.12.2016	Eur	2.000.0000	7.727.140 lei
Total						**16.356.490**

During the year 2014, the Company benefited from these loans, opened to Banca Italo-Romena:

- a credit line worth 7.556.600 lei, under the convention of credit line no. 10614 of 12.08.2014. The balance on 31.12.2014 is 7.555.420 lei.
- a credit line worth 4.500.000 lei, under the convention of credit line for factored bills no. 10040/12.08.2014. The balance on 31.12.2014 is 3.872.632 lei.
- a credit line to support the current activity worth 9.000.000 lei, under the convention of credit line no. 8929/10.10.2013 maturing on 31.07.2015. The balance on 31.12.2014 is 8.792.348 lei.

For all contracted credit facilities with Banca Italo Romena, the Company constituted these guarantees in favor of the bank:

- The mortgage established on property - lot 2 located in Calarasi, str. Bucuresti, nr. 396, jud. Calarasi, composed of a land of 69.552,2 m² and existing buildings thereon with cadastral number 62/2.
- Issue of a promissory note in favor of the bank in white.
- The security mortgage for the debts generated of commercial relationships concluded between Prefab S.A. and its debtors

During the year 2014, the Company benefited from these loans, opened to Raiffeisen Bank:

- Credit line for production - Raiffeisen Bank Branch of Calarasi worth 20.000.000 lei, representing credit facility agreement on overdraft no. 10/10.03.2003 and addenda to this. The balance on 31.12.2014 is 18.952.759 lei.
- Credit line of 2.000.000 euro under the credit convention no. 80008/25.02.2008 and addenda (additional 15/2013) to this. The reimbursement will be made in 36 monthly rates, the first rate being due in January 2014, and the last one on 15.12.2016. The balance on 31.12.2014 is 1.724.000 euro, equivalent of 7.727.140 lei.
- Credit worth 2.500.000 lei, granted for a period of 23 months based on a contract term credit facility no. 80012/2012. The reimbursement will be made in 23 monthly rates, the first 4 worth 25.000 lei (December 2012 - March 2013 inclusively) and the next 19 worth 126.315 lei each (April 2013 - October 2013 inclusively). On 31.12.2014 the loan was fully repaid.

For all contracted credit facilities with Raiffeisen Bank, the Company constituted these guarantees in favor of the bank:

- The real estate mortgage on property located in Calarasi, str. Bucuresti, nr. 396, composed of an incorporated area, construction yard area of 56.635 m², with cadastral number 62/5 and existing buildings thereon (section Precasts).
- The security mortgage on movable goods representing technological equipment belonging to the Section Large Tubes and Section Precast.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 735 m² with cadastral number 62/1/1/1 and the buildings located on it, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 15.979 m² with cadastral number 62/1/1/2 and the building located on it C6 kindergarten, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 1.208,91 m² with cadastral number 62/1/2 and the building located on it C5 residence, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 11.815 m² with cadastral number 62/3 and the constructions C9 Section Large Tubes and Tank of water, located in Calarasi, str. Bucuresti, nr. 396.
- The mortgage on the real estate represented by land in area of 941 m² with cadastral number 64 and the building located on it: housing block - apartments type studio, located in Calarasi, str. Victor Orlovschi, nr. 2.
- The mortgage on the real estate represented by incorporated area, category of use: construction yard, in area of 166 m² with cadastral number 204443 and the building located on it, located in str. Radu de la Afumati, nr.12 B, sector 2, Bucuresti, registered in the Land Register with the number 680 of the town Bucharest, sector 2.
- The mortgage on the land in area of 4.000 m² and the building located on it, villa accommodation for protocol P+E+M (developed area 751 m²) and pool (area 73 m²), with cadastral number 107450, 107450 C1 SI 107450 C2, tabulated in the Land Register of Jupiter, Mangalia, str. Aldea, nr. 14, Constanta.
- The mortgage on the land in area of 16.484,18 m² and the buildings on it (fuel power station and warehouses) located in loc. Snagov, sat Tancabesti, strip ground 216, land plot 760 jud. Ilfov, km 26+780, with cadastral number 276, tabulated in the Land Register under the no. 90 of Snagov town.
- The mortgage on the company receivables and on the current accounts opened at Raiffeisen Bank.

In 2011, the Company started two major investment projects which have continued over the years 2012 and 2013, namely:

- The Project 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity', a project worth 22.400.846,58 lei (5.247.575 euro). This project was submitted on July 20, 2011 at the Intermediate Body for Energy, funded from European Funds under the Priority Axis 4 of the Sectoral Operational Programme: Increasing Economic Competitiveness and it was declared eligible for funding, for this purpose being concluded the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment. The project is supported by long-term credit (7 years of which 16 months as grace period) concluded with BRD - Groupe Societe Generale worth 4.778.750 euro, its balance on 31.12.2014 being of 1.616.060,66 euro, respectively 7.243.345 lei. The project was completed with the commissioning of new production capacities in April 2013, Prefab becoming a provider for energy electric in SEN, accredited by ANRE.

For the credit facility contracted with BRD Groupe Societe Generale, the Company constituted these guarantees in favor of the bank:

- the first-rank mortgage on the lot 11, cadastral number 62/11 Land Register no. 25291/Municipiul Calarasi, in area of 83.928,74 m², located within the enterprise PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396.
- the first-rank mortgage on the lot 6, cadastral number 62/6, Land Register no. 25177/Municipiul Calarasi, consisting in land in area of 101.126 m² and the existing buildings on this lot, property of S.C. PREFAB S.A. of Calarasi, str. Bucuresti, nr. 396, pledge agreement on the project equipment.

- The Project 'Plan of rational energy use - Energy Efficiency Project at Prefab S.A.', worth 1.200.000 euro which was developed in partnership with BERD, where was obtained funding for 15% of the investments made, consisting of:
    - an automatic lathe
    - AAC pallet wrapping and turning machine
    - a plant shape armature
    - slurry pumps
    - autoclave for autoclaved aerated concrete production

  This project was completed in 2012, being supported by long-term credit worth 1.200.000 euro, its balance on 31.12.2014 being of 309.231 euro, respectively 1.386.004 lei. The loan is granted for a

period of 48 months, with a grace period of 12 months (in which only interest is paid). The reimbursement will be made in 13 quarterly rates of 92.307 euro, starting with 20.11.2012, the last rate being due on 30.09.2015.

For this feature, the company constituted as guarantees in favor of the bank, the security mortgage on machinery and technological equipment of the project.

20. OTHER LIABILITIES

These mainly consist of:

Other liabilities	**Balance on December 31, 2014**	**Balance on December 31, 2013**
Liabilities for the staff and assimilated	256.459	306.594
Liabilities for the social security budget	107.215	186.078
Liabilities for the state budget	422.870	167.976
Liabilities to shareholders	105.371	105.463
Other liabilities	4.711	2.177
Total liabilities	**896.626**	**768.288**

21. DEFFERED TAX

Variation of deferred tax liabilities is presented in the following table:

Description	**December 31, 2014**	**December 31, 2013**
Initial balance	843.216	928.730
Deferred tax revaluation differences	(83.367)	(85.514)
Final balance	**759.849**	**843.216**

22. SUBSIDIES FOR INVESTMENTS

Variation in subsidies for investments is presented in the following table:

Description	December 31, 2014	December 31, 2013
Initial balance	10.689.735	11.099.250
Received during the year	0	0
Reversed during the year	(2.603.565)	0
Resumed at income	(523.928)	(409.515)
Final balance	**7.562.242**	**10.689.735**

The amounts represents subsidies recorded for the assets (co-financing) acquired within the projects developed by the Company, namely:

- the modernization of the vegetable glasshouse by the Program SAPARD (2005)
- the Project 'Plan of rational energy use - Energy Efficiency Project at Prefab S.A.', worth 1.200.000 euro which was developed in partnership with BERD, where was obtained funding for 15 % of the investments made, respectively the amount of 812.124 lei (equivalent to 180.000 eur).
- the Project 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity', partially funded from European Funds under the Priority Axis 4 of the Sectoral Operational Programme: Increasing Economic Competitiveness, the Company concluding in this purpose the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment. The grant amount approved by contract was 10.199.768,65 lei, of which in 2013 was collected the amount of 6.140.662,41 lei and in 2014 was collected the amount of 1.503.822,08 lei. The amounts reversed during the year represent amounts considered ineligible by AM POS CCE and are subject to pending court proceedings.

23. OPERATING INCOME

Income	December 31, 2014	December 31, 2013	Difference (2014-2013)
Production sold	57.223.421	68.377.338	(11.153.917)
Income related to product stocks costs	7.614.934	6.016.737	1.598.197
Income from production assets and real estate investments	9.418.885	12.216.975	(2.798.090)
Income from real estate investments	20.149	0	20.149
Other operating income	740.105	1.079.908	(339.803)
Total	**75.017.494**	**87.690.958**	**(12.673.464)**

Revenues from sold production are structured in the following product categories:

Description of products	2014 %	2013 %	2012 %
A.A.C.	80.59%	77.53%	78.27%
Tubes	3.80%	3.79%	6.13%
Precasts	6.44%	3.40%	9.82%
Electric poles	1.73%	2.50%	3.12%
Electrical power	4.15%	9.28%	0
Other products	3.29%	3.50%	2.66%

The autoclaved aerated concrete (AAC), the masonry material produced by S.C. PREFAB S.A. Bucuresti in 2014 increased to a production of 374.801,37 m³ with a monthly average of 46.850,17 m³, given that the production activity took place during 19.02.2014 - 29.11.2014, with a stop period in the period 24.06.2014 - 21.07.2014 (period of the leaves).

In 2014, SC Prefab SA sold about 380.000 m³ AAC.

The market of precast products of reinforced and prestressed concrete, electricity poles, highway items, precast parts for hiper or supermarkets, beams for road bridges, PREMO-SENTAB sewerage pipes is in the same regress due primarily to the political and economical situation, and financial bottlenecks in the investment field. On this market, S.C. PREFAB S.A. Bucuresti tried to maintain its position obtained in previous years in particular for the product AAC.

In 2014, the total volume of precasts produced and marketed was 2.804,45 m³ plus concrete goods 670,70 m³, a very small volume for the existing production capacity.

In the current economic context characterized by decreasing demand on building materials market, especially for precast elements and tubes, given that the price of the natural gas suffered a huge increase, with significant implications in the cost structure.

On 24.04.2013, SC PREFAB SA obtained under Decision ANRE no. 1038/24.04.2013, the License no. 1222 to produce electricity in the purpose of the commercial exploitation of the Cogeneration plant with turbine with gas of 5,4 MW. The energy produced is delivered in SEN, one part being used for domestic consumption. In the turnover recorded in the year 2014, the electricity accounts for 4.15%, in decrease compared to the year 2013, given that the activity of cogeneration plant was ceased because the incurred production costs for the electrical and thermal energy were high inducing adverse economic outcomes for the company.

24. OPERATING EXPENSES

Expenses	**December 31, 2014**	**December 31, 2013**	**Difference (2014 -2013)**
Expenses for materials and supplies	**30.879.159**	**37.683.573**	**(6.804.414)**
Energy and water expenses	9.333.561	13.032.518	(3.698.957)
Other production expenses	3.032.299	3.135.956	(103.657)
Total cost materials	**43.245.019**	**53.852.047**	**(10.607.028)**
Wages and allowances	6.562.646	7.940.365	(1.377.719)
Social security and welfare expenses	2.019.226	2.632.556	(613.330)
Total expenses on staff	**8.581.872**	**10.572.921**	**(1.991.049)**
Amortization	7.823.984	6.961.902	862.082
Adjustments for impairment	-10.383	128.444	(138.827)
Total amortization and depreciation	**7.813.601**	**7.090.346**	**723.255**
Expenses on external supply	8.792.599	8.892.866	(100.267)
	1.926.314	1.825.693	100.621

Other taxes, duties and similar	711.915	985.294	(273.379)
Other expenses			
Total other operating expenses	**11.430.828**	**11.703.853**	**(273.025)**
Total	**71.071.320**	**83.219.167**	**(12.147.847)**

The prices of raw material supply and materials recorded an increase being mainly affected by the increase of stock exchange quotations of commodity (ferrous metals, plastics which are correlated with the oil prices, heavy oil, marsh gas) and devaluation of the national currency versus the US dollar and European currency, with negative impact on production prices.

Generally, the sources of supply are safe, aiming to maintain a minimum number of 2 suppliers/assortment.

Water and energy costs decreased by 3.698.957 lei, from 13.032.518 lei (2013) to 9.333.561 lei (2014) mainly due to the reduction of the expenses related to the consumption of gas in the activity of electricity production (the activity of cogeneration plant was ceased because the incurred production costs for the electrical and thermal energy were high inducing adverse economic outcomes for the company).

Depreciation charges increased by 862.082 lei, from 6.961.902 lei (2013) to 7.823.984 lei (2014) due to the commissioning of the equipment in the project: 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity', with considerable input values.

25. FINANCIAL INCOME

Incomes	**December 31, 2014**	**December 31, 2013**	**Difference (2014-2013)**
Income from rate differences	72.453	107.994	(35.541)
Interest income	2.782	37.203	(34.421)
Other financial income	0	155	(155)
Total	**75.235**	**145.352**	**(70.117)**

26. FINANCIAL EXPENSES

Expenses	December 31, 2014	December 31, 2013	Difference (2014-2013)
Interest expenses	2.478.128	2.540.433	(62.305)
Other financial expenses	5.211	975.251	(970.040)
Total	**2.483.339**	**3.515.684**	**(1.032.345)**

Interest expenses decreased by 62.305 lei, from 2.540.433 lei (2013) to 2.478.128 lei (2014) because of the reimbursements and of the conversion into local currency of the bank loans. (see the situation of short-term loans and long-term loans).

Other financial expenses mainly refer to expenses with exchange rate differences and decreased by 970.040 lei from 975.251 lei (2013) to 5.211 lei (2014) because the company has repaid significant amounts of the foreign currency loans, thus being reduced the currency risk it poses.

27. CORPORATION TAX

Information about the corporation tax (pursuant to declaration 101):

Indicators	Amounts 31.12.2014	Amounts 31.12.2013
Operating income	75.039.460	87.777.821
Operating expenses	71.459.161	83.604.087
Operating earnings	**3.580.299**	**4.173.734**
Financial income	75.235	145.352
Financial expenses	2.483.338	3.515.684
Financial earnings	(2.408.103)	(3.370.332)
Gross profit	**1.172.196**	**803.402**
Items similar to incomes,	**805.586**	**159.127**
of which:		
- items similar to incomes from other restatements	**805.586**	**159.127**

Items similar to expenses from other restatements	**29.795**	**40.530**
Fiscal depreciation	7.779.131	6.882.145
Deductible legal reserve	74.309	55.073
Other deductible amounts	0	0
Total deductions	**7.853.440**	**6.937.218**
Other non-taxable income	51.885	0
Income tax expenses	365.874	298.057
Non-deductible fines, penalties	6.191	57.355
Non-deductible entertainment expenses	117.148	162.584
Sponsorships expenses	120.967	74.272
Accounting depreciation expenses	7.823.984	6.961.902
Other non-deductible expenses	200.930	788.102
Total non-deductible expenses	**8.635.094**	**8.342.272**
Total taxable profits	**2.677.756**	**2.327.053**
Total income tax	**428.441**	**372.328**
Amounts representing sponsorship in the limits prescribed by law	**62.567**	**74.271**
Tax incom, of which:	**365.874**	**298.057**
- current income tax	**365.874**	**298.057**
- tax restatements	**0**	**0**
Net profit	**1.172.196**	**803.402**

28. BASIC EARNINGS PER SHARE. DILUTED EARNINGS.

	2014	2013
Basic earnings per share	**0.024152**	**0.016553**
Diluted earnings	**0.024152**	**0.016553**

Earnings per share basic and diluted are the same value because there are no financial instruments with diluted effect on earnings. In the Board of Directors of 17.03.2015 was proposed distribution of net profit for the year 2014 for legal reserve and other reserves following that the General Meeting of Shareholders of April 29, 2015 to approve this decision.

29. MEDIUM NUMBER OF EMPLOYEES

a) Employees

The medium number of employees developed as follows:

	Financial year ended on December 31, 2014	**Financial year ended on December 31, 2013**
Management staff	6	4
Administrative staff	29	21
Production staff	262	379
TOTAL	**297**	**404**

b) Evolution of employees structure by level of training is shown below:

Year	**2014**	**2013**
Personal with higher studies	22%	21%
Personal with secondary studies	11%	12%
Personal with professional studies and studies for qualification	62%	61%
Non qualified personal	4%	6%

c) The expenses for wages and related taxes registered in the years 2014 and 2013 are the following:

	December 31, 2014	**December 31, 2013**
Wages expenses	6.562.646	7.940.365
Social security and welfare expenses	1.994.676	2.603.256
Voluntary pension expenses	24.550	29.300
Total	**8.581.872**	**10.572.921**

The Company contribute to the national pension program under the laws in force and it has a voluntary pension program since April 2008 for the employees who have at least one year seniority in the company

and aged 18 - 52 years. The contribution is paid by the employer, up to the limit of 200 euro/year, according to the Tax Code. The contracts concluded for employees are for the voluntary pension fund ING Optim administred by ING Asigurari de viaţa SA. The Group has no other post-employment obligations relating to such insurance.

The expenses for wages and taxes decreased in 2014 compared to 2013 mainly due to the lower average number of employees from 404 (2013) to 297 (2014).

30. TRANSACTIONS WITH AFFILIATES PARTIES

The company is managed in an unitary system by a Board of Directors composed of 3 directors, temporary and revocable, elected by the General Meeting of Shareholders, the majority of the Board of Directors members being non-executive directors, elected for a period of 4 years.

The current composition of the Board of Directors of the Company is as follows:

Item no.	Name and surname	Position	Profession
1.	Milut Petre Marian	Chairman of the Board of Directors	Engineer
2.	Ionescu Valentin	member	Jurist
3.	Negrau Dorin	member	Jurist

On 31.12.2014 the members of the Board of Directors owned shares in the share capital of S.C. PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Milut Petre Marian	0	0 %
2.	Ionescu Marian Valentin	0	0 %
3.	Negrau Relu Dorin	113.098	0,2330 %

Until 01.02.2014, the executive management consisted of:

Item no.	Name and surname	Position	Profession
1.	Ionescu Adrian Razvan	General director	Engineer
2.	Boitan Daniela	Economic director, with responsibilities of deputy general director	Economist
3.	Tonciu Gheorghe	Energy and logistics director	Engineer
4.	Bloju Costinel	Commercial director (until 01.02.2014)	Engineer

Starting from 29.04.2014, the executive management consisted of:

Item no.	Name and surname	Position	Profession

1.	Ionescu Adrian Razvan	General director	Engineer
2.	Boitan Daniela	Economic director, with responsibilities of deputy general director	Economist
3.	Tonciu Gheorghe	Energy and logistics director	Engineer
4.	Sisman Gabi	Commercial director	Economist

Participation in the share capital of the executive management of S.A. PREFAB S.A.

On 31.12.2014 the members of the executive management owned shares of the share capital of S.C. PREFAB S.A. as follows:

Item no.	Name and surname	Number of shares	Percentage
1.	Ionescu Adrian Razvan	0	0 %
2.	Boitan Daniela	9.240	0,0190%
3.	Tonciu Gheorghe	1.500	0,0030%
4.	Sisman Gabi	1.500	0,0030%

The gross allowance of the members of the Board of Directors during the financial year 2014 was 114.697 lei.

The gross allowance of the members of executive management during the financial year 2014 was 531.188 lei.

The Company has no obligations to former managers and administrators and no advances or loans were granted to current directors and administrators.

The Company has no further obligations assumed by the nature of guarantees on behalf of directors.

Information on relationships with affiliated parties, subsidiaries and associates

Details of affiliated parties are as follows:

Name of entity	**Name of operations with the Group**	**Country of origin**	**Type of transactions**
o PREFAB S.A.	Parent company	Romania	commercial
o PREFAB INVEST S.A.	Branch of the parent company (99.9%)	Romania	commercial
o PREFAB BG EOOD	Branch of the parent company	Bulgaria	commercial

		(100%)		
o	FOTBAL CLUB PREFAB 05	Branch of the parent company (99.8707%)	Romania	commercial

The situation of SC PREFAB SA transactions with the affiliated companies on 31.12.2014 compared with 31.12.2013, is as follows:

Receivables from the affiliated parties are as follows:

	December 31, 2014	December 31, 2013
PREFAB INVEST S.A.	30.928.196	30.605.428
ROMERICA INTERNATIONAL	414.817	433.984
PREFAB BG EOOD	7.173	12.721
FOTBAL CLUB PREFAB 05	0	0
Total	**31.350.186**	**31.052.133**

Payables to the affiliated parties are as follows:

	December 31, 2014	December 31, 2013
PREFAB INVEST S.A.	0	0
ROMERICA INTERNATIONAL	0	0
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	157.260
Total	**0**	**157.260**

Sales of goods and services and /or fixed assets (values expressed in lei without VAT):

	December 31, 2014	December 31, 2013
PREFAB INVEST S.A.	38.305.808	42.197.515
ROMERICA INTERNATIONAL	0	0
PREFAB BG EOOD	303.561	431.736
FOTBAL CLUB PREFAB 05	0	0
Total	**38.609.369**	**42.629.251**

Acquisitions of goods and services (values expressed in lei without VAT):

	December 31, 2014	December 31, 2013
PREFAB INVEST S.A.	4.913.455	4.202.948
ROMERICA INTERNATIONAL	55.309	213.765
PREFAB BG EOOD	0	0
FOTBAL CLUB PREFAB 05	0	0
Total	**4.968.764**	**4.416.713**

31. INFORMATIONS PER SEGMENTS OF ACTIVITY

The information on segments are reported according to the Company's activities. The transactions between the business segments are performed under normal market conditions.
Segment assets and liabilities include the items directly attributable to those segments and items that can be allocated using a reasonable basis.

PREFAB SA - the parent company is one of the major manufacturers in Romania of:

a. AAC (autoclaved aerated concrete) with a capacity of 450.000 m³ per year
b. Typified Precast with a capacity of 20.000 m³ per year
c. Concrete pipes for water and sewage networks (Premo and Sentab technology)
d. Untypified Precast

And one of the important suppliers of the local market for:

e. Aggregates
f. Concrete Goods
g. PVC Joinery

SC PREFAB SA has identified a segment of activity for which is presenting the information separately, namely **AAC Branch -** which earned revenues exceeding 80% of sold production, for the product AAC.
The autoclaved aerated concrete (AAC), the masonry material produced by S.C. PREFAB S.A. Bucuresti in 2014 increased to a production of 374.801,37 m³ with a monthly average of 46.850,17 m³, given that the production activity took place during 19.02.2014 - 29.11.2014, with a stop period in the period 24.06.2014 - 21.07.2014 (period of the leaves).
In 2014, SC Prefab SA sold about 380.000 m³ AAC.

The structure of revenues and expenses for this business segment is as follows:

Revenues	**December 31, 2014**	**December 31, 2013**
Production sold	**45.778.737**	**53.012.950**
Other operating income	0	837.252
Total revenues	**45.778.737**	**53.850.202**

Expenses	**December 31, 2014**	**December 31, 2013**
Expenses for raw materials and supplies	**24.923.507**	**30.340.197**
Energy and water expenses	7.302.031	9.910.835
Other production expenses	0	0
Expenses on social security and welfare	890.261	1.260.970
Total expenses on staff	**2.853.148**	**3.628.452**
Amortization	2.667.755	1.679.682
Adjustments for impairment	**0**	**0**
Total amortization and depreciation	**2.667.755**	**1.679.682**
Expenses for external supply	1.770.311	3.650.975
Other taxes, duties and similar	228.130	263.519
Other expenses	**0**	**0**
Total other operating expenses	**1.904.881**	**3.914.494**
Total expenses	**41.649.763**	**49.473.660**
Result of activity	**4.128.974**	**4.376.542**

For the business segment AAC, we report the following elements:

Tangible assets:

	Book value	**Amortization**	**Net value**
Land - 33.392,80 m²	9.412.738	0	9.412.738
Buildings	7.959.884	3.476.539	4.483.345
Machinery	36.200.497	9.440.869	26.759.629
Total	**53.573.119**	**12.917.408**	**40.655.711**

Long-term liabilities: 13.794.058 lei

Short-term liabilities: 41.147.155 lei

SC PREFAB SA is one of the major national manufacturers of building materials, with a diverse portfolio of marketed products.

The main markets are in: Romania, Bulgaria and Republic of Moldova

In Romania the sales market structure is:

a. for AAC: Muntenia, Transilvania, Moldova

b. for Precast: over Romania

c. for Aggregates, Concrete Goods, PVC Joinery: local market

It works as a policy of selling differentiated depending on the specificity of each product.

a. AAC is sold through Distributors or DIY chains (Do It Yourself)

b. Precast are sold by auction method or negotiation on project.

In 2014, SC Prefab SA sold about 380.000 m³ of AAC.

AAC sales by geographic areas:

Zona geografica	**Sales in 2014**	**Sales in 2013**	**Sales in 2012**
1. Muntenia	92.26%	87.21%	94.3%
2. Transilvania	0.12%	0.38%	0.87%
3. Moldova	6.91%	11.78%	3.91%
4. Bulgaria	0.54%	0.63%	0.63%
5. Moldova (country)	0.17%	0	0.29%
	100%	**100%**	**100%**

ELECTRICITY PRODUCTION ACTIVITY

SC PREFAB SA performed during the period 2011 - 2013 a major investment project, namely: the project: 'Making a cogeneration plant in order to improve the energy efficiency of S.C. Prefab S.A. activity' - a project worth 22.400.846,58 lei (5.247.575 euro). This project was submitted on July 20, 2011 at the Intermediate Body for Energy for EU funding under the Priority Axis 4 of the Sectoral Operational Programme 'Increasing Economic Competitiveness' and it was declared eligible for funding, for this purpose being concluded the financing contract no. 18 EE/28.05.2012 with the Ministry of Economy, Trade and Business Environment for the grant maximum amount of 10.199.768,65 lei. The **main objective of the project** was the increase of energy use efficiency in the industrial activities of SC

Prefab SA, by installing a high-efficiency cogeneration plant. The project was completed with the commissioning on 15.04.2013 of the new production capacities in cogeneration of the electricity and heat. On 24.04.2013, SC PREFAB SA obtained under Decision of ANRE no. 1038/24.04.2013, the «License no. 1222 to produce electricity for the commercial exploitation of the cogeneration plant with turbine with gas of 5,4 MW». The electricity produced is delivered SEN, a part being used for domestic consumption.

In the turnover recorded in the year 2014, the electricity accounts for 4.15%, decreased compared to the year 2013, given that the activity of the cogeneration plant was ceased because the recorded costs for heating and electricity production were very high compared to the incomes from the sale of electricity inducing adverse economic outcomes for the company.

The amount of electricity produced in year 2014 was 8.385,50 MWh of which was delivered to the SEN the amount of 6.595,68 MWh and that remaining 1.789,82 MWh being used internally (self-consumption).

For the amount of electricity delivered to SEN, the company got qualified for cogeneration bonus in the Support scheme to promote the high-efficiency cogeneration. For 2014 this was in amount of 202.60 lei/ MWh delivered to SEN.

The amount of thermal energy produced in the year 2014 was 14.310,67 MWh, used entirely for domestic consumption.

32. COMMITMENTS AND CONTINGENTS

Court actions

The Company is subject to a number of court actions results in the normal course of carrying out the activity. The Company's management believes that besides the amounts already recorded in these financial statements as provisions or adjustments for impairment and described in the notes to these financial statements, other legal actions will have not significant adverse effects for the economic results and the financial position of the Company.

Regarding the project «Making a cogeneration plant in order to improve the energy efficiency of the activity S.C. Prefab S.A.» in the financing contract no. 18 EE/28.05.2012 concluded with the Ministry of Economy, Trade and Business Environment for the grant maximum amount of 10.199.768,68 lei, SC PREFAB SA was penalized by Energy Intermediate Body with 25% of the value of the procurement contract concluded with the supplier KAWASAKI GAS Turbine GMBH for the main project equipment, the invoked cause being failure to ensure adequate procedures requirements on advertising and

transparency of the auction held. Our company challenged in court the corrective measure applied, on the date of these financial statements, the action being pending.

Insurances

In 2014, the Company has signed several insurance contracts with the insurance companies which mainly refer to:

- Ensuring buildings and supplies (mainly pledged or mortgaged to banks)
- Insurance for vehicle fleet (RCA, CASCO)

Transfer price

In accordance with relevant tax law, the evaluation of transactions with related parties is based on the market price concept for the respective transaction. In this context, the transfer prices must be adjusted to reflect the market prices which would be made between entities that there is no affiliate relationship and that are acting independently based on normal market conditions.

It is likely that the checks transfer pricing to be achieved in future by the tax authorities, to determine whether these prices comply with the principle of "normal market conditions"and that the tax base is not distorted. The management of the company believes that the transactions with the related parties respect the principle of market price for each transaction.

33. RISK MANAGEMENT

The Company is exposed to the following risks:

• Credit risk
• Liquidity risk
• Market risk
• Currency risk
• Operational risk
• Risk related to balancing cost
• Tax risk

This note presents information about the Company's exposure towards each risk mentioned above, the Company targets, the policies and the processes for measuring and managing the risk and the procedures for managing the capital.

Background about risk management

The Boards of Directors of the Company have overall responsibility for the establishment and oversight of the risk management framework in each Company.
The activity is governed by the following principles:
a) principle of delegation;
b) principle of decisional autonomy;
c) principle of objectivity;
d) principle of investor protection;
e) principle of stock market development promotion;
f) principle of active role.
The Board of Directors is also responsible to examine and approve the strategic, operational and financial plan of Company and of corporate structure of the Company.
Company risk management policies are defined to ensure the identification and analysis of risks faced by the Company, to establish appropriate limits and controls and to monitorize the risk and to comply the limits set. Policies and risk management systems are reviewed regularly to reflect the changes occurred in the market conditions and in the Company's activities. The Company, through its standards and its procedures of training and management aims to develop an orderly and constructive control environment during which all employees understand their roles and obligations. The internal audit of entities oversees how directorate monitors the compliance with the policies and procedures for risk management and reviews the adequacy of the risk management framework in relation to the risks faced by entities.

Credit risk

The credit risk is the risk that the Company incurs a financial loss due to a non-fulfillment of contractual obligations by a customer or counterparty to a financial instrument and this risk mainly result from the trade receivables of the Company.
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer and of the country in which it operates. Most clients of Company operates in Romania.

The ***main financial instruments*** used by the Company of which arise risks relating to financial instruments, are:

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade liabilities and other liabilities

Below is provided a summary of financial instruments obtained by category:

ASSETS	**December 31, 2014**	**December 31, 2013**
Trade receivables and similar	34.029.616	37.334.712
Cash and cash equivalents	369.587	541.925
Total	**34.399.203**	**37.876.637**

LIABILITIES	**December 31, 2014**	**December 31, 2013**
Investments in unlisted affiliates entities	9.439.669	9.439.669
Total	**9.439.669**	**9.439.669**

LIABILITIES	**December 31, 2014**	**December 31, 2013**
Trade liabilities and assimilated	11.705.728	6.118.518
Current income tax liabilities	178.509	122.486
Total	**11.884.237**	**6.007.830**

The Company monitors the credit risk exposure by analyzing the seniority of receivables that it records and works permanently for the recovery of that past due date or outdated.

Liquidity risk

The liquidity risk is the risk that the Company may encounter difficulties in fulfilling the obligations related to liabilities that are settled in cash or in another financial asset transfer. The Company's approach on liquidity risk is to ensure, to the extent possible, that it always hold sufficient liquidity to meet the liabilities when they become due, both under normal conditions and under stress, without incurring unacceptable losses or jeopardizing the Company's reputation.
The Company has committed long-term loans.
To counteract this risk factor, the Company has applied restrictive policies of delivery of products to uncertain customers. An important role was played by the Company's policy to require in some cases the payment in advance of the products delivered and a careful selection of new customers depending on their creditworthiness and financial discipline. There was requested guarantees for delivery contracts and tried to reduce the number of days of claims payment by customers of Company established by contract. There were extended the warranty contracts with mortgage in favor of banks with whom we have open credit lines and letters of guarantee so that we can pay our obligations in the event of a cash shortages.

Market risk

The market risk is the risk that market prices variation, such as exchange rate, interest rates and market demand reduction, to affect the Company's revenues.
Market risk - instability in the sale market for building materials, characterized by a significant drop in demand, a prevent risk through market research and marketing policies. The risk of price volatility in electricity, gas, metals, diesel was prevented by finding new suppliers or renegotiating the contracts with the traditional suppliers.

Exposure to interest rate risk

The Company's exposure to the risk of interest rate changes refers mainly to variable interest bearing loans that the Company has for long-term.

Interest rate risk management
In order to manage the interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable debt, of currencies and maturities.

The sensitivity analysis below was determined based on the exposure to interest rates on the date of financial statements. For the liabilities with variable rates, the analysis is prepared assuming the amount outstanding on the date of the financial statements was outstanding throughout the year. An increase or decrease of 1% is the management's assessment related to a possible reasonable changes of interest rates (the other variables remaining constant).

Analysis for change in interest rate risk:

Variable rate loans	**Effect of 1% change in interest rate**			
	2014	**2013**	**2014**	**2013**
Short term loans	39.173.159	34.842.383	391.173,15	348.423,83
Long term loans	16.356.490	24.639.961	163.564,90	246.399,61

Currency risk

The Company has transactions and loans in other currency than the functional currency (RON).
The transactions made in foreign currencies are converted into Lei on the rate of exchange ruling at the transaction date.
The foreign exchange rate variations risk generally was prevented by an appropriate management, in the conditions of this economic crisis.

Foreign currency sensitivity analysis.
Since the Company has operations in various currencies, are analyzed the industry specific activities and the corresponding exchange risks. The Company is mainly exposed to the exchange rate of the euro and US dollar against the Romanian leu. Other currencies have only a limited effect on cash flow and profit before interest and tax.

The carrying amounts of the Company's assets and liabilities denominated in foreign currencies at the reporting date are as follows:

Assets		**Liabilities**	
31.12.2014	**31.12.2013**	**31.12.2014**	**31.12.2013**

EUR	107.132	108.594	3.867.664	7.297.662
USD	5.189	5.205	0	0

The following table details the Company's sensitivity to a 10% increase or decrease in the exchange rate of EUR and USD. The sensitivity analysis includes only monetary items denominated in foreign currencies outstanding at the reporting date and adjusts their translation at the end of period for a 10% change in foreign exchange rates. A positive amount in the table below shows an increase in profit generated by a variation in exchange rates of 10% and a negative number indicates a decrease in profit by the same amount.

+10% increase in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2014	**2013**	**2014**	**2013**
Profit /loss	(376.045)	(718.955)	519	520

-10% decrease in the exchange rate of foreign currencies

	Impact of EUR (i)		**Impact of USD (ii)**	
	2014	**2013**	**2014**	**2013**
Profit /loss	376.045	718.955	(519)	(520)

(i) This impact is mainly attributable to the exposure to the EURO of the money available in bank, of the letters of credit, receivables, payables and bank loans, outstanding at the end of year.

(ii) This impact is mainly attributable to the exposure to the USD of the money available in bank, outstanding at the end of year.

The sensitivity analysis of currency risk inherent presented above shows the translation risk exposure at the end of year; nevertheless, the exposure during the year is permanently monitored and managed by the Company.

Operational risk

The operational risk is the risk of direct or indirect loss from a range of causes associated to the processes, staff, technology and infrastructure of Company and from external factors, other than the credit, the market and the liquidity risk, such as those arising from legal and regulatory requirements and the generally accepted standards regarding the organizational behavior. The Company is exposed to the risk of disasters too. In these conditions, the Company acted towards concluding insurance policies to protect against disasters the company assets.

The operational risks come from all the Company's operations. The main responsibility of developing and implementing controls related to operational risk turns to the entity's management. The responsibility is supported by the Company's development of general standards of operational risk management in the following areas:

• Requirements sof separation of duties
• Alignment with legal and regulatory requirements
• Documentation of controls and procedures
• Requirements for periodic review of operational risk to which the Company is exposed and the adequacy of controls and procedures to prevent the risks identified
• Requirements for reporting the operational losses and proposals to remedy the causes that generated them
• Develop some business continuity plans
• Development and professional training
• Setting ethical standards
• Preventing the risk of litigation, including the insurance, where applicable
• Minimizing the risks, including the efficient use of insurance, where appropriate.

Risk related to balancing cost

This risk is specific to the activity on the production and sale of electricity and it is generated by any unrealistic forecasting of quantities and delivery hourly volumes of electricity supply which may impact the financial situation by occurrence of additional costs for balancing. It is estimated that this risk is reduced due to the forecasting activity carried out by the special department of the entity.

Tax risk

From January 1, 2007, following the accession of Romania to the European Union, the Company had to obey the EU regulations and consequently, it was prepared for the implementation of the changes bring by the European legislation, including the application of IFRS.
The Company has implemented these changes, but the way of their implementation remains open to tax audit for 5 years or even 7 years, starting with the financial year 2009.
The interpretation of texts and the practical implementation of the procedures of new applicable tax regulation harmonized with the European legislation, may vary from entity to entity and there is a risk that in some cases, the tax authorities could take a different position from that of the Company. It is possible that the Company continue to be subject to tax audits in so far as new tax rules are issued.

34. ANALYSIS OF THE MAIN ECONOMIC-FINANCIAL INDICATORS

	2014	2013
1. Liquidity indicators		
Current liquidity indicator	0.99	1.26
Immediate liquidity indicator	0.67	0.92
2. Risk indicators		
Indebtedness indicator	0.27	0.29
Interest coverage indicator	1.62 times	1.43 times
3. Activity indicators		
Inventory turnover	2.98 times	3.95 times
Number of days of storage	123 days	92 days
Rotational speed customer flow	212 days	221 days
Rotational speed of credit providers	78 days	8 days
Rotational speed of fixed assets	0.25 times	0.30 times
Rotational speed of total assets	0.20 times	0.24 times
4. Profitability indicators		

Return on capital employed	0.018 times	0.013 times
Gross margin on sales	2.69 %	1.61%

5. Earnings per share indicators		
Earnings per share	0.024152	0.016553

35. EVENTS SUBSEQUENT TO REPORTING DATE

There are no subsequent events that may influence these financial statements**.**

Explanatory notes at the financial statements from 1 to 35 are an integral part of these financial statements.

The financial statements were approved by the Board of Directors on 17.03.2015 and were signed by:

Chairman of the Board of Directors,	Economic Director,
Eng. Milut Petre Marian	**Ec. Boitan Daniela**