2017
ANNUAL REPORT

TERA PLAST GROUP

efficient solutions for people and environment

120 ani TeraPlast since 1896 | TeraSteel | TeraGlass windows & doors | POLITUB | TeraPlast LOGISTIC

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Dear shareholders,

First of all, I would like to thank you for your trust in the Teraplast Group which is reflected in the increasing stock market capitalization.

The year 2017 was a milestone in the history of the Group as we have materialized a series of important transactions that completely change Teraplast's business both through diversifying the production portfolio by acquiring Depaco, and through internationalizing it by launching TeraSteel Serbia.

Therefore, we are better prepared to overcome the challenges of the local infrastructure sector that started in the second part of 2016 and still persists today. One of the strategic directions followed was to reduce Group's business dependence on the state economic policies and government investment. The Group's investment and M&A policy pursued this strategic goal.

Thus, 2017 was a year of investments marking the expansion of Teraplast's operations in the Central and Eastern Europe by launching the Sandwich Panel Factory, respectively TeraSteel Serbia. This is the first foreign factory inaugurated after 1990 by a Romanian company and fully owned by a Romanian company. Through this investment we are pursuing a dominant position in the 160 million euro market of the Balkans.

Another milestone is the acquisition of majority stakes in Depaco, the second player on the metal tiles market, through the Wetterbest brand. Teraplast's capabilities in the industrial and infrastructure segments are complemented by those of Depaco that are focused on the residential segment, a segment whose evolution has been steadily increasing over the last years. Depaco's integration into the Teraplast Group will generate important synergies both in raw material acquisitions but also in the commercial area, by facilitating Depaco's access to the retail markets where Teraplast Group is the leader.

Furthermore, we inaugurated Group's PVC Recycling Division, being consistent with our motto "Effective solutions for people and the environment". This division has a monthly capacity of 1,000 tons and has been producing since November 2017. Consequently, we are among the top 10 european recyclers. Plastic recycling is a must; we have the responsibility to be friendly with the nature and with us. At the same time, recycled PVC is a source of raw materials with a lower carbon footprint, and the recycling capacity installed at Teraplast will partially replace the import of materials from Western Europe.

The achievement that marked the end of 2017 was the integration of Politub business into the Teraplast installations division. As a result of this takeover, Politub will become the TeraPlast polyethylene pipe division. The company aims to benefit from the existing synergies at the level of sales and acquisition structure towards the development of this new division.

Achieving all these goals implied significant involvement of the management team and of Teraplast employees, who, in addition to their day-to-day operational responsibilities, have made an extraordinary effort for which I am very grateful. In the future, this investment will primarily benefit our customers, to whom we will continue to deliver our promise of effective solutions for people and the environment.

Dorel Goia

Chairman of the Board of Directors

TERAPLAST GROUP

manufacturer of building materials and installations and the largest PVC processor in Romania

The Teraplast Group is one of the main players on the building materials market in Romania. The group includes the companies TeraPlast, TeraSteel Bistrita and TeraSteel Serbia, Depaco - Wetterbest, TeraGlass, TeraPlast Logistic and TeraPlast Hungary.

EFFECTIVE SOLUTIONS FOR PEOPLE AND THE ENVIRONMENT

Our **vision** is to become the market leaders in building materials, installations and decorations, a model of excellence in management and business, both nationally and internationally.

Our **mission** is to provide effective solutions for people and the environment through top-quality products, prompt services and win-win relationships for our partners.

Our **values** are quality, thoroughness and performance. These values have been embedded in our organizational culture and have been incorporated into the company's ongoing improvement of products and services.

TeraPlast

Teraplast (TRP) is currently one of the leading manufacturers of systems for the construction, installation and decorations market in Romania. The company's portfolio of products is structured on three business lines: Installations and Decorations, Joinery Profiles and Granules.

We annually process more than 30 thousand tons of PVC in the PVC products factory where we have 4 fully automated dosing / mixing plants, 6 PVC extrusion lines, 12 PVC extrusion lines for PVC joinery, 3 granulators for the production of plasticized and rigid granules. The production capacities include a complex PVC recycling facility, both post-industrial and after-consumption, where we have an automatic cycle of sorting, washing, grinding and color separation of recycled materials.

At the PP plant, we annually process about 3,000 tons of polypropylene where we have 7 injection machines for PP and PVC fittings and a rotoforming equipment produced by one of Europe's leading manufacturers of such equipment. The equipment produce inspection and visitation manhole, tanks with volumes up to 10 m^3.

The PE products factory annually processes about 10 thousand tons of polyethylene where we have 5 lines of pressure pipe extrusion for water and gas feeds with automatic inline dosing system and a line for the production of corrugated pipe for sewage and cable protection systems.

TeraSteel

The TeraSteel Group produces sandwich panels with polyurethane foam and galvanized structures in Romania and Serbia. In June 2017 was acquired the sandwich panels factory in Sebia with an investment of 23 million lei. With this acquisition, the company is in a position to meet the increasing demand of the Balkans and to strengthen its position in the Romanian market.

The company is the leader in sandwich panels and galvanized structures markets in Romania with a market share of 20% and 25%, respectively. In the CEE region (Central and Eastern Europe), we are a large-scale exporter with exports of 13 million EUR.

wetterbest DEPACO

Depaco is the second player on the metal tiles market, with the Wetterbest brand.

The new year is a representative one for Depaco, more and more present in the markets of Europe. As for the next period, we aim to expand our business in all areas, where we are less present - both in Romania, especially in the north and adjacent areas. Everything will be based on greater financial strength and a better sale force, which will help us create comprehensive packages of products to the needs of our customers and thus bring complementarity to our business.

TeraPlast took control over Depaco in January 2018 with a 67% share ownership.

TeraGlass windows & doors

With more than 10 years experience in the field of thermo-insulating production, the Teraglass door and window factory works both on the domestic market and on developed markets in Europe.

The company produces and sells PVC and aluminum windows and doors having an annual capacity of 120,000 garments.

The Teraplast Group can be proud with a longstanding tradition in the extrusion of PVC profile systems used for the production of thermo-insulating joinery.

TeraPlast Hungary

The company distributes Group's products to the Hungarian market where, in order to serve our customers efficiently, we opened this company with distribution operations as the main activity. In this way, we will be able to be closer to our clients to respond faster and to demonstrate flexibility in dealing with them.

TeraPlast Logistic

Terapalst Logistic assumed all logistics (storage and transport) activities. The outsourcing of logistic activities was approached in the context in which the Teraplast Group aims to focus on core business activities and the related ones to run through separate entities.

IMPORTANT EVENTS IN 2017

TERASTEEL DOO SERBIA - STRATEGIC MOVE TO GAIN COMPETITIVE ADVANTAGE ON THE CEE MARKET

In **June** 2017, the Group acquired Serbia's Interlemind sandwich panel factory with a production capacity of 2.2 mil m2, the transaction value was 4.3 million EUR. Thus, TeraSteel doubles its production capacity of thermal insulating panels with a similar line to that of Bistrita. In October 2017, TeraSteel launches the production in Serbia with the new company, TeraSteel Doo, located in Leskovac, becoming the first foreign factory to be inaugurated after 1990 and fully owned by a Romanian company.

With this acquisition, TeraSteel strengthens its position as a key player at a regional level as the factory serves countries such as Serbia, Bulgaria, Macedonia, Bosnia, Croatia and Montenegro, as well as secondary markets such as Hungary, southern Romania and northern Greece.

DEPACO – WETTERBEST

On **March 1** 2017, Teraplast entered into a contract with Depaco SRL to acquire 50% of its shares. Depaco SRL is the second player on the metal tile market with the Wetterbest brand. The acquisition is a strategic one for the Teraplast Group in the context in which the TeraSteel Subsidiary is the leader of the galvanized metal structure market, and the new products that will enter into the portfolio will be complementary.

Depaco was founded in 1999 and is the second metal tile manufacturer on the Romanian market. The production process at the Depaco from Baicoi plant is carried out on more than 40 automatic lines: for metallic tiles with various profiles, for corrugated tile, for gutter and downpipes system and many other accessories.

Joining the Teraplast Group, Depaco will succeed in a shorter time to increase its presence in countries where Teraplast is already present using the Group's logistics and distribution capabilities. Simultaneously, the expansion of the geographical coverage at national level will be monitored.

POLITUB

On **August 2**, 2017, the Teraplast Group acquires the 50% stake in Politub SA, owned by the French Socotub. By the time of signing the share acquisition agreement, Teraplast held 50% of Politub SA, one of the most important players on the gas and water pipes market. After this acquisition, Teraplast will have a 99.99% stake in Politub's share capital, and TeraSteel will hold a 0.01% stake. The acquisition is part of the Teraplast Group's expansion and development plan and it will allow us to exploit more synergies with Teraplast (the sales force and the supply of a complete system).

Starting December 31, 2017, TeraPlast SA has taken over Politub SA as a whole, including know-how, ownership of the Politub constructions, equipment and other assets, excluding land, at market value at that date. TeraPlast took over all Politub employees from January 2018. Politub's business relations were also taken over by TeraPlast. As a result of this takeover, Politub became the TeraPlast polyethylene pipe division, within the Installations and Decorations segment.

FABRICA DE RECICLARE

The PVC recycling section was put into operation in **November** 2017 and by its use we estimate annual savings between 1 and 2 million EUR depending on the evolution of market prices. We are working on implementing a new co-extrusion technology, which will allow us to increase the recycled PVC percentage of profiles and pipes for the residential sector. The monthly recycling capacity is 1000 tons, which puts us in the top 10 recycling facilities in Europe for 2018.

The investment encompassed 15 million RON and was partly financed by a loan of 5.8 million RON. We estimate that the payback period will be less than 3 years.

SUSTAINABLE DEVELOPMENT

DEVELOPING SUSTAINABLE SYSTEMS

Teraplast is actively involved in the development of sustainable systems, and within the Research and Development Center, annually research is carried out to improve existing products and to obtain new products.

The research projects in 2017 were focused on products development pursuing higher physical and mechanical properties than existing ones and cost efficiency with raw materials. This has resulted in obtaining multi-layered pipes with median layer out of micronized recycled PVC from various rigid applications. The impact of using this micronized recycled PVC is a major one, both for the environment, by re-using it in the production process, replacing virgin PVC and for cost optimization. The recycled PVC obtained in the form of granules was tested on the co-extruded layer of the joinery profiles. The collected results were positive, superior to the substituted dry-blend in which the base raw material is virgin PVC. The research department studies the recycled PVC in various compositions to identify new applications.

CARING FOR THE ENVIRONMENT

We are aware of the impact that our activity and products can have on the environment. One of our goals is to mitigate the negative impact and prevent situations that can affect the environment and society. As a result, we constantly allocate resources to identify and minimize these situations, and we are actively involved in sustainable development.

Last year, TeraPlast inaugurated the rigid PVC recycling facility. This line is modern, functional and reflects the Group's objective of providing effective solutions for people and the environment. With an annual capacity of 12,000 tons, the TeraPlast recycling plant brings us into the top 10 recyclers in Europe. Within the recycling facility both post-consumer and post-industrial waste can be processed.

Environmental objectives are regularly evaluated by dedicated teams to ensure that they are achieved.

For TeraPlast managing environmental impact means:

- Waste monitoring and maintenance of the percentage of waste/tone of finite product below 1%;
- Maintaining the consumption of electricity, water and natural gas under control;
- Monitoring environmental factors.

TERAPLAST SHARES

SHAREHOLDERS

At 31 December 2017, Teraplast SA had 856,910,970 shares at a value of 0.10 lei/share with a total nominal value of 85,691,097 lei.

In **2017** the share capital increase was registered by the incorporation of the reserves with the amount of 29,047,831 lei, through the issue of 290,478,310 new shares, with a nominal value of 0.1 lei/share.

Teraplast Shares - in figures	2017	2016
Number of shares	856.910.970	566.432.660
Stock capitalization, lei	342.764.388	283.216.332
Stock capitalization euro	73.559.325	62.367.341
Maximum price, lei	0,77	0,74
Minimum price, lei	0,35	0,39
Year-end price, lei	0.40	0,50
Gain/share, lei/share	0.03	0,08

RELATIONSHIP WITH INVESTORS

Teraplast SA publishes half-yearly consolidated and individual financial statements on the basis of which discussions take place with investors at meetings where analysts and investors had the opportunity to discuss directly with the company's management about the financial performance of the company.

Besides these meetings, the company offered all interested investors and analysts the opportunity to visit the Teraplast Industrial Park, where they could discuss with the company's management and see the company's investments.

EQUITY

Teraplast Company redeemed 1,162,833 shares of its own shares in 2017 to implement a remuneration system to ensure compliance with the long-term performance principle and a loyalty program.

DIVIDENDS

The Board of Directors proposes that from the net profit for 2017 the distribution of dividends of 10,069,404 lei, the gross dividend/share proposed being 0,0118 lei;

All important and necessary information for shareholders and analysts regarding company's activity is posted on the **Relations with Investors** section on www.teraplast.ro.

MEMBERS OF THE BOARD OF DIRECTORS

Teraplast is managed in a unitary system by a Board of Directors composed of five members elected by the General Meeting of Shareholders by secret vote. The length of mandates of the members of the Board of Directors is one year and may be re-elected. At the date of this report, the structure of the Board of Directors is the following:

DOREL GOIA - Chairman

Mr. Dorel Goia is Teraplast's principal shareholder and was elected in the Board of Directors in 2008.

SORIN OLARU – Non-Executive Independent Administrator

Mr. Sorin Olaru is an economist with extensive experience in the banking field; over time he has held key positions within important banking institutions and was elected to the Teraplast Board of Directors in 2017. Prior to the establishment of Cetus Capital in 2015, Mr. Sorin Olaru has been for 8 years the head of Treasury and Capital Markets at Millennium Bank. Before joining Millennium, he spent 10 years in the Treasury Department of ING, where he held various positions ranging from a stockbroker to a director of the Credit Division.

RSL CAPITAL ADVISORS SRL
through legal representative **RAZVAN LEFTER –** Non-Executive Administrator

RSL Capital Advisors SRL was founded in 2014 and was elected to the Board of Directors of Teraplast in 2017. The company is represented by Mr. Razvan Lefter, who continues from this position as the Teraplast administrator. Mr. Razvan Lefter is an economist and was elected to the Teraplast Board of Directors in 2014, at the proposal of KJK Fund, Teraplast's shareholder with a 10% stake. Mr. Lefter is the sole shareholder and administrator of RSL Capital Advisors SRL and also holds the position of administrator in the Board of Directors of Conpet Ploiesti and Mundus Services AD Bulgaria

MAGDA PALFI-TIRAU – Non-Executive Independent Administrator

Mrs. Magda Palfi-Tirau is an economist and was elected to the Board of Directors of Teraplast in 2007. Mrs. Palfi-Tirau is Regional Corporate Director of Raiffeisen Bank - Cluj Corporate Center. Mrs. Palfi also holds the position of administrator in the Board of Directors of Terasteel S.A

MIRELA POP – Executive Administrator

Mrs. Mirela Pop is an economist and is part of the Teraplast team for 10 years, being elected to the Board of Directors of the company in 2017. From May 2017 she has been the General Manager of Teraplast.

The members of the Board of Directors are elected at the General Meeting of Shareholders on the basis of shareholders' voting in accordance with the legal requirements. Therefore, there are no agreements to be reported in this document.

BUSINESS LINES

With a tradition of 120 years, the TeraPlast Group is currently the largest PVC processor in Romania and one of the most important manufacturers of materials for the construction and installation market. The Group's product portfolio is structured on seven business lines: Installations & Decorations, Joinery Profiles, Granules, Sandwich panels, Galvanized Metal Structures, Heat Insulating Joinery and Metal Tile with the Wetterbest brand. The TeraPlast Group is active on the foreign market from October 2017, after the opening of TeraSteel Serbia. The production facilities of Group companies are located in the TeraPlast Industrial Park, developed on an area of over 200,000 square meters, outside the built-up areas of Bistrita city. In the last 10 years, TeraPlast Group has invested 246 million lei in the development and modernization of production capacities, but also in expanding the product portfolio.

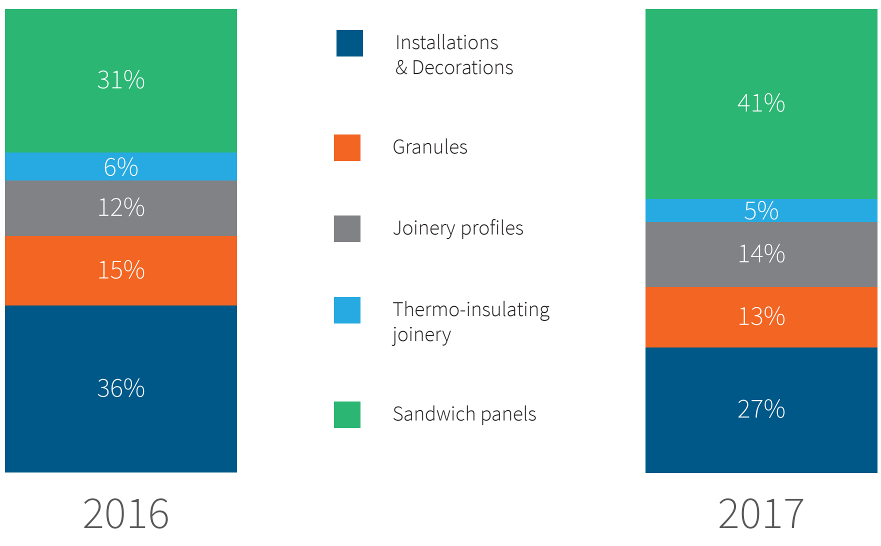
The production facilities of the Group companies are located in the Teraplast Industrial Park, developed on an area of over 200,000 square meters, out of Bistrita. In 2017, the Teraplast Group invested over 55 million RON in the development and upgrading of production capacities.

The Teraplast Group has a sale system that involves a network of own or leased warehouses, opened in the cities: Bucharest, Brasov, Galati, Deva, Iasi, as well as in partnerships with distributors all over the country. Teraplast also carries out export activities, the main foreign markets we are present on are Germany, Serbia, Hungary, Republic of Moldova, Austria, Slovenia, Bulgaria.

Given the fact that Teraplast is active on the building materials market, the seasons are a key factor in monthly sales growth. Under these conditions the peak of activity is about 6 months (May to October). The distribution policy mainly targets specialized clients in the field of installations and constructions, and the distribution channels are as follows:

- ☐ Sales through distributors and resellers (internal and partial export);
- ☐ Sales through specialized networks (DIY) (domestic and export markets);
- ☐ Sales to contractors and builders (infrastructure projects auctions);
- ☐ Direct sales to cable manufacturers or other profiles (domestic and export markets);

BUSINESS LINES WEIGHT IN TURNOVER



INSTALLATIONS & DECORATIONS

The Installations and Decorations business line includes sewage systems, water and gas supply and distribution systems, indoor sewage systems, rainwater and domestic waste water management systems, inside installation and decoration systems, individual utilities systems, polyethylene systems for water, gas and telecommunications and electrical network systems.

This line of business weighted 27% of Teraplast Group's consolidated turnover in 2017 (2016: 36%).

Through this business line Teraplast is the leader on the Romanian PVC market and as exporter in the CEE region. The exports exceeded 5 million EUR in 2017.

As a top local manufacturer, we are well positioned to exploit the major potential of the infrastructure market. In Romania, the proportion of connected dwellings to the sewage systems provided with sewage treatment plants is 45.7%. By comparison, in Germany the percentage is 99%, France 82% and Poland 65%.

Teraplast delivers pipes for internal and external sewerage, for water and gas supply and distribution, piping for protection of electrical cables and pipes for drilling water wells.

Division of polyethylene pipes

The Polyethylene Pipe Division resulted from the transfer of Politub's business to Teraplast SA and produces PE pipes and tubes with medium and high density for the transport and distribution of water, gas and telecommunications or for irrigation systems.

In August 2017, Teraplast completed the acquisition of the 50% stake in French-owned Socotub in Politub. At the time of acquisition, Teraplast held the 50% stake in Politub shares. Starting December 31, 2017, TeraPlast SA has taken over Politub SA as a whole, including the know-how, ownership of Politub's constructions, equipment and other assets, excluding the land, at the market value at that date. TeraPlast took over all Politub employees from January 2018. Politub's business relations were also taken over by TeraPlast.

As a result of this takeover, Politub became the TeraPlast polyethylene pipe division, within the Installations and Decorations segment.

The acquisition is part of the Teraplast Group's growth and expansion plans, Politub being one of the most important players in the water and gas pipes market.

JOINERY PROFILES

The joinery profile line includes the 4, 6 and 7-section profile systems and constructive widths between 60 and 88 mm. In recent years, the share of this business line in the Group's turnover has steadily increased. In 2017, this business line accounts for 14% of Teraplast Group's consolidated turnover (12% in 2016).

One of the priorities of the next period will be the development of new technologies that allow the use of recycled material in higher proportions than at present.

On the local market, the best-selling systems are the entry-level with a built-in width of 60 mm and 4 rooms, while the export looks more for premium systems with 70 mm and 88 mm.

Considering the situation on the domestic market, our efforts to develop our product portfolio have been made with a wider perspective, targeting the export markets that we match with the 6 and 7-room systems. Thus, the expected growth of sales for the 6 and 7-room system will be achieved by developing the current trade relationships on export markets (Hungary, Macedonia, Slovakia) and through the development of new markets such as Slovenia, Albania, Bosnia and Kosovo.

Currently, Teraplast is working with over 200 partners that produce heat-insulation joinery using our joinery profile systems. We are in a continuous process of expanding our customer base, both in number and geographical coverage, to better penetrate the market.

GRANULES

Teraplast is the main granules producer in Romania with a market share of over 34%. The Granule business line consists of plasticized and rigid granules with applications in the extrusion and injection industry.

This division represents 13% of Teraplast Group's consolidated turnover for 2017 (15% in 2016). We have continued our efforts towards the development of the product range, especially new recipes for special electrical cable applications. For the year 2018 new granule recipes will be implemented to better meet the specific requirements of each new customer's technology.

In a highly specialized and competitive market, Teraplast is the leader on the domestic plasticized granule market and the main supplier of PVC granules for the cable industry in Romania.

For the next period, the company aims to continue expanding on foreign markets by taking advantage of the potential of the current clients and creating new partnerships. The targeted countries for export are Bulgaria, Serbia, Moldova, the Czech Republic, Ukraine, Hungary, Slovakia, Poland, Germany and Italy, where we estimate an additional turnover of 3.6 million RON in 2018.

THERMO-INSULATING JOINERY

Thermo-insulating joinery business line includes windows and doors systems made with ecological profiles of 4, 6 and 7 rooms. This line of business accounted for 5% of the consolidated turnover of the Teraplast Group in 2017 and 2016.

The thermo-insulating joinery factory is located in Bistrita, was built in 2004 and was not part of the relocation plan to Teraplast Industrial Park in Saratel. The factory has a production capacity of over 100,000 sqm/year of thermal insulating joinery. In this factory is also produced the thermo-insulating window, and the annual production capacity of it is about 120,000 sqm/year.

In 2018, Teraglass will continue its policy of developing the network of foreign dealers and developing the range of products marketed in DIY external networks.

SANDWICH PANELS AND GALVANIZED STRUCTURES

TeraSteel (former Plastsistem) is one of the leading suppliers of complete systems for the construction of industrial halls, logistics or warehouse and commercial spaces. The company produces both sandwich panels and galvanized profiles type Z, C, U or Sigma type with sections height among 100 and 400 mm and thicknesses among 1 to 4 mm. The company is a leader in sandwich panels and galvanized structures and a significant exporter in the CEE region.

In 2017, the company changed its name from Plastsistem to TeraSteel to mark a new stage in company's development. Also in 2017 it has been 10 years since the start of the production of sandwich panels, period in which the company has grown from 11th to the 1st place in the market, with a market share of approximately 20% on the polyurethane foam panels market. In addition, from 2015 the company is the market leader in zinc-coated metal structures with a market share of about 25%.

In 2017, TeraSteel had a 41% stake in Teraplast Group's total turnover, and the 2018 strategy foresees the maintenance of quotas on the domestic market and increasing market share on the export markets on which it operates.

In June 2017, the Teraplast Group acquires Serbia's Interminding panel factory (TeraSteel Doo Serbia) following the 4.3 million EUR investment. Therefore, TeraSteel doubles its production capacity of thermos-insulating panels with a similar production line to that of Bistrita (production capacity 2.2 mil sqm).

In October 2017, TeraSteel launches the production in Serbia with the new TeraSteel Doo located in Leskovac, thus, becoming the first foreign factory to be inaugurated after 1990 and fully owned by a romanian company.

The presence in Serbia facilitates cost savings in terms of transportation without affecting the product profitability margin and enables the access to a market of 157 million EUR (9.6 million sqm) in CEE.

TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

Prepared in accordance with
Minister of Public Finance Order
no. 2844/2016 approving the accounting regulations compliant with
the International Financial Reporting Standards,
as of and for the year ended

31 DECEMBER 2017

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Teraplast SA

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Teraplast SA with official head office in Teraplast Industrial Park, Bistrita County, Romania, identified by sole fiscal registration number 3094980, and to its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at December 31, 2017, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Description of each key audit matter and our procedures performed to address the matter

1. Acquisition of subsidiary

On 27 September 2017, Teraplast SA acquired an additional 50.0% of the shares in Politub SA, previously accounted as an associate and became sole shareholder of the subsidiary. Management accounted for this transaction as a step acquisition and allocated the purchase price on the acquired assets and liabilities valued at their respective fair values and recorded a bargain purchase gain of RON 1.045 million in the consolidated income statement for the financial year ended as at 31 December 2017.

We considered this a key audit matter because the transaction is significant to the consolidated financial statements, judgment was involved in the valuation of the acquired assets and liabilities and on the purchase price allocation, and the associated accounting was complex.

Teraplast Group's disclosures regarding its accounting policy, judgments and assumptions used for Business Combinations are included in Note 2 and Note 15 to the consolidated financial statements.

How our audit addressed the key audit matter

Our audit procedures focused on the accounting for the business combination and on the determination of the fair value of assets and liabilities acquired. Our audit procedures in respect of the accounting for the acquisition included, among others, the following:

- Read the sales and purchase agreement and the minutes of the shareholders' meeting in relation to this acquisition to obtain an understanding of the transaction and the key terms and to evaluate management's assessment that the transaction falls within the business combinations definition and that the relevant aspects had been identified in the process of accounting for the transaction;
- Reviewed the accounting entries for compliance with the requirements of IFRS 3 "Business Combinations"

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EY
Building a better working world

Our procedures in respect of the purchase price allocation included involving our internal valuation specialists to assist us in evaluating the key assumptions and methodologies used by the Teraplast Group in allocating the purchase price. We have also performed the following procedures:

- Assessed the independence and the competence of the external valuation expert used by the Group for the estimation of the assets and liabilities fair values used in the transaction;
- Analyzed the assessment made by the management and the appraiser when recognizing and measuring the identifiable assets acquired and the liabilities assumed;
- Analyzed the methodology used by the external valuation expert and validated by management in order to determine its compliance with valuation standards;
- Evaluated the key assumptions and estimates used to determine the fair value of the assets and liabilities acquired, including the determination of the market values and discount rates.
- Analyzed management's assessment of the existence of contingent consideration payable arising from the transaction and, if applicable, its measurement;
- Evaluated the accuracy and completeness of the management's computation of the bargain gain, considering also the fair value of the previously owned investment in the associate, Politub SA.

We have further assessed the adequacy of the disclosures about the business combination in the consolidated financial statements.

2. Recoverability of the carrying value of the Group' property, plant and equipment

Teraplast Group manufactures various plastic and metal components for the construction industry and consequently operates significant property, plant and equipment with a net book value of RON 185.9 million as at 31 December 2017. The financial year 2017 was affected by the lack of significant infrastructure projects in Romania, which was not compensated by private construction activity, therefore the Group's results were lower than the management's expectations. As at 31 December 2017 the management identified that impairment indicators exist for some of the Group's CGUs and performed separate impairment testing in respect of the following CGUs: PVC and polyethylene pipes, PVC profiles, PVC windows and doors and plasticized PVC granules with a related total carrying value of property, plant and equipment of RON 112.5 million, resulting in no impairment loss being recognized.

This area was significant to our audit due to the size of the respective assets with a carrying value representing 25.1% of the balance sheet total assets as at 31 December 2017 and because the assessment process is complex, requires significant management judgment and is based on assumptions that are affected by expected future market conditions in Romania and surrounding countries. The assumptions include forecasts of sales volumes and prices, cost of raw materials and overall construction market and general economic conditions.

The Group's disclosures about property, plant and equipment and related impairment assessment are included in Note 3 (Judgements, Estimates and Assumptions) and Note 12 (Property, Plant and Equipment) to the consolidated financial statements.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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How our audit addressed the key audit matter:

Our audit procedures included, amongst others:

- We obtained the analysis performed, discussed with management and evaluated the key assumptions underlying management's assessment of potential impairment of these cash generating units;
- We analysed the methodology used by management to assess its compliance with IAS 36 for the method applied (value in use);
- We tested the mathematical accuracy of the impairment model used;
- We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance;
- We evaluated the Group's key assumptions and estimates used to determine the discount rate, the future operating cash flows, the growth rates, operating margins, working capital needs and the capital expenditure;
- We involved our valuation specialists to assist us in the evaluation of key assumptions and estimates used by the Group, including the determination of the discount rates. In this context, we evaluated whether or not certain assumptions on which the valuation was based, individually and taken as a whole, considered: i) the economic environment of the industry, and the Group's economic circumstances; ii) existing market information; iii) the business plans of the Group including management's expectations; iv) the risks associated with the cash flows, included the potential variability in the amount and timing of cash flows and the related effect on the discount rate; v) specific requirements of IFRS.
- We performed a sensitivity analyses for the discount rates applied and the assumptions for revenue levels adopted and considered the information used to derive the most sensitive assumptions

We further assessed the adequacy of the Group's disclosures about the impairment testing of property, plant and equipment in the financial statements.

3. Revenue recognition

The Group's accounting policies in respect of revenues are described in the Summary of Significant Accounting Policies in Note 2 to the consolidated financial statements.

For the year ended 31 December 2017, the Group Statement of Consolidated Income included Revenues of RON 422.3 million, mainly generated by the production of PVC and polyethylene pipes for gas and water networks, PVC windows and doors, metallic tiles for roofs and PVC granules.

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We considered revenue recognition as a key audit matter because the Group has multiple revenue streams and complex contracts. Certain terms of sales arrangements, including the timing of transfer of risk and rewards, the nature of discount and rebates provided, delivery specifications, generate complexity and judgment in determining sales revenues and revenue cut-off. The risk is, therefore, that revenue is not recognized in the correct period or that revenue is misstated.

How our audit addressed the key audit matter:

In relation to revenue recognition, our audit procedures included, among others, the following procedures:

- A detailed understanding of the revenues processes, accounting policies and methodologies used by management in respect of revenue recognition;
- Assessed the design and evaluated the operating effectiveness of internal controls on the revenues processed that we considered relevant and significant for our audit, by inspecting evidence supporting whether they were in place throughout the year; we focused on the key controls in the revenue and trade receivables processes.
- Involved our IT specialists to assist us in the testing of IT general controls, as well as selected application level controls in the accounting and operational systems relevant for the processing and recording of revenue;
- Reviewed on a sample basis, sale contracts to confirm application of the Group's accounting policy for revenue recognition, more specifically terms and conditions supporting the revenue recognition. Our procedures have included consideration of the accounting for and presentation of the rebates and discount arrangements, as well;
- Performed substantive analytical review procedures at the level of each significant revenue stream by developing expectations for revenue and discounts trends based on operational data and details from the sale contracts;
- Detailed testing on a sample of revenue transactions posted before and after the yearend and verified invoices, delivery notes and contracts to confirm the timing of revenue recognition;
- Confirmed for a sample of customers , the trade receivables balances and revenue transactions, and tested the subsequent collections;
- Tested a sample of journal entries related to revenue and focused on unusual or irregular transactions.

We further assessed the adequacy of the related disclosures in Note 2 and Note 4 to the consolidated financial statements.

Other information

The other information comprises the Administrators' Report which includes the Non Financial declaration but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report, we have read the Administrators' Report and report that:

a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2017;
b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 points 15 - 19;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at 31 December 2017, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on 21 September 2017 to audit the consolidated financial statements for the financial year end 31 December 2017. Total uninterrupted engagement period has lasted for one year, covering the financial year ended 31 December 2017.

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Group, which we issued on 22 March 2018.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Group, and its controlled undertakings.

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania
Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Ernst & Young Assurance Services S.R.L.
5 APR. 2018
Signed for identification
Semnat pentru identificare

Name of the Auditor/ Partner: Alexandru Lupea
Registered with the Chamber of Financial Auditors in Romania
No. 273/ 5 January 2001

Bucharest, Romania
5 April 2018

English translation only for information purposes. The translation of the report should be read with the financial statements, as a whole. In all matters of interpretations of information, views or opinions, the original Romanian language version of our report takes precedence over this translation.

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TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2017
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	Financial year 31 December 2017 RON	Financial year 31 December 2016 RON
Revenues total, out of which:	4	422,270,070	398,788,273
Revenues from sale of finished products		378,858,930	343,206,719
Revenues from the sale of merchandise		42,165,328	53,865,273
Revenues from service rendering		1,245,812	1,716,281
Other operating income	5	3,764,366	676,687
Changes in inventories of finished goods and work in progress		11,026,505	3,980,227
Raw materials, consumables used and merchandise	6	(313,344,060)	(267,832,911)
Employee benefit expenses	9	(40,348,001)	(34,046,507)
Amortization and the adjustments for impairment of non-current assets, net	8	(19,100,355)	(15,637,545)
Adjustments for the impairment of current assets, net		(1,481,591)	(2,867,000)
Reversed provisions, net	8	2,614,451	39,912
Gains/(Losses) from the outflow/valuation of tangible and intangible assets	7	82,367	(38,020)
Gains from the outflow/fair value measurement of investment properties	7	335	191,885
Other expenses	10	(41,256,634)	(36,662,299)
Operating result		**24,227,453**	**46,592,702**
Financial expenses	5	(5,075,283)	(5,040,394)
Expenses on interest, net	5	(2,560,186)	(936,916)
Financial income	5	4,016,149	3,604,285
Dividend revenues	5	81,045	162,530
Financial result	5	**(3,538,275)**	**(2,210,495)**
Share of the result of joint ventures accounted for under the equity method		574,147	750,758
Profit before tax		**21,263,325**	**45,132,970**
Income tax expense	11	(2,693,989)	(5,716,799)
Profit for the year		**18,569,336**	**39,416,171**
Profit or loss for the period			
Attributable to			
Parent entity equity holders		18,236,827	39,281,595
Non-controlling interests		332,509	134,576
Result for the financial year		**18,569,336**	**39,416,171**
Other comprehensive income			
Revaluation of fixed assets		-	3,263,882
Deferred tax impact		-	(763,663)
Comprehensive income for the year			
Attributable to			
Parent entity equity holders		18,236,827	41,781,814
Non-controlling interests		332,509	134,576
Total comprehensive income		**18,569,336**	**41,916,390**
Number of shares		699,701,558	472,970,474
Earnings per share attributable to the parent entity equity holders		**0.03**	**0.08**

The financial statements were approved by the Board of Directors and authorized for issue on 5 April 2018.

Mirela Pop
CEO

Ioana Birta
CFO

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2017
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	31 December 2017 RON	31 December 2016 RON
ASSETS			
Non-current assets			
Property, plant and equipment	12	185,915,909	133,697,562
Investment properties	14	9,791,568	9,755,015
Intangible assets	13	1,662,350	1,371,603
Investments in joint ventures accounted for under the equity method	16	40,677,273	12,685,958
Other long-term financial investments	16,18	10,849,872	-
Other investments		16,472	60,353
Total non-current assets		**248,913,444**	**157,570,491**
Current assets			
Inventories	17	100,464,598	67,058,627
Trade and similar receivables	18	89,766,981	65,918,851
Prepayments		601,359	326,173
Cash and short term deposits	30	12,015,802	16,032,373
Total current assets		**202,848,740**	**149,336,024**
Assets classified as held for sale		653,215	-
Total assets		**452,415,399**	**306,906,515**
Equity and liabilities			
Equity			
Total share capital, out of which:	19	**85,691,097**	**56,643,266**
Called-up capital	19	85,691,097	56,643,266
Other capital reserves	19	-	450,980
Share premium	19	27,384,726	27,384,726
Treasury shares		(663,396)	-
Revaluation reserves	19	19,652,115	21,741,823
Legal reserve	20	13,939,022	12,407,036
Retained earnings	21	78,250,693	97,961,117
Capital attributable to controlling interests		**224,254,257**	**216,588,948**
Non-controlling interests	22	489,480	334,698
Total equity		**224,743,737**	**216,923,646**
Non-current liabilities			
Loans and finance lease liabilities	23	74,968,047	10,504,823
Employee benefit liabilities	24	320,836	351,936
Deferred tax liabilities	11	3,207,463	3,527,868
Investment subsidies – long-term portion	32	2,470,745	2,928,558
Total non-current liabilities		**80,967,093**	**17,313,185**
Current liabilities			
Trade and other payables	25	86,184,973	53,041,025
Loans and finance lease liabilities	23	58,778,393	15,919,114
Income tax payable		307,943	189,284
Investment subsidies - current portion	32	457,814	463,441
Provisions	24	975,446	3,056,820
Total current liabilities		**146,704,569**	**72,669,684**
Total liabilities		**227,671,662**	**89,982,869**
Total equity and liabilities		**452,415,399**	**306,906,515**

The financial statements were approved by the Board of Directors and authorized for issued on 5 April 2018.

Mirela Pop
CEO

Ioana Birta
CFO

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2017
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Total share capital	Other capital reserves	Share premium	Revaluation reserves	Legal reserve	Treasury shares	Retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
	RON	RON	RON	RON	RON	RON	RON	RON	RON	RON
Balance as at 1 January 2016	**28,887,588**	**950,500**	**27,384,726**	**18,566,192**	**9,853,112**	**-**	**97,590,866**	**183,232,984**	**200,122**	**183,433,106**
Result for the year	-	-	-	-	-	-	39,281,595	39,281,595	134,576	39,416,171
Other comprehensive income	-	-	-	2,500,219	-	-	-	2,500,219	-	2,500,219
Total comprehensive income	**-**	**-**	**-**	**2,500,219**	**-**	**-**	**39,281,595**	**41,781,814**	**134,576**	**41,916,390**
Share capital increase	27,755,678	-	-	-	-	-	(27,755,678)	-	-	-
Legal reserve setting	-	-	-	-	2,553,924	-	(2,553,924)	-	-	-
Purchase of own shares	-	-	-	-	-	(512,707)	-	(512,706)	-	(512,706)
Employee benefits	-	-	-	-	-	-	-	-	-	-
in the form of financial instruments	-	(499,520)	-	-	-	-	-	(499,520)	-	(499,520)
Realized revaluation reserve	-	-	-	675,412	-	-	-	675,412	-	675,412
Dividends in cash	-	-	-	-	-	-	(7,930,057)	(7,930,057)	-	(7,930,057)
Other equity items	-	-	-	-	-		(158,979)	(158,979)	-	(158,979)
Balance as at 31 December 2016	**56,643,266**	**450,980**	**27,384,726**	**21,741,823**	**12,407,036**	**(512,707)**	**98,473,824**	**216,588,948**	**334,698**	**216,923,646**

* The amounts represent: the covering in full of the losses carried forward from prior years, as disclosed in Note 20.

The financial statements were approved by the Board of Directors and authorized for issued on 5 April 2018.

Mirela Pop
CEO

Ioana Birta
CFO

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2017
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Total share capital	Other capital reserves	Share premium	Revaluation reserves	Legal reserve	Treasury shares	Cumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
	RON	RON	RON	RON	RON	RON	RON	RON	RON	RON
Balance as at 1 January 2017	**56,643,266**	**450,980**	**27,384,726**	**21,741,823**	**12,407,036**	**(512,707)**	**98,473,824**	**216,588,948**	**334,698**	**216,923,646**
Result for the year	-	-	-	-	-	-	18,236,827	18,236,827	332,509	18,569,336
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**18,236,827**	**18,236,827**	**332,509**	**18,569,336**
Share capital increase from reserves (Note 19)	29,047,831	-	-	-	-	-	(29,047,831)	-	-	-
Legal reserve setting (Note 20)	-	-	-	-	1,531,986	-	(1,531,986)	-	-	-
Own shares redemption (Note 19)	-	-	-	-	-	(663,396)	-	(663,396)	-	(663,396)
Losses related to own shares sale	-	-	-	-	-	61,727	(61,727)	-	-	-
Employee benefits in the form of financial instruments (Note 33)	-	(450,980)	-	-	-	450,980	-	-	-	-
Realized revaluation reserve (Note 16)	-	-	-	(2,089,708)	-	-	2,089,708	-	-	-
Dividends paid (Note 21)	-	-	-	-	-	-	(9,572,712)	(9,572,712)	(191,848)	(9,764,560)
Other equity items	-	-	-	-	-	-	(335,410)	(335,410)	14,121	(321,288)
Balance as at 31 December 2017	**85,691,097**	**-**	**27,384,726**	**19,652,114**	**13,939,022**	**(663,396)**	**78,250,693**	**224,254,257**	**489,480**	**224,743,737**

As of 31 December 2016 and 31 December 2017, the revaluation reserves include amounts representing the realized revaluation surplus related to tangible assets land and buildings.

The financial statements were approved by the Board of Directors and authorized for issued on 5 April 2018.

Mirela Pop
CEO

Ioana Birta
CFO

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED CASH FLOW STATEMENT
for the financial year ended 31 December 2017
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Not e	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Cash flows from operating activities:			
Net profit before tax		**21,263,325**	**45,132,970**
Losses/profit from the sale of assets (fixed assets) and retirement		(82,367)	117,183
Impairment and amortization of non-current assets		19,100,355	15,430,199
Provisions for risks and expenses, net		(2,614,451)	(60,174)
Adjustments to doubtful customers		412,313	1,955,834
Adjustments for inventory impairment		1,069,278	788,344
Dividend revenues		(81,045)	-
(Gains)/loss from the measurement of investment property		(335)	(191,885)
Interest expense		2,560,186	938,612
Gain from gaining control over an associate		(2,506,104)	-
Loss from foreign exchange differences		-	93,856
Operating profit before changes in working capital		**39,121,156**	**64,204,939**
Decrease / (increase) in trade and other receivables		(17,992,153)	18,640,723
(Increase)/decrease in inventories		(29,411,790)	(14,490,743)
(Decrease) / increase in trade and other payables		26,472,743	(16,840,516)
Income tax paid		(2,754,258)	(7,237,236)
Interest paid, net		(2,560,186)	938,612
Share of the profit or loss of the joint venture accounted for under the equity method		(574,147)	(750,759)
Revenues from subsidies		(463,440)	(448,703)
Cash from operating activities		**11,837,924**	**44,016,317**
Cash flows from investment:			
Payments for acquisition of tangible and intangible assets, other long-term receivables		(54,561,546)	(13,290,630)
Acquirement of non-controlling interests (Depaco)		(39,246,960)	-
Acquisition of control over an associate		(8,781,707)	-
Receipts from the sale of tangible assets		485,130	95,961
Own share redemption		(512,689)	-
Losses related to own shares sale		61,727	-
Net cash from investment		**(112,648,137)**	**(13,194,669)**
Cash flows from financing activities:			
Payment of finance lease liabilities		(845,351)	(1,497,853)
Dividends received		81,045	4,162,530
Dividends paid		(9,764,560)	(6,892,037)
Loans reimbursement		(17,291,680)	(1,947,931)
Loans drawings		90,286,417	
Net drawings/(repayment) from credit lines		34,327,772	(19,292,530)
Net cash from finance activities		**96,793,636**	**(25,467,821)**
Net increase/(decrease) in cash and cash equivalents		(4,016,571)	3,476,603
Cash and cash equivalents at the beginning of the financial year	30	**16,032,373**	**12,555,770**
Cash and cash equivalents at the end of the financial year	30	**12,015,802**	**16,032,373**

The financial statements were approved by the Board of Administration and authorized for publishing on 23 March 2017.

Mirela Pop
CEO

Ioana Birta
CFO

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

These are the consolidated financial statements of the Teraplast SA Group.

The TeraPlast Group includes TeraPlast (producer of pipes, granules and PVC profiles), the subsidiaries TeraSteel Bistrita and TeraSteel Serbia (producer of sandwich panels and zincate metallic structures), TeraGlass (producer of PVC windows and doors), TeraPlast Logistic (starting June 2016, it has been coordinating the logistic activities of the Group), TeraPlast Hungary (distributor), Politub (on 31 December 2017, the Politub business was transferred to Teraplast SA, therefore becoming the Polyethylene Division), and Depaco (producer of metallic tiles), and the Depaco Company (producer of metallic tiles).

2017 was marked by several important events for the TeraPlast Group development.

These include the acquisition of the sandwich panel factory in Serbia. Bought in June 2017, the investment amounted to RON 23 million.

Also in 2017, the Group concluded agreements for the acquirement of 67% of Depaco, the second player on the metallic tile market, through the Wetterbest brand. TeraPlast gained control over Depaco in January 2018, after a favorable approval issued by the Competition Council. As at 31 December 2017, Depaco is jointly controlled with the other shareholders; therefore, the company is consolidated under the equity method. Depaco will be consolidated as a subsidiary starting January 2018.

The acquisitions continued with the takeover of Politub, one of the most important players on the water and gas pipes market, which became in full part of the TeraPlast portfolio starting last October. Starting December 2017, Politub transferred the business to TeraPlast as a whole, and became the Polyethylene Pipe Division of TeraPlast.

Teraplast SA ("Company") is a joint stock company established in 1992. The Company's head office is in the „Teraplast Industrial Park", DN 15A (Reghin-Bistrita), km 45+500, Bistrita- Nasaud County, Romania.

Starting 2 July 2008 the company Teraplast is listed at the Bucharest Stock Exchange under the symbol TRP.

Subsidiaries, associates and acquisitions.

Until September 2017, the Company held 50% of the shares of Politub SA ("Politub"), controlling Politub jointly with the other shareholder, New Socotub. Therefore, until 30 September 2017, Politub was a joint venture, consolidated under the equity method. In August 2017, the Company bought from New Socotub 49.99% of the Politub shares, for EUR 2.5 million. On 28 September 2017, the Company received the Competition Council approval for the sole control over Politub; as a result, Politub is consolidated starting 1 October 2017. As at 31 December 2017, the Politub business was bought by the Company.

Politub SA's main activities include the production of pipes from average and high density polyethylene for water, gas transport and distribution networks, but also for telecommunications, sewerage systems or irrigations.

In March 2007, the Company became the majority shareholder of Terasteeel SA (Terasteel). Terasteel main activity is the production of heat insulating panels with polyurethane foam for the construction of warehouses. Starting 31 December 2015, the percentage held by Teraplast SA in Terasteel SA is 97.95%.

The Parent holds another subsidiary, Teraglass Bistrita SRL, having as scope of business the production and trading of windows and doors in PVC and aluminum. In March 2015, Teraplast SA transferred the activity of production and trading of heat insulated glass, windows and doors in PVC and aluminum to Teraglass Bistrita SRL.

Starting 2015, Teraplast SA is a shareholder of a legal entity registered in the Republic of Moldova, Teraplast Group Moldova, with a shareholding 51%.

In 2017, the Board of Directors approved the assignment of the Company shares in Teraplast (Group) Moldova to the other shareholders of this company, at their nominal value MLD 2,754.

1. GENERAL INFORMATION (continued)

On 26 November 2015, the Board of Directors approved through a Decision, Teraplast SA's participation as a shareholder in the setting of a limited-liability company in Romania: Teraplast Logistic SRL. Teraplast SA's participation in this company is 99%. Teraplast Logistic has undertaken the logistic activity of the Group.

On 29 September 2016, by Decision of the Board of Directors, the participation of Teraplast as the sole shareholder in the setting of a limited-liability company in Hungary was approved.

Teraplast Hungary distributes the Company products, mainly joinery profiles, on this market.

In January 2017, the Board of Directors approved the setting of a subsidiary (100% holding of Teraplast SA) in Serbia. Until 30 June 2017, the Company called-up and paid in full share capital amounting to EUR 10,000.

Starting October 2017, following the acquisition of production assets from a company undergoing liquidation, Terasteel Serbia produces and trades polyurethane foam sandwich panels in Serbia and on the neighboring markets.

On 1 March 2017, Teraplast signed an agreement with the shareholders of Depaco SRL for the acquisition of 50% of the shares. The transaction was finalized after being approved by the Teraplast SA General Shareholders Meeting and receiving the approval from the Romanian Competition Council.

Subsequently, Teraplast has contracted the acquisition of another 17% of the Depaco SRL shares, the investment being disclosed in the Statement of Financial Position under Other long-term financial investments. As at 31 December 2017, this shareholding was not recorded with the Trade Register; therefore, Teraplast SA did not control Depaco.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the provisions of Order no. 2844/2016 approving the Accounting regulations compliant with the International Financial Reporting Standards applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended and clarified ("OMFP 28422/2016"). These provisions are compliant with the provisions of the International Financial Reporting Standards adopted by the European Union ("EU IFRS"), except for the provisions of IAS 21 *The effects of changes in foreign exchange rates* concerning the functional currency.

For the purpose of preparing these financial statements according to the Romanian legal provisions, the Company's functional currency is considered to be the Romanian Leu (RON)

The functional currency, which reflects the substance of the concerned events and relevant circumstances for Teraplast SA, Plastsistem SA, Teraglass Bistrita SRL and Politub SA is the Romanian Leu ("RON"). The functional currency for Teraplast Hungary is the Hungarian Forint ("HUF"), and for Terasteel Serbia is the Serbian Dinar ("RSD").

Until 1 July 2004, Romania was considered a hyperinflationary economy according to the criteria of IAS 29 *Financial Reporting in Hyperinflationary Economies*. In accordance with the provisions in IAS 29, the parent has discontinued the application of IAS 29 as of 1 January 2004.

These financial statements are presented in Romanian Lei ("RON") unless otherwise specifically stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2. Basis of accounting

The financial statements have been prepared on a going concern basis, according to the historical cost convention adjusted to the effects of hyperinflation until 31 December 2003 for fixed assets, share capital and reserves, except for certain items of fixed assets and investment property, as presented in the Notes. The main accounting policies are presented below.

2.3. Going concern

These financial statements have been prepared under the going concern basis, which implies that the Company will continue its activity also in the foreseeable future. In order to assess the applicability of this assumption, management analyzes the forecasts concerning future cash inflows.

As of 31 December 2017, the Group current assets exceed the current liabilities by RON 56,144,171 (as of 31 December 2016: RON 76,666,340). In 2017, the Group recorded profit RON 18,569,336 (2016: profit RON 39,416,165).

As detailed in Note 28, the Group gearing ratio is 35% (31 December 2016: 2%). The Group depends on financing banks, as also described in Note 23.

The budget prepared by the Company management and approved by the Board of Administration for 2018 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Company to fulfill its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity in the ordinary course of business, as a going concern.

Based on these analyses, management believes that the Company will be able to continue its activity in the foreseeable future and, consequently, the application of the going concern principle in the preparation of the financial statements is justified.

Basis for consolidation

The financial statements comprise the financial statement of the Parent and of its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

2.4. Standards, amendments and new interpretations of the standards

A) First time adoption of new or revised standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2017:

- **IAS 12: Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)**
  The objective of the Amendments is to clarify the requirements of deferred tax assets for unrealized losses in order to address diversity in practice in the application of IAS 12 Income Taxes. The specific issues where diversity in practice existed relate to the existence of a deductible temporary difference upon a decrease in fair value, to recovering an asset for more than its carrying amount, to probable future taxable profit and to combined versus separate assessment. The amendments have not been applicable for the Group.
- **IAS 7: Disclosure Initiative (Amendments)**
  The objective of the Amendments is to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Amendments specify that one way to fulfil the disclosure requirement is by providing a tabular reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, including changes from financing cash flows, changes arising from obtaining or losing control of subsidiaries or other businesses, the effect of changes in foreign exchange rates, changes in fair values and other changes. The amendments have not been applicable for the Group, the information requested by IAS 7 being already disclosed by the Group.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,** which is a collection of amendments to IFRSs. The following annual improvement has not yet been endorsed by the EU. This improvement has not had an effect on the Company's financial statements.
  - ***IFRS 12 Disclosure of Interests in Other Entities:*** The amendments clarify that the disclosure requirements in IFRS 12, other than those of summarized financial information for subsidiaries, joint ventures and associates, apply to an entity's interest in a subsidiary, a joint venture or an associate that is classified as held for sale, as held for distribution, or as discontinued operations in accordance with IFRS 5.

B) New or revised standards, but not yet mandatory

The Group has not early adopted new or revised standards and interpretations that were issued by the IASB without being yet effective. In some cases, they have not yet been endorsed by the EU.

- **IFRS 9 Financial Instruments**

The standard is effective for annual periods beginning on or after 1 January 2018, with early application permitted. The final version of IFRS 9 *Financial Instruments* reflects all phases of the

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.
The Group intends to apply the new standards on the effective application date and will not restate the comparatives. In 2017, the Group performed an analysis of the impact of applying IFRS 9.
The analysis is based on the information available to date and may be impacted by changes as a result of additional reasonable information that will be available to the Group in 2018, when the standard in adopted. In general, the Group does not expect a significant impact on the financial statements, except for the impairment requirements provided by IFRS 9. The Company expects an increase of the provision, having an impact on the result, as detailed below.

a) Classification and measurement
The Group does not expect a significant impact on the Statement of Financial Position following the application of the classification and measurements as per IFRS 9.
The loans and trade receivables are held for the purpose of collecting contractual cash flows and are expected to generate cash flows exclusively representing payments for the principal and interest. The Group has analyzed the features of these cash inflows and concluded they conform to IFRSs, therefore, their reclassification is not necessary.

b) Impairment
IFRS 9 requires the Group to record expected value impairment on all loans and trade receivables either for 12 months or for their entire lifetime. The Group has chosen to apply the simplified version and record the expected losses on all trade receivables over their entire lifetime. The Group has determined that the trade receivables impairment may increase by RON 600-650 thousand.

- **IFRS 15 Revenue from Contracts with Customers**
  The Clarifications apply for annual periods beginning on or after 1 January 2018 with earlier application permitted. The objective of the Clarifications is to clarify the IASB's intentions when developing the requirements in IFRS 15 *Revenue from Contracts with Customers*, particularly the accounting of identifying performance obligations amending the wording of the "separately identifiable" principle, of principal versus agent considerations including the assessment of whether an entity is a principal or an agent as well as applications of control principle and of licensing providing additional guidance for accounting of intellectual property and royalties. The Clarifications also provide additional practical expedients for entities that either apply IFRS 15 fully retrospectively or that elect to apply the modified retrospective approach.
  The Group intends to apply the new standards on the effective application date, using the modified retrospective approach. In 2017, the Group performed a preliminary analysis of the impact of IFRS 15 and has not identified a significant impact affecting the financial statements.
  The Group has analyzed the main types of revenues by applying the five-step model under IFRS 15:
  1. Identification of the client agreement(s)
  2. Identification of the agreement execution obligations
  3. Determination of the transaction price
  4. Allocation of the transaction price to the agreement execution obligations
  5. Recognition of the revenue when (or as) the Group fulfils an execution obligation

  Based on the analysis of the main types of agreements contractual terms, the Group has concluded that IFRS 15 would not have a significant impact as compared to the current revenues recognition method.

- **IFRS 16: Leases**
  The standard is effective for annual periods beginning on or after 1 January 2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ("lessee") and the supplier ("lessor"). The new standard requires lessees to recognize most leases on their financial statements. Lessees will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The

Group is currently assessing the impact of this amendment on the Group financial position or performance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C) Standards issued but not yet effective and not early adopted

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU. The Group is currently assessing the impact of this amendment on the financial statements.

- **IFRS 2: Classification and Measurement of Share based Payment Transactions (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, for share-based payment transactions with a net settlement feature for withholding tax obligations and for modifications to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These Amendments have not yet been endorsed by the EU. Management has assessed that the application of these amendments will not have any impact on the financial statements of the Group, because the share-based payments is exclusively conditioned on the performance prior to the share distribution; the distribution is not revocable.
- **IAS 40: Transfers to Investment Property (Amendments)**
  The Amendments are effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The Amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. These Amendments have not yet been endorsed by the EU. The Group does not expect the impact of adopting these amendments on these financial statements to be significant.
- **IFRS 9: Prepayment features with negative compensation (Amendment)**
  The Amendment is effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendment allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract (so that, from the perspective of the holder of the asset there may be "negative compensation"), to be measured at amortized cost or at fair value through other comprehensive income. These Amendments have not yet been endorsed by the EU. The Group does not expect the impact of adopting these amendments on these financial statements to be significant.
- **IAS 28: Long-term Interests in Associates and Joint Ventures (Amendments)**
  The Amendments are effective for annual reporting periods beginning on or after 1 January 2019 with earlier application permitted. The Amendments relate to whether the measurement, in particular impairment requirements, of long term interests in associates and joint ventures that, in substance, form part of the 'net investment' in the associate or joint venture should be governed by IFRS 9, IAS 28 or a combination of both. The Amendments clarify that an entity applies IFRS 9 *Financial Instruments*, before it applies IAS 28, to such long-term interests for which the equity method is not applied. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long- term interests that arise from applying IAS 28. These Amendments have not yet been endorsed by the EU. The Group does not expect the impact of adopting these amendments on these financial statements to be significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRIC INTERPRETATION 22: Foreign Currency Transactions and Advance Consideration**
  The Interpretation is effective for annual periods beginning on or after 1 January 2018 with earlier application permitted. The Interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or a non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The Interpretation states that the date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. This Interpretation has not yet been endorsed by the EU. The Group does not expect the impact of adopting these amendments on these financial statements to be significant.

- **The IASB has issued the Annual Improvements to IFRSs 2014 – 2016 Cycle,** which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2018 for IFRS 1 First-time Adoption of International Financial Reporting Standards and for IAS 28 Investments in Associates and Joint Ventures. Earlier application is permitted for IAS 28 Investments in Associates and Joint Ventures. These annual improvements have not yet been endorsed by the EU. Management has assessed that this standard will not have any impact on the financial statements of the Group.
  - ***IFRS 1 First-time Adoption of International Financial Reporting Standards:*** This improvement deletes the short-term exemptions regarding disclosures about financial instruments, employee benefits and investment entities, applicable for first time adopters.
  - ***IAS 28 Investments in Associates and Joint Ventures:*** The amendments clarify that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

  The Group does not expect the impact of adopting these amendments on these financial statements to be significant.

- **IFRIC INTERPETATION 23: Uncertainty over Income Tax Treatments**
  The Interpretation is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12. The Interpretation provides guidance on considering uncertain tax treatments separately or together, examination by tax authorities, the appropriate method to reflect uncertainty and accounting for changes in facts and circumstances. This Interpretation has not yet been endorsed by the EU. The Group does not expect the impact of adopting these amendments on these financial statements to be significant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The IASB has issued the Annual Improvements to IFRSs 2015 – 2017 Cycle, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2019 with earlier application permitted. These annual improvements have not yet been endorsed by the EU. Management has assessed that this standard will not have any impact on the financial statements of the Group.

- ***IFRS 3 Business Combinations and IFRS 11 Joint Arrangements*****:** The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it re-measures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not re-measure previously held interests in that business.
- ***IAS 12 Income Taxes*****:** The amendments clarify that the income tax consequences of payments on financial instruments classified as equity should be recognized according to where the past transactions or events that generated distributable profits has been recognized.
- ***IAS 23 Borrowing Costs*****:** The amendments clarify paragraph 14 of the standard that, when a qualifying asset is ready for its intended use or sale, and some of the specific borrowing related to that qualifying asset remains outstanding at that point, that borrowing is to be included in the funds that an entity borrows generally.

The Group is currently assessing the impact of adopting these annual improvements on the financial statements and does not expect it to be significant.

2.5. *Summary of accounting and valuation principles*

The accounting policies adopted are consistent with those of the previous financial year.

2.5.1. Cash and cash equivalents

Cash and cash equivalents include liquid assets and other equivalent values, comprising cash at bank, petty cash and short term deposits with maturities of up to 3 months.

2.5.2. Revenue recognition

Revenue is measured at the fair value of the consideration received or to be received, net of VAT.
Revenue is decreased with the value of returns, trade discounts and of other similar costs.

Sale of goods

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

- The Group has substantially transferred to the buyer all risks and benefits related to the property right over the goods;
- The Group does not have any managerial involvement usually associated to the property right, nor actual control over the sold goods;
- The amount of revenues can be reliably measured;
- It is likely for the economic benefits associated to the transactions to inflow to the entity and the costs registered or to be registered concerning the transaction can be measured reliably;

Revenues from the sale of services and other revenues

Revenues related to the rendering services are recognized as the services are provided.

Royalties are recognized according to the accrual basis of accounting, depending on the economic substance of the related contracts.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividend and interest revenues

Revenues from dividends related to investments are recognized when the shareholders' right to receive them is determined.

For all financial instruments measured at amortized cost, interest income is recorded using the effective interest rate (EIR). EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income is included in finance income in the statement of profit or loss.

2.5.3. Lease

Lease is classified as finance lease when the lease terms substantially transfer all risks and benefits related to the property right to the lessee. All other leases are classified as operating lease.

Assets held through financial lease are initially recognized as Company assets at the fair value from the initial lease phase or, if lower, at the value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as finance lease liability.

Lease payments are divided between finance costs and the reduction of the lease liability, so as to obtain a constant rate of the interest related to the remaining liability balance. Finance costs are registered directly into profit and loss.

Operating lease payments are recognized as expense under the straight line method, during the lease term. Potential operating leases are recognized as expense as incurred.

The leases where the Group retains substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. The revenue from operating leases is recognized on a straight line.

2.5.4 Foreign currency transactions

For the preparation of the Group's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

Monetary assets and liabilities expressed in foreign currency at the end of the year are translated into RON at the exchange rate valid at the end of the year. Unrealized foreign exchange gains and losses are presented in OCI.

The RON exchange rate for 1 unit of the foreign currency:

	31 December 2016	31 December 2017
EUR 1	4.5411	4.6597
USD 1	4.3033	3.8915
CHF 1	4.2245	3.9900

Non-monetary items which are measured at historic cost in a foreign currency are not translated back.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.5. Costs related to long-term borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until they are ready for its intended use or for sale. Revenues from temporary investments of loans, until such loans are expensed for assets, are deducted from the costs related to long-term loans eligible for capitalization.

All other borrowing costs are expensed in the period in which they occur.

The amortized cost for the financial assets and liabilities is calculated using the effective interest rate. The amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

2.5.6. Government grants

Government grants are not recognized until there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group.

The Government grants the main condition of which is that the Group acquire, build or obtain otherwise long-term assets are recognized as deferred income in the balance sheet and transferred to the profit and loss statement systematically and reasonably over the useful life of those assets.

Other Government grants are systematically recognized as revenues in the same period as the costs it intends to offset. The Government grants received as compensation for expenses or losses already recorded or in order to provide immediate financial support to the Group with no related future costs, are charged to the income statement when they fall due.

Grants receivable in order to acquire assets such as tangible assets are recorded as investment subsidies and recognized in the profit and loss statement as the depreciation expenses are incurred or at the time the assets acquired from the subsidy are retired or disposed of.

2.5.7. Costs related to retirement rights

Based on the collective labor contract, the Group is under the obligation to pay retirement benefits to its employees depending on their seniority within the Group, amounting to 2-3.5 salaries. The Group uses an external actuary to compute the fair value of the retirement benefits related liability and reviews the value of this liability each year depending on the employees' seniority within the Group.

2.5.8. Employees' contribution

The Group pays contributions to the social security state budget, to the pension fund and to the unemployment fund, at the levels established by current legislation. The value of these contributions is registered in the profit and loss statement in the same period as the corresponding salary expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.9. Taxation

Income tax expense is the sum of the current tax and deferred tax.

Current tax

Current tax is based on the taxable profit for the year. Taxable profit is different than the profit reported in statement of comprehensive income, because it excludes the revenue and expense items which are taxable or deductible in other years and it also excludes the items which are never taxable or deductible. The Group's current tax liability is computed using the taxation rates in force or substantially in force at the balance sheet date.

Deferred tax

Deferred tax is recognized over the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding fiscal bases used in the computation of taxable income and it is determined by using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized in the extent in which it is likely to have taxable income over which to use those temporary deductible differences. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable income, nor the accounting income.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and in joint ventures, except for the cases in which the Group is able to control the reversal of the temporary difference and it is likely for the temporary difference not to be reversed in the foreseeable future. The deferred tax assets resulted from deductible temporary differences associated with such investments and interests are recognized only in the extent in which it is likely for sufficient taxable income to exist on which to use the benefits related to temporary differences and it is estimated that they will be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

Deferred tax assets and liabilities are measured at the taxation rates estimated to be applied during the period when the liability is settled or the asset realized, based on the taxation rates (and tax laws) in force or entering into force substantially until the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences of the manner in which the Group estimates, as of the balance sheet date, that it will recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority and the Group intends to offset its deferred tax assets with its deferred tax liabilities on a net basis.

Current tax and deferred tax is recognized as revenue or expense in profit and loss, except for the cases which refer to items credited or debited directly in other comprehensive income, case in which the tax is also recognized directly in other comprehensive income or except for the cases in which they arise from the initial accounting of a business combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16. Tangible assets

Tangible assets, less land and buildings, are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any.

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the revaluated value of the asset.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit and loss. A revaluation deficit is recognized in the profit or loss of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

Upon disposal, any revaluation reserve relating to the concerned asset being sold is transferred to retained earnings.

A tangible asset item and any significant part recognized initially are derecognized upon disposal or when no economic benefits are expected from their use or disposal. Any gain or earning resulting from the de-recognition of an asset (calculated as the difference between net disposal proceeds and the carrying amount of the asset) is included in profit and loss when the asset is derecognized.

The residual value, the useful life and the methods of depreciation are reviewed at the end of each financial year and adjusted retrospectively, if appropriate.

Constructions in progress for production, rent, lease, administrative or for purposes not yet determined is registered at historical cost, less impairment. The impairment of these assets starts when the assets are ready to be used.

Plant and machinery is registered in the financial position statement at their historic value adjusted to the effect of hyperinflation until 31 December 2003, according to IAS 29 *Financial Reporting in Hyperinflationary Economies* decreased by the subsequently accumulated depreciation and other impairment losses, if any.

Depreciation is registered so as to decrease the cost of the asset to its residual value other than the land and investments in progress, along their estimated useful life, using the straight line basis. The estimated useful lives, the residual values and the depreciation method are reviewed at the end of each year, having as effect changes in future accounting estimates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets held in finance lease are depreciated over the useful life, similarly to assets held or, if the lease period is shorter, during the respective lease contract.

Maintenance and repairs of tangible assets are included as expenses when they occur and significant improvements to tangible assets which increase their value or useful life or which significantly increase their capacity to generate economic benefits, are capitalized.

The following useful lives are used for the computation of depreciation:

Buildings	20 – 50 years
Plant and equipment	3 – 15 years
Vehicles under finance lease	5 – 6 years
Installations and furniture	3 – 10 years

2.5.11. Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual evaluation performed by an accredited external independent valuator applying a valuation model recommended by the International Valuation Standards Committee.

Investment properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

2.5.12. Intangible assets

Intangible assets purchased separately are reported at cost minus accumulated amortization/impairment losses. Amortization is computed through the straight line basis over the useful life. The estimated useful lives, the residual values and the amortization method are reviewed at the end of each year, having as effect changes in future accounting estimates.

The following useful lives are used for the computation of amortization:

Licenses	1 – 5 years

2.5.13. Impairment of tangible and intangible assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Group assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the Group assets are also allocated to other separate cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU) fair value less costs of disposal and its value in use. When measuring the value in use, the future estimated cash flows are settled at the current value using a discount rate prior to taxation which reflects current market assessments of the temporary value of money and the specific risks of the asset, for which future cash flows have not been adjusted.

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in profit and loss, except for revalued assets for which there is a revaluation that can be decreased with the impairment loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset (of the cash generating unit) is increased to the reviewed estimation of its recoverable value, but so as the reviewed carrying amount does not exceed the carrying amount which would have been determined had any impairment loss not been recognized for the respective asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit and loss.

A revaluation surplus is recognized as an item of comprehensive income and credited to the asset's revaluation reserves, except for the cases in which a decrease in value was previously recognized in profit and loss for a revalued asset, case in which the surplus can be recognized in profit and loss within the limit of this prior decrease.

2.5.14. Inventories

The inventories are registered at the lowest value between cost and the net realizable value. The net realizable value is the selling price estimated for the inventories minus all estimated costs for completion and the costs related to the sale. Costs, including a portion related to fixed and variable indirect costs are allocated to inventories held through the method most appropriate for the respective class of inventories. Finished products, semi-finished goods and production in progress are measured at actual cost. For the following classes of inventories, the average weighted cost method is used: the raw material for pipes/piping, merchandise, inventory items/small tools, packaging materials, consumables.

2.5.15. Share capital

Common shares are classified in equities.

At the repurchase of the Group shares the paid amount will decrease equity belonging to the holders of the company's equity, through retained earnings, until they are canceled or reissued. When these shares are subsequently reissued, the received amount (net of transaction costs and of income tax effects) is recognized in equity belonging to the holders of the Group's equity.

2.5.16. Dividends

Dividends related to ordinary shares are recognized as liability to the shareholders in the consolidated financial statements in the period in which they are approved by the Group shareholders.

2.5.17. Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required from the Group to settle the obligation and a reliable estimate can be made of the amount of the respective obligation.

The amount recognized as a provision is the best estimate of the amount necessary to settle the current obligation as of the balance sheet date, considering the risks and uncertainties related to the obligation. If a provision is measured using the estimated cash flows necessary for settling the present obligation, the carrying amount is the present value of the respective cash flows.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5.18. Segment reporting

Segment reporting is done consistently with the internal reporting to the chief operating decision maker. The chef operating decision maker, which answers for allocating resources and assessing the performance of activity segments, was identified as being the Board of Directors, which is making the strategic decisions.

2.5.19. Financial assets and liabilities

The Group's financial assets include cash and cash equivalents, trade receivables and long-term investments. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts and trade and other payables. For each item, the accounting policies on recognition and measurement are presented in this note.

Loans and receivables

This category is the most relevant for the Group. Loans and receivables are non-derivative financial assets with fixed or identifiable payments and which are not quoted on an active market. After initial recognition, these financial assets are subsequently recognized at depreciated cost, using the effective interest rate method, minus the impairment. The depreciated cost is computed by taking into account any reduction or purchase premium and any commissions and costs that are an integrant part of the effective interest rate. The impact of the depreciated cost method due to the effective interest rate is included in profit and loss under financial revenues while changes due to FV are recognized in profit and loss under costs to fund loans and the cost of goods sold or under other operating expenses.

Borrowings and liabilities

Loans are initially recognized at fair value minus the costs for the respective operation. Subsequently, they are registered at amortized cost. Any difference between the initial value and the reimbursement value is recognized in profit and loss for the period of the loans, using the effective interest rate method.

Financial instruments are classified as liabilities or equity according to the nature of the contractual arrangement. Interest, dividends, gains and losses related to a financial instrument classified as liability are reported as expense or revenue. Distributions to the holders of financial instruments classified as equity are registered directly in equity. Financial instruments are offset when the Group has a legal applicable right to offset them and it intends to offset them either on a net basis or to realize the asset and settle the liability at the same time.

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition.

Impairment of financial assets

Financial assets are measured for impairment at each reporting date.

Financial assets are impaired when there is objective proof that one or several events occurring after initial recognition have had an impact on the future cash flow related to the investment.

Certain categories of financial assets, such as clients, assets measured as not impaired individually, are measured subsequently for impairment on a collective basis. Objective proof concerning the impairment of a portfolio of receivables may include the Group's past experience concerning collective payments, an increase of payments postponed beyond the credit period, as well as visible changes of the national and local economic conditions correlated with payment incidents concerning receivables.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amount of the financial asset is decreased by the depreciation loss, directly for all financial assets, except for trade receivables, for which the carrying amount is reduced by using an impairment adjustment account. If a receivable is considered non-recoverable, it is eliminated and deducted from the adjustment for impairment. Subsequent recoveries of the amounts eliminated previously are credited in the adjustment for impairment account. The changes of the carrying amount in the adjustment for impairment account are recognized in provision expenses, adjustments for impairment and depreciation.

De-recognition of assets and liabilities

The Group derecognizes financial assets only when the contractual rights over the cash flows related to the assets expire or it transfers to another entity the financial asset and, substantially, all risks and benefits related to the asset.

The Group derecognizes financial liabilities only if the Group's liabilities have been paid, canceled or they have expired.

2.5.20 Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 29 i).

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

An entity uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

External valuators are involved for valuation of significant assets, such as investment property and available for sale financial assets. Involvement of external valuators is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and professional standards, if they are specified.

At each reporting date, Group's management analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies.

Group's management, in conjunction with the entity's external valuators, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of the notes and fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.5.21 Use of estimates

The preparation of the consolidated financial statements requires the performance of estimates and judgments by the management, which affects the reported amounts of assets and liabilities and the presentation of potential assets and liabilities at the balance sheet date, as well as the reported amounts of revenues and expenses during the reporting period.

Actual results may be different from these estimates. The estimates and judgments on which these are based are reviewed permanently. The reviews of the accounting estimates are recognized during the period in which the estimate is reviewed, if this review affects only the respective period or during the review period and during future periods, if the review affects both the current period and the future periods

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

3.1. Judgments

In the process of applying the Group accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Investment properties

The Group has certain assets which management has decided to reclassify as investment properties, as follows:

- The Group holds a piece of land and a building (previously used for the head office), located in Romana Street, Bistrita. In January 2012, the management decided that the final purpose of the land was to be held in order to obtain an increase in its value and to be subsequently materialized through sale. As a result, the land was classified in January 2012 as an investment property.
- In December 2012, the assets previously transferred to Teracota Bistrita SRL were reversed. The management decided that the final purpose of the reversed land was to be held in order to obtain an increase in its value and to be subsequently materialized through sale. As a result, the land was classified in December 2012 as an investment property, being valued at fair value as of that date.
- The Group holds land and buildings (previously used as regional warehouses) in Oradea, Constanta and Bucharest. In 2013, the management decided that the final purpose of the land was to be held in order to obtain an increase in its value and to be subsequently materialized through sale. As a result, the land and buildings were classified in 2013 as investment properties, when they were measured at fair value.
- As at 31 October 2016, the land and buildings located at Otopeni, Ilfov County which were previously subject to a rental contract, were reclassified from investment properties to property, plant and equipment, and the results of the revaluation report dated 31 December 2016 were treated according to IAS 16.
- Starting 31 March 2015, the buildings and land located in Bistrita, str. Tarpiului 27A, which were the object of a premises rental contract concluded with Teraglass Bistrita SRL, were reclassified as investment properties.

For more details on these assets and their classification, see Note 16.

Acquisition of Depaco shareholding

As at 30 June 2017, Teraplast concluded the transaction for the acquisition of 50% of Depaco SRL. The transaction was finalized after its approval by the Teraplast SA General Shareholders Meeting and receiving the approval from the Romanian Competition Council.

In 2017, the Company signed agreements for the acquirement of an additional 17% shareholding in Depaco. TeraPlast undertook control over Depaco in January 2018, after a favorable approval issued by the Competition Council and the recording with the Trade Register of the additional 17% shareholding.

Following the analysis performed by the Group management, as at 31 December 2017, Depaco was accounted for as an affiliate under the equity method, because the Group did not hold control over the company as of that date. In 2017, the Group did not have a voting majority in the company strategic decisions.

More details on this transaction are included in Note 16.

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income. The Group engaged independent valuation specialists to assess fair value as at 31 December 2016 for land and buildings and for investment properties, this action was performed on an annual basis, including as at 31 December 2017. Investment properties (land and buildings) were valued by reference to market-based information, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Investment properties (land and buildings) were revalued as at 31 December 2016 by an external valuator, an ANEVAR member. The valuation methods used were the market comparison for land and the net replacement cost impacted by the application of the income-based method and the market comparisons.

As at 31 October 2016, land and buildings located at Otopeni, Ilfov County which were previously subject to a rental contract, were reclassified from investment properties into property, plant and equipment, and the results of the revaluation report dated 31 December 2016 were treated according to IAS 16.

Impairment of intangible and tangible assets

To determine whether the impairment related to an intangible or tangible asset must be recognized, significant judgment is needed. To take this decision, for each cash generating unit (CGU), the Group compares the carrying amount of these intangible or tangible assets, to the higher of the CGU fair value less costs to sell and its value in use, which will be generated by the intangible and tangible assets of the cash generating units over the remaining useful life. The recoverable amount used by the Group for each cash generating unit for impairment measuring purposes was represented by its value in use.

In the current economic environment, the Group analyzed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets, except for the cash generating units below. The Group considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As a result, the Group decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36. Therefore, an allowance for asset impairment proved not to be necessary.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

The impairment testing performed by the Group is based on the determination of the value in use considering the present value of the cash flow. The cash flows have been determined based on the budget for 2018 and on the forecasts for the following four years. The terminal value was determined based on the cash flows forecasted for 2022, using a 2.5% growth rate.

The cash generating units identified are:
- The cash generating unit Installations and Arrangements;
- The cash generating unit Granules;
- The cash generating unit PVC Joinery Profiles;
- The cash generating unit Door Profiles and PVC Windows.

The discount rate applied for cash flow projections was determined at the level of each cash generating unit, ranging from 9.02% and 11.02% (2016: between 9.62% and 10.87%), representing the Group best estimate concerning the standard applicable to the concerned activity. The discount rates represent the current market assessment of the risks specific to each cash generating unit, taking into consideration the time value of money and individual risks of the assets. The discount rate computation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital.

For 2018, the Group estimates an increase compared 2017 due to the actions taken and projects performed for increasing the market share.

The Group has considered both the information available in prior years, the production capacity for each cash generating unit, the consolidation of client relationships and the external market potential.

The considered average growth rates of the Group have been used as follows:
- For the cash generating unit Installations and arrangements, management estimates a turnover increase above the market average, due to the inclusion of the business line acquired from Politub and the extension of the distribution network, and, in the following four years, the annual growth rate will be on average 7.09%;
- For the cash generating unit Granules, management has estimated an annual average growth for the following five years 13.54% by increasing competitiveness as a result of developing new networks and increasing the presence on the neighboring markets;
- For the cash generating unit PVC Joinery Profiles, the average growth rate for the turnover over the projection period is estimated to be 9.51%, following the implementation of new co-extrusion technologies for profiles, which increases our competitiveness, and also, the inventory policy revision;
- For the cash generating unit Door Profiles and PVC Windows, the average growth rate for the turnover over the projection period is estimated to be 18.5%, following the implementation of new co-extrusion technologies for profiles, which increases our competitiveness, and also, the inventory policy revision.

Acquisition of Politub

Teraplast SA acquired the remaining 50% shareholding in Politub SA from the French partner New Socotub, in October 2017, for the amount RON 11,432,250.

The Group acquired this shareholding and integrated the activity of the Polyethylene Division, in order to be able to provide to its clients an integrated system for water and sewerage.

The fair value of Politub as at the acquisition date was RON 24,955,026, as determined following a revaluation report issued by an external valuator. The equivalent value of the initial 50% shareholding was computed by reference to this fair value, resulting in an amount RON 12,477,513, which was at the basis of the recognition of the gain related to the initial 50% shareholding.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

50% of Politub equity as at 30 September 2017	11,016,673
50% of Politub fair value as at 30 September 2017	12,477,513
Gain related to the initial shareholding, recorded in comprehensive income	1,460,841

The gain resulting from the revaluation of the initial shareholding in the acquiree was recorded under other operating income (Note 5). More details about this transaction is included in Note 15.

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Sales from own production	384,186,206	345,892,220
Revenues from sale of commodities	42,165,328	53,976,380
Revenues from other activities	1,245,812	1,716,281
Commercial discounts awarded	(5,327,276)	(2,796,608)
Total	**422,270,070**	**398,788,273**

Geographical analysis

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Sales on the internal market (Romania)	319,206,210	310,654,062
Sales on the external market (Europe)	103,063,860	88,134,211
Total	**422,270,070**	**398,788,273**

The information on the operational policy as reported to the management form the perspective of resource allocation and segment performance analysis is classified according to the type of products delivered. The reporting segments of the Group have been determined according to:

- The nature of the products and services
- The nature of the production processes
- The type or category of clients for products and services
- Methods used for distributing the products or providing the services

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUES AND OPERATING SEGMENTS (continued)

The reporting segments of the Group are aggregated according to the main types of activities and are presented below:

Year ended 31 December 2016	Installations and fittings	Joinery profiles	Granules	Heat insulated joinery	Heat insulated panels and metallic structures	Non-allocated amounts	Total
Total revenue	**145,746,492**	**51,821,272**	**60,526,346**	**34,779,007**	**125,778,220**	-	**418,651,337**
Elimination of inter-segment transactions	(2,076,564)	(5,663,106)	-	(10,032,661)	(2,090,733)	-	**(19,863,064)**
Total revenue	**143,669,928**	**46,158,166**	**60,526,346**	**24,746,346**	**123,687,487**	-	**398,788,273**
Expenses with sales, indirect and administrative	**(128,145,418)**	**(47,553,284)**	**(50,872,270)**	**(31,643,651)**	**(113,844,007)**	-	**(372,058,630)**
Elimination of inter-segment transactions	1,917,964	5,663,106	-	10,571,533	1,710,461	-	**19,863,064**
Total operating expenses	**(126,227,454)**	**(41,890,178)**	**(50,872,270)**	**(21,072,118)**	**(112,133,546)**	-	**(352,195,566)**
Operating result	**17,442,474**	**4,267,988**	**9,654,076**	**3,674,228**	**11,553,941**	-	**46,592,707**
Financial result							**(2,210,495)**
Share of the profit of the joint venture accounted for under the equity method	-	-	-	-	-	-	**750,758**
Profit before tax	-	-	-	-	-	-	**45,132,970**
Profit tax	-	-	-	-	-	-	**(5,716,799)**
Result for the year	-	-	-	-	-	-	**39,416,171**
Assets							
Total assets, out of which:	**109,720,070**	**51,850,575**	**39,091,044**	**14,021,707**	**67,967,934**	**24,255,185**	**306,906,515**
Non-current assets	49,773,307	35,909,101	15,345,210	3,378,933	28,908,755	24,255,185	**157,570,491**
Current assets	59,946,763	15,941,474	23,745,834	10,642,774	39,059,179	-	**149,336,024**
Liabilities							
Total liabilities, out of which:	**27,101,365**	**10,428,222**	**13,807,220**	**1,984,678**	**36,661,382**	-	**89,982,867**
Non-current liabilities	7,791,644	2,119,097	2,887,380	-	4,515,064	-	**17,313,185**
Current liabilities	19,309,721	8,309,125	10,919,840	1,984,678	32,146,318	-	**72,669,682**

The non-allocated amounts relate to investment properties, investments in subsidiaries and in jointly controlled units, as well as other financial assets.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUES AND OPERATING SEGMENTS (continued)

Year ended 31 December 2017	Installations and fittings	Joinery profiles	Granules	Heat insulated joinery	Heat insulated panels and metallic structures	Non-allocated amounts	Total
Total revenue (*)	**117,536,892**	**55,250,663**	**53,994,501**	**22,962,138**	**172,525,876**	**-**	**422,270,070**
Expenses with sales, indirect and administrative (*)	(113,820,153)	(55,217,890)	(48,816,764)	(22,244,629)	(156,490,781)	(1,452,401)	(398,042,617)
Operating result	**3,716,739**	**32,773**	**5,177,737**	**717,510**	**16,035,095**	**(1,452,401)**	**24,227,453**
Assets							
Total assets, out of which:	**152,642,936**	**67,898,370**	**37,479,909**	**19,669,116**	**112,913,816**	**61,811,252**	**452,415,399**
Non-current assets	72,829,545	37,989,531	16,741,510	9,455,141	50,739,681	61,158,037	**248,913,445**
Current assets	79,813,392	29,908,839	20,738,399	10,213,975	62,174,135	-	**202,848,740**
Assets classified as held for sale						653,215	**653,215**
Liabilities							
Total liabilities, out of which:	**60,441,972**	**30,197,323**	**20,714,771**	**4,234,790**	**54,054,873**	**58,027,931**	**227,671,661**
Non-current liabilities	14,469,318	8,316,401	3,089,408	685,642	4,027,719	50,378,606	**80,967,093**
Current liabilities	45,972,654	21,880,923	17,625,363	3,549,148	50,027,155	7,649,325	**146,704,569**

(*) The amounts disclosed are net of the inter-segment transactions elimination

The non-allocated expenses for 2017 are costs not recorded for the acquisition of financial assets during the year, namely, Depaco SRL, Terasteel Doo and Politub SA. The non-allocated non-current assets relate to investment properties, investments in subsidiaries, as well as other financial assets.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

5. SUNDRY INCOME

Financial income/costs

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Gain/(Loss) from foreign exchange differences	(1,084,680)	(205,583)
Other financial income	25,546	523
Interest revenues	1,581	1,696
Dividend revenues	81,045	162,530
Other financial expenses	-	(1,907)
Financial discounts granted	-	(1,229,142)
Interest expense	(2,561,767)	(938,612)
Net financial loss	**(3,538,275)**	**(2,210,495)**

Other operating income

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Compensations, fines and penalties	144,399	42,145
Other revenues	3,160,576	163,076
Subsidies income	459,391	471,466
Total	**3,764,366**	**676,687**

The line "Other revenues" includes the gain related to the Politub acquisition: gain from the valuation of the initial shareholding amounting to RON 1,460,841 and the negative goodwill amounting to RON 1,045,263. For details, see note 15.

6. RAW MATERIALS, CONSUMABLES USED AND COMMODITIES

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Raw material expenses	257,553,283	218,478,383
Consumable expenses	15,570,250	14,856,741
Commodity expenses	39,505,799	33,687,942
Consumed packaging	714,728	809,840
Total	**313,344,060**	**267,832,906**

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7. OTHER GAINS AND LOSSES

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Revenues from the disposal of the tangible and intangible assets	485,130	95,961
Expenses with the disposal of tangible and intangible assets	(402,763)	(213,144)
Gain from revaluation of tangible assets	-	79,163
Net loss from the disposal/revaluation of tangible and intangible assets	**82,367**	**(38,020)**
Gain from the fair value measurement of investment properties	-	229,846
Loss on fair value measurement of investment properties	**(335)**	(37,961)
Net gain/(loss) from valuation of investment properties at fair value	**(335)**	**191,885**

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Expenses with non-current assets impairment	(1,319,067)	(340,117)
Revenues from reversal of non-current assets impairment	439,906	549,531
Amortization and depreciation expenses	(18,221,194)	(15,846,959)
Net adjustments for non-current assets impairment	**(19,100,355)**	**(15,637,545)**
Inventory impairment expenses	(4,283,633)	(2,540,990)
Revenues from inventory impairment reversal	2,321,429	1,145,041
Net adjustments for inventory impairment	**(1,962,204)**	**(1,395,949)**
Expenses with current assets impairment	(1,433,685)	(3,301,687)
Revenues from current assets impairment reversal	3,015,601	5,059,787
Current receivables charged to expenses	(1,101,303)	(3,229,151)
Net adjustments for current assets impairment	**480,613**	**(1,471,051)**
Provisions expenses	(125,164)	(777,446)
Revenues from provisions reversal/cancellation	2,739,616	817,358
Net adjustments for provisions	**2,614,452**	**39,912**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
	RON	RON
Wages	31,261,109	26,159,827
Contributions to the public social security fund	7,337,821	6,586,388
Meal tickets	1,749,071	1,300,292
Total	**40,348,001**	**34,046,507**

10. OTHER EXPENSES

	Year ended 31 December 2017	Year ended 31 December 2016
	RON	RON
Transport costs	13,686,868	13,964,878
Expenses with utilities	5,915,044	5,606,316
Expenses with third party services	9,401,977	6,152,810
Expenses with compensations, fines and penalties	52,367	58,121
Entertainment, promotion and advertising expenses	2,415,770	1,633,217
Other general expenses	3,785,962	3,893,522
Expenses with other taxes and duties	1,171,398	1,001,942
Repair expenses	1,623,646	1,195,831
Travelling expenses	1,032,822	935,667
Rent expenses	691,475	536,223
Mail and telecommunication expenses	566,723	460,865
Insurance premium expenses	912,582	1,222,907
Total	**41,256,634**	**36,662,299**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

11. INCOME TAX

The total expense for the year may be reconciled with the accounting profit as follows:

	Period ended 31 December 2017	Period ended 31 December 2016
	RON	*RON*
Profit before tax	**20,011,711**	**45,132,970**
Income tax calculated at 16% (2016: 16%)	3,201,874	7,221,275
Items assimilated to income	338,307	56,096
Deductions	(2,567,027)	(2,520,081)
Not taxable income	(3,301,901)	(1,640,024)
Non-deductible expenses	5,915,866	4,091,846
Sponsorship (tax credit)	(748,737)	(1,492,313)
Total income tax at the effective rate 14% (2016:12.7%)	**2,838,382**	**5,716,799**
Current income tax recognized in the profit and loss account - expense	3,155,658	6,266,408
Deferred income tax – revenue	(317,276)	(549,609)
Total income tax - expense	**2,838,382**	**5,716,799**

The tax rate applied for the reconciliation mentioned above related to 2017 and 2016 is 16% and is payable by Romanian legal entities.

TeraSteel Serbia recorded fiscal loss during the first year of activity. The taxation rate in Serbia is 10% and the fiscal loss may be carried forward for five years.

The components of the net deferred tax liabilities

2016	**Opening balance**	**Recorded in the income statement**	**Charged to the revaluation reserve**	**Closing balance**
	RON	**RON**	**RON**	**RON**
Tangible and intangible assets and investment properties	(4,557,019)	353,678	(95,465)	(4,298,806)
Investments in subsidiaries	392,000	(15,179)	-	376,821
Employee benefit liabilities	44,628	72,729	-	117,357
Trade and similar payables	138,380	138,380	-	276,760
Net liabilities with deferred tax recognized	**(3,982,011)**	**549,609**	**(95,465)**	**(3,527,868)**

According to the Romanian tax legislation, the tax loss may be carried forward for seven years for the tax losses recorded after 1 January 2009, starting with the year when they occurred.

2017	**Opening balance**	**Recorded in the income statement**	**Closing balance**
	RON	**RON**	**RON**
Tangible and intangible assets and investment properties	(4,298,806)	99,144	(4,199,662)
Inventories	-	-	-
Investments in subsidiaries	376,821	23,103	399,924
Employee benefit liabilities	117,357	2,088	119,445
Trade and similar payables	276,760	196,071	472,831
Net liabilities with deferred tax recognized	**(3,527,868)**	**320,406**	**(3,207,462)**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment and vehicles	Installations and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
COST						
Balance as at 1 January 2016	**9,363,522**	**64,532,109**	**174,912,704**	**1,469,168**	**3,087,769**	**253,365,272**
Increases:	-	-	256,348	-	13,016,196	13,272,544
Out of which:						
Increases from the internal production of assets	-	-	-	-	1,240,942	1,240,942
Increases from value adjustments with impact on reserves	456,759	2,807,124	-	-	-	3,263,883
Increases from revaluation with impact in profit and loss	-	79,163	-	-	-	79,163
Transfers in/from tangible assets in progress	-	690,573	11,140,840	65,289	(11,894,031)	2,671
Transfers from inventory items	-	-	41,676	-	-	41,676
Transfers – investment properties	1,659,152	892,913	-	-	-	2,552,065
Elimination of accumulated depreciation	(1,037)	(6,128,890)	-	-	-	(6,129,927)
Elimination of revaluation amortization	-	(1,028,027)	-	-	-	(1,028,027)
Disposals and other decreases	-	(6,493)	(1,711,210)	(41,802)	(111,629)	(1,871,134)
Balance as at 31 December 2016	**11,478,397**	**61,838,472**	**184,640,358**	**1,492,654**	**4,089,305**	**263,548,186**
Balance as at 1 January 2017	**11,478,397**	**61,838,472**	**184,640,358**	**1,492,654**	**4,089,305**	**263,548,186**
Increases:	1,095,000	23,254,245	17,807,621	156,795	29,445,440	71,759,102
Out of which:						
Increases from Politub	1,095,000	5,205,210	10,270,811	35,471	-	16,606,492
Increases from the internal production of assets	-	-	-	-	2,855,664	2,855,664
Transfers in/from tangible assets in progress	-	9,505,876	18,307,961	78,946	(27,892,784)	-
Transfers to non-current assets held for sale	(156,965)	(535,514)	-	-	-	(692,478)
Increases/(decreases) from value adjustments with impact on reserves	144,534	-	-	-	-	144,534
Disposals and other decreases	-	(2,392,901)	(1,669,703)	(44,138)	(299,000)	(4,405,742)
Balance as at 31 December 2017	**12,560,965**	**91,670,179**	**219,086,237**	**1,684,258**	**4,394,299**	**330,344,601**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment	Installations and furniture	Tangible assets in progress	Total
	RON	RON	RON	RON	RON	RON
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2016	**692**	**9,095,617**	**113,299,996**	**904,252**	**-**	**123,300,557**
Depreciation recorded during the year	345	2,416,281	13,115,377	134,506	-	15,217,176
Elimination of accumulated depreciation for revalued assets	(1,037)	(6,128,890)	-	-	-	(6,129,927)
Elimination of depreciation for NBV revaluation	-	(1,028,027)	-	-	-	(1,028,027)
Disposals and decreases	-	(3,195)	(1,289,165)	(41,807)	-	(1,334,167)
Impairment	-	(297,391)	80,727	-	-	(216,664)
Transfers to/from other fixed asset categories	-	-	-	-	-	-
Transfers from inventory items	-	-	41,676	-	-	41,676
Balance as at 31 December 2016	**-**	**4,054,395**	**124,800,786**	**995,443**	**-**	**129,850,624**
Balance as at 1 January 2017	-	**4,885,579**	**124,800,786**	**995,443**	**-**	**129,850,624**
Depreciation recorded during the year	346	3,241,780	14,340,091	158,931	-	17,741,149
Disposals and decreases	-	(2,342,257)	(1,618,847)	(41,875)	-	(4,002,979)
Impairment	-	(363,877)	278,145	-	964,893	879,161
Transfers to non-current assets held for sale active	-	(39,263)	-	-	-	(39,263)
Balance as at 31 December 2017	**346**	**4,550,778**	**137,800,175**	**1,112,499**	**964,893**	**144,428,691**
NET CARRYING AMOUNT						
Net carrying amount as at 1 January 2017	**11,478,396**	**57,784,077**	**59,839,572**	**497,212**	**4,098,305**	**133,697,562**
Net carrying amount as at 31 December 2017	**12,560,619**	**87,119,401**	**81,286,061**	**571,759**	**4,378,069**	**185,915,910**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2016, in accordance with the accounting policy, land and building measured at revalued cost were revalued based on the valuation report prepared by external valuator.
The valuation method used for land were those of market value while for buildings the cost method adjusted with the effect of income and market comparison methods, where applicable.

Land locations, surface and valuation is presented below:

Teraplast SA				Terasteel SA			
	Surface	Value			Surface	Value	
Location	sq.m.	EUR/sq.m.	RON	Location	sqm	EUR/sq.m.	RON
Saratel	143,500	5	3,265,190	Sieu Magherus	56,400	4	1,011,748
Otopeni	4,472	82	1,659,152	Bistrita	4,463	14	280,213
Brasov	29,798	27	3,675,212				
Galati	10,000	3.5	156,964				

The buildings of Teraplast SA are located mainly at the production site in Saratel, in Otopeni and Oradea where warehouses are located. The buildings of Terasteel SA are located at factory premises in Sieu Magherus.

The tangible assets include vehicles and equipment used as part of finance lease contracts, and include technical equipment and machinery, as follows:

	31 December 2017 RON	31 December 2016 RON
Net value – vehicles	1,596,803	1,663,674
Net value – equipment	1,935,867	4,930,805
Total	**3,532,670**	**6,594,479**

As at 31 December 2017, the Group had pledged in favor of financial institutions non-current assets and investment properties with a net carrying amount RON 85,989,237 (31 December 2016: RON 72,986,956).

The land and buildings were revalued as at 31 December 2016. The Group management decided they represented a single class of assets for fair value revaluation purposes under IFRS 13. This analysis took into consideration the characteristics and risks associated to the revalued properties.

As at 31 December 2017, the management analyzed, together with an authorizer valuator, whether a new revaluation of land and buildings was necessary. Because the differences between the fair value and the carrying amount would be insignificant, the management decided not to perform a new revaluation of the Group land and buildings.

The Group signed a promise to sell certain assets held in Galati (land and buildings) with a net carrying amount RON 653,215. According to IFRS 5, these assets were reclassified as at 31 December 2017 from tangible assets into assets held for sale and were valued at the classification date at the lower of the net carrying amount and the fair value minus the cost to sell.

The impairment adjustments set in 2017 related to assets not used. As at 31 December 2017, the Group had specific recorded impairment adjustments for tangible assets in an amount RON 3,083,857 (2016: RON 4,377,422).

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13. INTANGIBLE ASSETS

	Licenses and other intangible assets	Intangible assets in progress	Total
	RON	RON	RON
Cost			
Balance as at 1 January 2016	**5,161,665**	**195,575**	**5,357,240**
Increases	100,245	629,086	**729,331**
Transfers	810,606	(810,606)	**-**
Disposals and other decreases	(42,318)	(7,437)	**(49,755)**
Balance as at 31 December 2016	**6,030,198**	**6,618**	**6,036,816**
Balance as at 1 January 2017	**6,030,198**	**6,618**	**6,031,377**
Increases, out of which:	482,882	287,110	**769,992**
Politub acquisition	2,680	-	2,680
Transfers	290,631	(290,631)	**-**
Disposals and other decreases	(17,542)	-	**(17,542)**
Balance as at 31 December 2017	**6,786,169**	**3,097**	**6,789,266**
Cumulated amortization			
Balance as at 1 January 2016	**4,277,715**	**-**	**4,277,715**
Amortization expense	429,687	-	429,687
Decreases	(42,189)	-	(42,189)
Balance as at 31 December 2016	**4,665,213**	**-**	**4,665,213**
Balance as at 1 January 2017	**4,665,213**	**-**	**4,665,213**
Amortization expense	479,245	-	**479,245**
Decreases	(17,542)	-	**(17,542)**
Balance as at 31 December 2017	**5,126,916**	**-**	**5,126,916**
Net carrying amount			
As at 31 December 2016	**1,364,984**	**6,618**	**1,371,603**
As at 31 December 2017	**1,659,253**	**3,097**	**1,662,350**

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14. INVESTMENT PROPERTIES

Investment properties include the following items:

- The Group holds a piece of land and a building, located in Romana Street, Bistrita (previously used for the head office). Starting 2012, the final purpose of the land was to be held in order to obtain an increase in its value and to be subsequently materialized through sale. As a result, the land was classified in January 2012 as an investment property.
- The piece of land took over from SC Teracota Bistrita SRL (after it became bankrupt) is held in order to obtain an increase in its value and to be subsequently materialized through sale. As a result, the land was classified in December 2012 as an investment property, being valued at fair value as of that date;
- The Group holds land and buildings (previously used as regional warehouses) in Oradea and Constanta. In September 2013 (Bucharest), November 2013 (Oradea) and January 2013 (Constanta), the management decided that the final purpose of these land and buildings was to be held in order to obtain an increase and value and to be subsequently materialized through sale. As a result, the land and buildings were classified in 2013 as investment properties. In 2016 the management decided to use for the company's purposes the buildings and lands from Bucharest. As such, they were transferred from investment property to land and buildings in PP&E.
- Starting 31 March 2015, the buildings and land located in Bistrita, Tarpiului 27A Street, which were the object of a premises rental contract concluded with Teraglass Bistrita SRL, were reclassified as investment properties. As at 31 March 2015, the initial recognition date, the valuation results were recorded as per IAS 16, and, as at 31 December 2015, they were recognized in profit and loss, as appropriate.
- As at 31 October 2016, the land and buildings located at Otopeni, Ilfov County which were previously subject to a rental contract, were reclassified from investment properties to property, plant and equipment, and the results of the revaluation report dated 31 December 2016 were treated according to IAS 16.

As at 31 December 2017 and 2016, the fair value of investment properties is based on the valuation report prepared by an independent valuator and the impact of this valuation was charged to the profit and loss account. The valuation methods used are compliant with the International Valuation Standards.

For land, the valuation performed considered the market comparison approach, as follows:

Price per square meter for land range: EUR 31-125 /sq. m.

Fair value of buildings resulting from the income approach as follows:

Rent for industrial and commercial premises	EUR 1.5-2.5 /sq. m.
Non occupancy rate for logistic and industrial premises	5 – 15%
Average rate of return for Category II Cities (locations)	9 – 10 %
Average rate of return for Category III Cities (locations)	9.5 – 10.5%

	Year ended 31 December 2017 RON	Year ended 31 December 2016 RON
Opening balance at 1 January	**9,755,015**	**12,115,195**
Reclassifications (in)/from tangible assets	-	(2,552,065)
Additions/(disposals)	36,888	-
Net variation from valuation of investment properties at fair value (Note 7)	(335)	191,885
Closing balance at 31 December	**9,791,568**	**9,755,015**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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15. SUBSIDIARIES AND OTHER FINANCIAL INVESTMENTS (continued)

The fair value of the assets and liabilities of Politub SA at purchase date were:

	30 September 2017
	RON
Non-current assets	17,131,580
Inventories	5,138,803
Trade and other receivables	10,173,450
Cash and cash equivalents	2,942,665
	35,386,498
Trade and other payables	9,929,496
Provisions	501,976
	10,431,472
Total net assets at fair value	**24,955,026**
Fair value of 50% of the net assets purchased	12,477,513
Purchase cost for the remaining 50%	11,432,250
Negative goodwill	**1,045,263**
Fair value of the 50% investment premium	12,477,513
The book value of the 50% investment	11,016,673
Gain from the valuation of the initial investment	**1,460,841**

From the date of taking over the control, Politub SA has contributed with a turnover of RON 6,982 thousand and a gross profit of RON 114 thousand to the Group's results. Had Politub SA been taken over at the beginning of the financial year, it would have contributed a turnover of RON 29,195 mii RON and a gross loss of RON 1,713 thousand to the Group's results.

The transaction has generated costs of approximately RON 332 thousand related to financial, legal consulting and other notary services provided for completing the transaction. They were recognized in other third party services (Note 10).

The entire amount of RON 11,432 thousand was paid at the balance sheet date and there are no other commitments or contingencies related to this transaction.

The gain obtained from the transaction was owed to the wish of the former partner to leave the Romanian market, as it is no longer a market of interest.

Other long-term financial investments

Details concerning other financial investments of Teraplast SA are the following:

Investment name	Country	Investment share	31 December 2016	Investment share	31 December 2017
		%	RON	%	RON
CERTIND SA	Romania	7.50%	14,400	7.5%	14,400
Partnership for sustainable development	Romania	7.14%	1,000	7.14%	1,000
Tera Tools SRL	Romania	24%	72	24%	72
		-	**15,472**	**-**	**15,472**

The CERTIND Company is an independent certification body accredited by the Greek Accreditation Body – ESYD for the following certification services: certification of quality management systems according to ISO 9001, certification of environment management systems according to ISO 14001, certification of food safety management systems according to ISO 22000.

Teraplast SA did not undertake any obligations and did not make any payment on behalf of the entities in which it holds securities in the form of investments.

The other Group companies do not have any financial investments.

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16. JOINTLY-CONTROLLED ENTITY and ASSOCIATED ENTERPRISE

Until September 2017, the Group held 50% of the shares of a jointly controlled entity - Politub SA, with the head office in Bistrita, Romania. Politub's main activities include the production of medium and high density polyethylene pipes for water and natural gas transport/transmission and distribution networks, but also for telecommunications, sewerage systems or irrigations. As of 31 December 2016, the investment in Politub SA was accounted for using the equity method.

In 2017, Politub SA distributed dividends to the Teraplast Group amounting to RON 813,119 (2016: RON 4,000,000).

Starting with October 2017, Teraplast SA became the major shareholder of Politub SA, holding 99.99%. After taking over the control of Politub SA, the Group has registered gains of RON 1,045,263 as positive difference between the paid price and the fair value of the net assets taken over.

Following the valuation of the initial investment in Politub SA, a gain of RON 1,461 thousands was registered in other operating income (Note 15 and Note 5).

As of 30 June 2017, Teraplast has concluded the transaction of purchasing 50% of Depaco SRL. The transaction was completed after its approval by the Shareholders' General Meeting of Teraplast SA and receiving the approval from the Romanian Competition Council.

In 2017, the Company has concluded agreements for the purchase of an additional investment of 17% din Depaco. TeraPlast took control of Depaco in January 2018, after obtaining the favorable approval of the Competition Council and registering the additional holding of 17% with the Trade Register.

Also in 2017, Teraplast has concluded a sale-purchase promise with the minority shareholders of Depaco, for the rest of their investment up to 100% of the company. The transaction will be carried out within 4 years at most, for a price correlated with Depaco's results in the following years.

As of 31 December 2017, this option is not reflected in the Company's balance sheet, because its exercising is also conditioned by the approval by the Competition Council for sole control, approval which was obtained in January 2018.

The investment in Depaco SRL was initially recognized at purchase cost. The value of the investment is adjusted to recognize the investment of Teraplast Group in the result of the associate at the purchase date. The goodwill related to the associate is included in the investment value and it is not tested for impairment separately. The Group will assess the fair value of the investment during the 12 month period until obtaining the control.

The summary financial information of the joint venture, Politub SA, as of 31 December 2016, and of the associated enterprise, Depaco SRL, as of 31 December 2017, based on the IFRS financial statements and the reconciliation with the balance of the investments according to the consolidated financial statements are detailed below:

Balance Sheet

	31.12.2016	**31.12.2017**
	RON	**RON**
Non-current assets	15,117,646	29,318,520
Current assets, including cash and short-term deposits	19,479,372	60,237,819
Current liabilities	5,691,831	40552,664
Long-term liabilities	3,546,245	7,372,412
Total equity	**25,358,542**	**41,631,261**
Group's interest in jointly-controlled entity	50%	50%
Group share in the net assets of the joint venture	12,685,958	20,815,631

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

16. JOINTLY-CONTROLLED ENTITY and ASSOCIATED ENTERPRISE (continued)

Following the purchase of the investment in Depaco SRL, goodwill amounting to RON 19,512,494 is included in the investment value as of 31 December 2017. Group management did not identify indicators of impairment concerning the investment in Depaco SRL.

		Depaco	Politub
		1.07-31.12	1.01-30.09
	2016	2017	2017
Profit and loss account	**RON**	**RON**	**RON**
Revenue	49,014,160	113,204,308	22,195,865
Cost of goods sold and of services rendered	(46,762,369)	(100,325,198)	(21,375,366)
General administration expenses	(344,769)	(9,279,852)	(2,460,161)
Financial loss	(155,547)	(345,087)	(72,671)
Profit/(loss) before tax	**1,751,475**	**3,706,513**	**(1,712,333)**
Income tax expense	(249,957)	(393,543)	-
Profit/(loss) for the year	**1,501,518**	**2,860,627**	**(1,712,333)**
Group's interest in jointly-controlled entity	50%	50%	50%
Group's share of the joint venture's profit	750,759	1,430,313	(856,166)
Group's share of the joint venture's comprehensive income	-	-	-
Effect on the investment value	**750,759**	**1,430,313**	**(856,166)**

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17. INVENTORIES

	31 December 2017	31 December 2016
	RON	RON
Finished goods	40,509,329	25,576,825
Raw materials	55,406,294	32,903,781
Commodities	7,047,070	3,881,949
Consumables	2,655,109	2,341,688
Inventory items	234,237	203,891
Semi-finished goods	711,610	824,489
Residual products	288,142	148,219
Goods to be purchased	1,212,587	1,035,560
Packaging	189,869	142,225
Inventories – gross value	**108,254,247**	**73,349,461**

	31 December 2017	31 December 2016
	RON	RON
Value adjustments for raw materials and consumables	(2,168,156)	(2,714,316)
Value adjustments for finished products	(4,730,950)	(2,718,773)
Value adjustments for merchandise	(890,543)	(857,745)
Total value adjustments	**(7,789,649)**	**(6,290,834)**
Total inventories – net value	**100,464,598**	**67,058,627**

The value adjustments are made for all categories of inventory (see above), using both general methods and specific methods according to their age and analyses on the chances to use them in the future. The categories of inventories with the age of one year or above which did not have any movements in the past year are 100% adjusted.

The Group's inventories are pledged in favor of financing banks.

18. TRADE AND OTHER RECEIVABLES

Other short-term receivables

	31 December 2017	31 December 2016
	RON	RON
Trade receivables	96,849,345	77,250,729
Advances paid to suppliers of assets	3,233,906	851,042
Advances paid to suppliers of inventories and services	1,463,081	4,335,894
Advances paid to employees	1,199	(1,102)
Other receivables	5,512,526	1,687,775
Adjustments for trade receivables impairment	(17,293,076)	(18,205,487)
Total	**89,766,981**	**65,918,851**

Other receivables include the amount of RON 4,529,020 (2016: 320,215) representing VAT recoverable.

Other long-term receivables/Advance payments

Other long-term receivables include the amount of RON 10,623,134 representing payments related to the additional investment of 17% in Depaco; the actual transfer of Depaco's shares was registered with the Trade Register in January 2018, after receiving the Competition Council's approval (Note 16).

The Group's receivables are pledged in full in favor of financing banks.

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18. TRADE AND OTHER RECEIVABLES (continued)

The changes in adjustment for impairment on doubtful receivables

	31 December 2017	31 December 2016
	RON	RON
Balance at the beginning of the year	**(18,205,487)**	**(19,268,180)**
Receivables transferred to expenses during the year	1,101,303	310,383
Impairment adjustment charged to profit and loss for trade receivables	(188,892)	752,310
Balance at the end of year	**(17,293,076)**	**(18,205,487)**

When determining the recoverability of a receivable, the Group takes into consideration any change in the crediting quality of the concerned receivable starting with the credit granting date until the reporting date. The concentration of the credit risk is limited taking into consideration that the client base is large, but they are not related to each other. As a result, the Group management is of the view that no adjustment for impairment for credits is needed in addition to the adjustment for doubtful receivables.

19. SHARE CAPITAL

	31 December 2017	31 December 2016
	RON	RON
Common shares paid in full	85,691,097	56,643,266
Total	**85,691,097**	**56,643,266**

As at 31 December 2017, the value of the share capital called-up and paid up of the Company included 856,910,970 authorized shares, issued and paid in full, at a value RON 0.1 and having a total nominal value of RON 85,691,097. Common shares bear a vote each and give the right to dividends.

On 03 July 2017, the Financial Supervisory Authority has issued the Securities Registration Certificate no. AC-3420-5/03.07.2017 related to the increase of the share capital approved through the Decision of the Extraordinary Shareholders' General Meeting of Teraplast S.A. no.1 from 27 April 2017, with the amount of RON 29,047,831, through the issue of 290,478,310 new shares, having a nominal value of RON 0.1/share.

On 28 April 2016, the ESGM decision approved the share capital increase with the amount of RON 18,881,089 through the issuance of 188,810,890 new shares, with the nominal value of RON 0.01/share. The share capital increase was done by including reserves amounting to RON 18,881,589, consisting in the net profit of 2015.

The share capital increases were registered with the Bistrita Nasaud Trade Register through the Certificate confirming the Company Details no. 2853/09 February 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-3 from 24 February 2016 and with the Bistrita Nasaud Trade Register through the Certificate confirming the Company Details no. 10589/16 May 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-4 of 07 July 2016, respectively.

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19. SHARE CAPITAL (continued)

Shareholding structure

	31 December 2016		31 December 2017	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	264,955,049	46.78%	400,957,648	46.79%
Viciu Emanoil	25,891,150	4.57%	38,004,202	4.44%
Marley Magyarorszag (Gemencplast Szekszard)	44,874,446	7.92%	67,886,984	7.92%
SILVANIA CENTER SA	18,806,296	3.32%	-	-
KJK Fund II Sicav-SIF	56,863,685	10.04%	86,024,551	10.04%
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	37,707,112	6.66%	57,044,094	6.66%
LCS IMOBILIAR SA			27,222,044	3.18%
Other individuals and legal entities	117,334,922	20.72%	179,771,447	20.98%
Total	**566,432,660**	**100%**	**856,910,970**	**100%**

Treasury shares

	thousands	RON
As of 31 December 2016	**1,159**	**512,707**
Repurchase of own shares, net of exercising the options	504	150,689
As of 31 December 2017	**1,663**	**663,396**

The share options exercised each year have been settled using the Company's treasury shares. The reduction of the equity component represented by treasury shares is equal to the cost covered to purchase the shares.

For further details concerning share-based benefits, see Note 33.

20. LEGAL RESERVES

	31 December 2017	31 December 2016
	RON	RON
Opening balance	12,407,036	9,853,112
Increases / (decreases) in the period	1,531,986	2,553,924
Total	**13,939,022**	**12,407,036**

The legal reserve is used for transferring the profits to retained earnings. According to the Romanian legislation, a transfer from the net profit of the Group is needed. The transfer may account up to 5% of the profit before tax, until the reserve becomes 20% of the share capital.

The reserve cannot be distributed to the shareholders, but it may be used in order to absorb operating losses, and, in this case, it becomes taxable starting the date when it was set. The management does not intend to use the legal reserve in order to cover accounting losses carried forward.

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21. RETAINED EARNINGS

	31 December 2017 RON	31 December 2016 RON
Balance at the beginning of the year	**98,473,824**	**97,590,866**
Increase in share capital	**(29,047,831)**	**(27,755,678)**
Legal reserve setting	(1,531,986)	(2,553,924)
Net result attributable to the members of the parent Group	18,414,553	39,281,595
Realized revaluation reserve	2,089,708	-
Dividends granted	(9,764,560)	(7,930,057)
Other equity elements	(321,288)	(158,979)
Losses related to the sale of own shares	(61,727)	-
Balance at the end of year	**77,269,112**	**98,473,824**

22. NON-CONTROLLING INTERESTS

	31 December 2017 RON	31 December 2016 RON
Balance at the beginning of the year	**334,698**	**200,122**
Result for the year	332,509	134,576
Dividends	(191,848)	-
Acquirement of non-controlling interests	-	-
Other items	14,121	-
Balance at the end of year	**489,480**	**334,698**

As of 31 December 2017 and 2016, non-controlling interests consist of 2.05% holdings in Terasteel SA.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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23. LOANS

	Short-term		Long-term	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
BRD	-	1,581,058	-	5,530,623
Unicredit Tiriac Bank	-	1,897,254	-	4,074,496
Porsche Bank	41,398	352,401	7,392	48,724
Transilvania Bank	53,945,847	9,999,299	74,262,300	-
Raiffeisen Bank	3,741,922	-	-	-
Leases (see Note 27)	1,049,226	2,089,102	698,355	850,980
Total	**58,878,393**	**15,919,114**	**74,968,047**	**10,504,823**

The classification of loans according to the currencies is as follows:

Currency	**2017**	**2016**
EUR	-	2,117,992
RON	133,746,440	23,305,945
Total	**133,746,440**	**26,423,937**

The distribution of bank loans per companies is as follows:

	Short-term		Long-term	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Teraplast SA	42,475,727	3,662,795	73,084,383	8,642,715
Terasteel SA	14,359,779	10,167,217	534,517	1,011,128
Teraglass SRL	893,661	-	650,792	-
Total	**57,729,167**	**13,830,012**	**74,269,692**	**9,653,843**

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23. LOANS (continued)

Bank loans as of 31 December 2017 are the following:

Teraplast SA

Financing bank	Financing type	Date granted	Curr.	Maximum amount granted	On balance as of 31 December 2016 In contract currency	On balance as of 31 December 2016 RON equivalent	On balance as of 31 December 2017 In contract currency	On balance as of 31 December 2017 RON equivalent	Short-term as of 31 December 2017	Long-term as of 31 December 2017	Period
BRD	Investments	24.05.2016	RON	RON 13,500,000	5,142,068	5,142,068	-	-	-	-	60 MONTHS
BRD	Working capital	10.04.2010	EUR	EUR 1,500,000 to be used in RON	174	174	-	-	-	-	12 MONTHS
UNICREDIT	Investments	05.02.2015	EUR	EUR 2,000,000 to be used in RON	5,971,749	5,971,749	-	-	-	-	60 MONTHS
BANCA TRANSILVANIA	Working capital	20.08.2016	RON	RON 13,250,000	835,877	835,877	-	-	-	-	12 MONTHS
BANCA TRANSILVANIA	Working capital	07.06.2017	RON	RON 41,200,000	-	-	25,969,682	25,969,682	25,969,682	-	12 MONTHS
BANCA TRANSILVANIA	Investments	20.04.2017	RON	RON 27,500,000	-	-	12,043,485	12,043,485	1,477,796	10,565,689	84 MONTHS
BANCA TRANSILVANIA	Investments	07.06.2017	RON	RON 32,900,000	-	-	32,900,000	32,900,000	4,700,000	28,200,000	84 MONTHS
BANCA TRANSILVANIA	Investments	19.07.2017	RON	RON 15,663,934	-	-	15,663,934	15,663,934	1,305,328	14,358,606	84 MONTHS
BANCA TRANSILVANIA	Investments	24.07.2017	RON	RON 4,630,000	-	-	4,644,469	4,644,469	831,528	3,812,941	60 MONTHS
BANCA TRANSILVANIA	Investments	31.07.2017	RON	RON 1,885,363	-	-	10,730,255	10,730,255	2,410,501	8,319,754	60 MONTHS
BANCA TRANSILVANIA	Investments	07.11.2017	RON	RON 9,775,000	-	-	9,832,529	9,832,529	2,012,529	7,820,000	60 MONTHS
RAIFFEISEN	Working capital	01.07.2017	RON	RON 19,000,000	-	-	3,741,922	3,741,922	3,741,922	-	12 MONTHS
PORSCHE	Investments	28.11.2013	RON	RON 1,189,532	293,737	293,737	-	-	-	-	48 MONTHS
PORSCHE	Investments	31.03.2015	RON	RON 111,596	61,904	61,904	33,835	33,835	26,443	7,392	48 MONTHS
TOTAL					**12,305,509**	**12,305,509**	**115,417,664**	**115,417,664**	**42,475,727**	**73,084,383**	

Terasteel SA

Financing bank	Financing type	Date granted	Curr.	Maximum amount granted	On balance as of 31 December 2016 In contract currency	On balance as of 31 December 2016 RON equivalent	On balance as of 31 December 2017 In contract currency	On balance as of 31 December 2017 RON equivalent	Short-term as of 31 December 2017	Long-term as of 31 December 2017	Period
BRD	Investments	21.02.2012	EUR	EUR 1,200,000	456,958	2,037,634	-	-	-	-	84 MONTHS
BANCA TRANSILVANIA	Working capital	20.09.2017	RON	RON 18,000,000	9,163,422	9,163,422	13,737,396	13,737,396	13,737,396	-	12 MONTHS
BANCA TRANSILVANIA	Investments	30.11.2017	RON	RON 1,212,544	-	-	1,141,941	1,141,941	607,272	534,516	12 MONTHS
PORSCHE	Investments	29.11.2013	RON	RON 59,936	14,793	14,793	-	-	-	-	12 MONTHS
PORSCHE	Investments	23.12.2014	RON	RON 61,816	30,691	30,691	14,956	14,956	14,956		12 MONTHS
TOTAL						**11,246,540**	**14,894,293**	**14,894,293**	**14,359,777**	**534,516**	

TERAGLASS SRL

Financing bank	Financing type	Date granted	Curr.	Maximum amount granted	On balance as of 31 December 2016 In contract currency	On balance as of 31 December 2016 RON equivalent	On balance as of 31 December 2017 In contract currency	On balance as of 31 December 2017 RON equivalent	Short-term as of 31 December 2017	Long-term as of 31 December 2017	Period
BANCA TRANSILVANIA	Working capital	07.12.2017	RON	3,000,000	-	-	878,245	878,245	878,245	-	12 MONTHS
BANCA TRANSILVANIA	Investments	07.12.2017	RON	740,000	-	-	666,208	666,208	15,416	650,792	60 MONTHS
TOTAL							**1,544,453**	**1,544,453**	**893,661**	**650,792**	

The financial covenants agreed with the main financing bank, Banca Transilvania, were met as of 31 December 2017.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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24. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

	Short-term		Long-term	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RON	RON	RON	RON
Employee benefits	-	-	320,836	351,936
Provisions for risks and expenses	975,446	3,056,820	-	-
Total	**975,446**	**3,056,820**	**320,836**	**351,936**

The Group has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Group when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis.

The latest actuarial valuations were performed on 31 December 2017 by Mr. Silviu Matei, a member of the Romanian Actuarial Institute. The present value of the defined benefit obligations and the current and past costs of related services have been measured using the projected unit credit method.

Employee benefits	31 December 2017	31 December 2016
	RON	RON
Opening balance	351,936	295,226
Movements	(31,100)	56,710
Closing balance	**320,836**	**351,936**

Current provisions	31 December 2016	Net movements	31 December 2017
	RON	RON	RON
Provisions for environmental expenses	2,097,979	(1,404,377)	693,603
Provisions for litigation	557,710	(547,710)	10,000
Other provisions	401,130	(129,287)	271,843
Closing balance	**3,056,820**	**(2,186,370)**	**975,446**

Teraplast SA has set provisions for sundry expenses related to environmental protection, being probable that certain obligations generated by prior events of the entity would determine an outflow of resources. Furthermore, the Company has set provisions for different litigations incurred as normal part of the business.

The provision for environmental expenses was partially reversed because the event that would have generated the risk has become time-barred. The reversed provision for litigations relates to a labor accident; the trial settled without any obligations for the Company.

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25. TRADE AND OTHER PAYABLES

	31 December 2017	31 December 2016
	RON	RON
Trade payables	66,864,762	42,033,133
Trade notes payable	1,172,128	1,135,134
Liabilities from the purchase of non-current assets	2,495,030	1,048,798
Other current payables (Note 26)	8,250,800	5,618,028
Advance payments from clients	7,402,253	3,205,932
Total	**86,184,973**	**53,041,025**

26. OTHER CURRENT LIABILITIES

	31 December 2017	31 December 2016
	RON	RON
Salary-related payables to employees and social security payables	5,349,242	3,281,271
VAT payable	1,506,578	823,848
Unclaimed employee rights	88,536	87,807
Sundry creditors	209,712	238,395
Deferred income	184,143	-
Commercial guarantees received	123,130	118,243
Other taxes payable	603,193	286,324
Dividends payable	186,265	737,892
Total	**8,250,799**	**5,573,780**

27. FINANCIAL LEASE OBLIGATIONS

Lease contracts

Finance leases relate to motor vehicles and equipment on lease periods of 5-6 years. The Group has the option of purchasing equipment for a nominal amount at the end of the contractual periods. The Group's obligations related to financial lease are guaranteed with the lessee's property right over the assets.

Finance lease liabilities

The fair value of finance lease liabilities is approximately equal to their carrying amount.

	Minimum lease payments		Discounted value of the minimum lease payments	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	RON	RON	RON	RON
Present value of minimum lease payments				
Amounts payable in one year	1,086,294	2,089,102	904,260	1,576,893
More than one year but less than five years	745,444	850,980	698,355	537,282
Above 5 years	-	-	-	-
Total lease liabilities	**1,831,738**	**2,940,082**	**1,602,615**	**2,114,175**
Minus future financial expenses	(84,157)	(73,747)	-	-
The current value of financial lease liabilities	**1,747,581**	**2,866,335**	**-**	**-**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

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28. FINANCIAL INSTRUMENTS

The risk management activity within the Group is performed in relation to financial risks (credit risk, market risk, geographic risk, foreign currency risk, interest rate risk and liquidity risk), operating risks and legal risks. The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

(a) Capital risks management

The Group manages its capital to ensure that the entities within the Group will be able to continue their activity and, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities and equity.

The structure of the Group capital consists in debts, which include the loans detailed in Note 24, the cash and cash equivalents and the equity attributable to equity holders of the parent Group. Equity includes the share capital, reserves and retained earnings, as detailed in Notes 19, 20, 21.

Managing the Group's risks also includes a regular analysis of the capital structure. As part of the same analysis, management considers the cost of capital and the risks associated to each class of capital. Based on the management recommendations, the Group may balance its general capital structure through the payment of dividends, by issuing new shares and repurchasing shares, as well as by contracting new liabilities and settling the existing ones.

Just as other industry representatives, the Group monitors the capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is represented by the total loans (including long-term and short-term loans as detailed on the balance sheet) less the cash and cash equivalents. Total capital represents "equity", as detailed on the consolidated balance sheet plus the net debt.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	2017	2016
	RON	RON
Total loans (Note 23)	133,746,440	26,423,937
Less cash and cash equivalents	(12,019,025)	(16,032,373)
Net debt	**121,730,638**	**10,391,564**
Total equity	**224,743,737**	**216,923,646**
Total equity and net debt	**346,474,375**	**226,980,514**
Gearing ratio	**35%**	**5%**

The Group is subject to capital requirements provided by the legal regulations in force governing the net-asset-to-share-capital ratio. The net asset, calculated as the difference between total assets and total liabilities must exceed 50% of the share capital amount. According to the Company Law 31/1990 as republished. When this requirement is not met, the administrators must immediately convene the Extraordinary General Meeting to decide on whether to increase the share capital or decrease the share capital by an amount at least equal to the losses that cannot be covered from the existing reserves, or to dissolve the company.

The Group met this requirement and did not require a share capital increase as at 31 December 2017 and 31 December 2016.

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28. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

The details on the main accounting policies and methods adopted, including the recognition criteria, measurement basis and revenue and expenses recognition basis, concerning each class of financial assets, financial liabilities and capital instruments are presented in Note 2 to the financial statements.

(c) Objectives of the financial risk management

The cash function of the Group provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyze the exposure to and extent of the risks. These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group activities expose it first to the financial risks related to the fluctuation of the exchange rates (see (d) below) and of the interest rate (see [f] below).

The Group management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group from the occurrence of potential losses beyond the foreseeable limits in case of significant fluctuations on the market. There was no change from the prior year in relation to the Group exposure to the market risks or to how the Group manages and measures its risks.

(e) Foreign currency risk management

The Group performs transactions expressed in different currencies. Hence, there is the risk of fluctuations in the exchange rate. The exposures to the exchange rate are managed according to the approved policies.

The Group is mainly exposed to the EUR-RON exchange rate. The table below details the Group sensitivity to a 10% increase and decrease of EUR against RON. 10% is the sensitivity rate used when the internal reporting on the foreign currency risk to the Group is done and it represents the management estimate on the reasonably possible changes in exchange rates. The sensitivity analysis only includes the remaining foreign currency expressed in monetary items and adjusts the conversion at the end of the period for a 10% change in exchange rates. In the table below, a negative value indicates a decrease in profit when the RON depreciates by 10% against the EUR. A 10% strengthening of the RON against the EUR will have an equal opposite impact on profit and other equity, and the balances below will be positive. The changes will be attributable to the exposure related to the loans, trade receivables and payables with foreign partners, and denominated in EUR at the end of the year.

	31 December 2017		31 December 2016	
	RON	RON	RON	RON
Profit or (loss)	1,496,014	(1,496,014)	831,177	(831,177)

The Group obtains revenues in EUR based on the contracts signed with foreign clients (as detailed in Note 4).

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28. FINANCIAL INSTRUMENTS (continued)

(f) Interest rate risk management

The interest-bearing assets of the Group, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Group's interest rate risk relates to its bank loans. The loans with variable interest rate expose the Group to the cash flow interest rate risk. The Group performed no hedging operation with a view to reducing its exposure to the interest rate risk.

The Group continuously monitors its exposure to the interest rate risk. These include simulating various scenarios, including the refinancing, discounting current positions, financing alternatives. Based on these scenarios, the Group estimates the potential impact of determined fluctuations in the interest rate on the profit and loss account. For each simulation, the same interest rate fluctuation is used for all models. These scenarios are only prepared for the debts representing the main interest-bearing positions.

The Group is exposed to the interest rate risk taking into account that the Group entities borrow funds both at fixed, and at floating interest rates. The risk is managed by the Group by maintaining a favorable balance between fixed rate and floating rate interest loans.

The Group's exposures to the interest rates on the financial assets are detailed in the section on liquidity risk management of this Note.

As at 31 December 2017, in the case of a 1% increase/decrease of the interest rate on loans, with all the other variables held constant, the net profit for the period would fluctuate as follows, mainly as a result of the higher/lower interest expenses on floating interest loans.

	31 December 2017		31 December 2016	
	RON	RON	RON	RON
Profit or (loss)	1,336,015	(1,336,015)	144,197	(144,197)

(g) Other price risks

The Group is not exposed to the equity price risks arising from equity investments. The financial investments are held for strategic purposes rather than commercial ones and are not significant. The Group does not actively trade these investments.

(h) Credit risk management

The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Group. The Group has adopted a policy of performing transactions only with trustworthy parties and of obtaining sufficient guarantees, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Group exposure and the credit ratings of third parties to contracts are monitored by the management.

Trade receivables consist in a high number of clients from different industries and geographical areas. The permanent credit assessment is performed in relation to the clients' financial condition and, when appropriate, a credit insurance is concluded.

The cash is held in financial institutions which, at the date when it is deposited, are considered to have the lowest reimbursement risk. The Group has policies limiting the value of the exposure for any financial institution.

The carrying amount of receivables, net of the provision for receivables, plus the cash and cash equivalents, are the maximum amount exposed to the credit risk. Although the receivable collection could be influenced by economic factors, the management considers there is no significant loss risk for the Group, beyond the provisions already recorded.

TERAPLAST SA
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28. FINANCIAL INSTRUMENTS (continued)

The Group considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analyzing the receivables individually and making impairment adjustments together with the client credit management department.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which have developed an appropriate liquidity risk management framework in terms of ensuring funding for the Group on the short, medium and long-term and managing liquidities. The Group manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities. Note 24 includes a list of additional facilities not drawn by the Company, which the Group has in order to further reduce the liquidity risk.

(j) Fair value of financial instruments

The financial instruments disclosed on the statement of financial position include trade and other receivables, cash and cash equivalents, short and long-term loans and other debts. The carrying amounts represent the maximum exposure of the Group to the credit risk related to the existing receivables.

The analysis of the trade receivables and of trade notes is as follows:

	31 December 2017	**31 December 2016**
	RON	**RON**
Not overdue	79,746, 379	51,682,587
Overdue, but not impaired	8,964,700	7,362,655
Impaired and provisioned in full	21,832,885	18,205,487
Total	**110,543,964**	**77,250,729**

(*) The adjustments are made following an individual analysis on the recoverability of the trade receivable balances.

Overdue, but not impaired:

	31 December 2017	**31 December 2016**
	RON	**RON**
Below 3 months	6,077,115	6,614,776
3 to 6 months	578,588	653,695
6 to 9 months	517,888	13,566
Above 9 months	1,791,109	80,618
Total	**8,964,700**	**7,362,655**

Receivables that are overdue, but not impaired, for more than 9 month are secured.

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

28. FINANCIAL INSTRUMENTS (continued)

Impaired and provisioned in full

	31 December 2017 RON	31 December 2016 RON
Below 6 months	788,301	1,848,264
6 to 12 months	1,494,797	506,522
Above 12 months	19,549,787	15,850,700
Total	**21,832,885**	**18,205,486**

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

28. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

The tables below detail the dates remaining until the maturity of the Group's financial liabilities.

The tables were prepared based on the undiscounted cash flows of the financial liabilities at the nearest date when is possible for the Group to be requested to pay. The table includes both the interest and the cash flows related to the capital.

2017	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Above 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(48,044,742)	(34,555,312)	(3,584,920)	-	-	-	**(86,184,973)**
Interest-bearing instruments							
Short and long-term loans	(292,667)	(1,940,085)	(56,545,642)	(46,077,055)	(22,829,355)	(7,061,637)	**(133,746,440)**
Future interest	(304,799)	(716,787)	(3,012,258)	(6,073,491)	(3,147,377)	(734,006)	**(13,988,719)**
Non-interest bearing							
Cash and cash equivalents	12,015,802	-	-	-	-	-	**12,015,802**
Receivables	47,667,812	40,513,843	1,585,322	-	-	-	**89,766,981**

2016	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Above 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(29,058,550)	(23,376,398)	(105,745)	(500,332)	-	-	**(53,041,025)**
Interest-bearing instruments							
Short and long-term loans	(1,308,327)	(3,924,458)	(10,597,089)	(7,572,566)	(3,021,497)	-	**(26,423,937)**
Future interest	(6,722)	(11,641)	(23,894)	(5,437)	-	-	**(47,694)**
Non-interest bearing							
Cash and cash equivalents	16,032,373	-	-	-	-	-	**16,032,373**
Receivables	33,325,727	29,581,343	2,931,162	20,784	59,835	-	**65,918,851**

The accompanying notes from 1 to 34 are an integral part of these consolidated financial statements.

29. RELATED PARTY TRANSACTIONS

The related and affiliated entities of the Company are as follows:

31 December 2016

Subsidiaries
Teraglass Bistrita SRL
Terasteel SA
Politub SA
Teraplast Group SRL
Teraplast Logistic SRL
Teraplast Hungaria

Related entities (shareholding/joint decision-maker)
ACI Cluj SA Romania
Ferma Pomicola Dragu SRL Romania
La Casa Ristorante Pizzeria Pane Dolce SA Romania
Magis Investment SRL
Omniconstruct SA Romania
Ditovis Impex SRL Romania
RSL Capital Advisors SRL
Eurohold AD
Optoel SRL
CEMACON SA
Compet SA
Mundus Services AD
Crisware Holdings Limited
Crisware Holdings SRL
Prefera Foods SA
Policol SA
Hotoleanu Mircea PFA

31 December 2017

Subsidiaries and jointly controlled entities
Teraglass Bistrita SRL
Terasteel SA
Politub SA
Teraplast Logistic SRL
Teraplast Hungaria
Depaco SRL
Terasteel DOO Serbia

Related entities (shareholding/joint decision-maker)
ACI Cluj SA Romania
Ferma Pomicola Dragu SRL Romania
La Casa Ristorante Pizzeria Pane Dolce SA Romania
Omniconstruct SA Romania
Magis Investment SRL
Ischia Invest SRL
Ischia Activholding SRL
Info sport SRL
Agrolegumicola Dragu SRL
New Croco Pizzerie SRL
Parcserv SRL
Ditovis Impex SRL Romania
RSL Capital Advisors SRL

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

29. RELATED PARTY TRANSACTIONS (continued)

Eurohold AD
Compet SA
Mundus Services AD
Cetus Capital SRL

Transactions between the parent Company and its subsidiaries; the Group affiliates were eliminated from the consolidation and they are not disclosed in this Note.

Transactions and balances with other related parties	**31 December 2017**	**31 December 2016**
	RON	**RON**
Sales of goods and services	2,112,299	2,837,730
Purchases of goods and services	1,647,037	1,232,408
Debit balances	33,451	304,367
Credit balances	54,774	-

30. CASH AND CASH EQUIVALENTS

For cash flow statement purposes, the cash and cash equivalents include cash on hand and bank accounts. Cash and cash equivalents at financial year end, as disclosed on the cash flow statement, may be reconciled with the items related to the accounting balance sheet, as follows:

	31 December 2017	**31 December 2016**
	RON	**RON**
Cash in bank	11,844,996	15,897,956
Bills receivable	7,184	-
Cash on hand	132,618	97,343
Cash equivalents	31,004	37,074
Total	**12,015,802**	**16,032,373**

The Group's available cash is pledged in full in favor of financing banks.

31. COMMITMENTS AND CONTINGENT LIABILITIES

Teraplast SA

The Company has a bank letter of guarantee ceiling of RON 1,750,000. Within the ceiling, as of 31 December 2017, the following bank letters of guarantee are issued. As of 31 December 2017, within the ceiling, a bank letter of guarantee is issued in favor of ROMPETROL DOWNSTREAM, amounting to RON 100,000, valid between 30 June 2017 and 28 June 2018.

As of 31 December 2017, the Company has on balance a bank letter of guarantee amounting to EUR 1,000,000 issued by RAIFFAISEN BANK and guaranteed with a collateral deposit of EUR 500,000. The bank letter of guarantee was issued in favor of RAIFFAISEN BANK SERBIA to guarantee the letters of credit line amounting to EUR 1,000,000 accessed by TERASTEEL DOO. It's validity is between 25 August 2017 and 01 July 2019.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

31. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

As of 31 December 2017, tangible assets and investment property having a net book value of RON 65,863,587 are guarantees for loans and credit lines. The Company has guaranteed for bank loans with all current and future cash available, with all current and future inventories of merchandise and products and it has assigned the current and future rights of receivable, as well as their accessories, arising from current and future contracts with its clients, having the capacity of assigned debtors. In addition, the Company has assigned the rights resulting from the insurance policies issued having as object the immovable and movable property used as guarantees.

The Company has finance lease contracts in progress, for which the capital rate is included in short- or long-term liabilities, as applicable.

In 2017, the Company has granted to Banca Transilvania a guarantee to be liable jointly with Terasteel SA for the reimbursement of the loans having a balance of RON 13,737,396 as of 31 December 2017, which Terasteel has contracted from Banca Transilvania. Considering the solvency of Terasteel SA and its low risk, as assessed by the Coface rating agency, the value of this liability as of 31 December 2017 is immaterial.

As of 31 December 2017, the Company has unused loan facilities amounting to RON 30,488,396 RON and unused investment loans amounting to RON 15,493,535 (as of 31 December 2016, EUR 2,600,000 and RON 33,307,973 and unused investment loans amounting to RON 8,366,682).

Terasteel SA

As of 31 December 2017, the Company has unused loan facilities amounting to RON 4,262,604 (31 December 2016: RON 5,336,578). The Group's long-term borrowings and short-term loans are guaranteed with available cash, both current and future, in the current accounts opened with the banks where the loans are contracted from, with assignments of inventories and commercial contracts and real estate mortgages. As of 31 December 2017, the Company has a letter of credit ceiling amounting to EUR 5,000,000, expiring on 07 December 2018. Within this ceiling, as of 31 December 2017, the following letters of guarantee/bank letters of credit are issued:

Issuing bank	Validity period	Amount	Currency	Guarantee purpose
Banca Transilvania	27.12.2017-22.03.2018	480,150	EUR	KAMARIDIS STEEL

As of 31 December 2017, the Company has a ceiling of bank letters of guarantee of RON 1,500,000 expiring on 07 December 2018. As of 31 December 2017, within this ceiling, the following letters of guarantee are issued:

Issuing bank	Validity period	Amount	Currency	Guarantee purpose
Banca Transilvania	01.08.2017-31.07.2018	100,000	RON	ROMPETROL DOWNSTREAM
Banca Transilvania	14.06.2017-28.02.2018	180,000	RON	DEROM TOTAL

Teraglass Bistrita SRL

As of 31 December 2017, the Company has unused loan facilities amounting to RON 2,121,755 and unused investment loans amounting to RON 73,792.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

31. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Teraplast Logistic SRL

As of 31 December 2017, the Company has two letters of bank guarantee issued that are guaranteed with a collateral deposit, being issued by BANCA TRANSILVANIA

Issuing bank	Validity period	Amount	Currency	Beneficiary
Banca Transilvania	03.10.2017-31.08.2018	100,000	RON	ROMPETROL DOWNSTREAM
Banca Transilvania	05.10.2017-01.10.2018	200,000	RON	Cardoil Avantaj SRL

Potential tax liabilities

In Romania, there are several agencies authorized to perform controls (audits). These controls are similar in nature to the tax inspections performed by the tax authorities in many countries, but they may cover not only tax matters, but also legal and regulatory matters, the concerned agency may be interested in. The Group companies are likely to be occasionally subject to such controls for breaches or alleged breaches of the new and existing laws and regulations. Although the Group may challenge the alleged breaches and related penalties when the management considers they are entitled to take such action, the adoption or implementation of laws and regulations in Romania could have a significant impact on the Group. The Romanian tax system is under continuous development, being subject to constant interpretations and changes, sometimes retrospectively applied. The statute of limitation for tax inspections is 5 years.

The Group administrators are of the view that the tax liabilities of the Group have been calculated and recorded according to the legal provisions.

Environmental matters

The main activity of the Company has inherent effects on the environment. The environmental effects of the Group activities are monitored by the local authorities and by the management. As a result, no provisions were set for any kind of potential obligations currently unquantifiable in relation to environmental matters or actions for their remedial.

Transfer pricing

The Romanian fiscal legislation includes the "arm's length" principle, according to which inter-company transactions should be performed at market value. Local taxpayers that perform inter-company transactions should prepare and submit the transfer pricing file with the Romanian tax authorities, upon written request of the latter. Failure to submit the transfer pricing documentation file or submission of an incomplete file may lead to penalties for non-compliance; in addition to the contents of the transfer pricing documentation file, the tax authorities may interpret the transactions and circumstances in a manner different than that of the company and, as a result, they may determine additional fiscal obligations resulting from transfer pricing adjustments. The Company management considers they will not record losses in the case of a fiscal review of transfer pricing. However, the impact of a different interpretation from the tax authorities cannot be reliably measured. It could be significant for the Company's financial position and/or operations.

Auditor fees

During 2017, Ernst & Young Assurance Services S.R.L. had a contractual fee of EUR 68,000 (for the statutory audit of the separate and consolidated annual financial statements of the Company and of its subsidiaries and associates). The services contracted from the statutory auditor, other than the audit services, have amounted to EUR 1,600, representing fees for services other than assurance, which are not forbidden by Article 5(1) of the EU Regulation No. 537/2014 of the European Parliament and of the Council.

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

32. INVESTMENT SUBSIDIES

Investment subsidies refer to investments made by **Terasteel SA** mainly for production equipment. There are no unfulfilled conditions or other contingencies related to such subsidies.

	2017	**2016**
	RON	**RON**
As at 1 January	**3,391,999**	**3,840,702**
Received during the year	-	18,564
Transferred to profit and loss	(463,442)	(467,267)
As at 31 December	**2,928,557**	**3,391,999**
Current	457,814	463,441
Long-term	2,470,743	2,928,558

As of 31 December 2017, the total value of the subsidies recorded was of RON 2,928,557 recognized as deferred income in the balance sheet and transferred to profit and loss on a systematic and reasonable basis, during the life of the related assets.

33. SHARE-BASED PAYMENT

During 2015, the Company decided to implement a „stock compensation plan" type of remuneration through which, those employees having a significant contribution to the results of 2015, will be distributed shares, as part of the General Share Options Plan (GSPO).

As a result, the amount RON 950,500 was settled in shares and was included in the reserve of share-based benefits as at 31 December 2015. The total value of the performance bonus for 2015 is RON 1,328,000.

As a result of this decision, on 8 February 2016, the Company has started to repurchase the own stock to be used for this program.

In May 2016, a part of this program was carried out and 840,947 shares amounting to RON 499,520 have been issued, the value of the shares at the purchase price being of RON 478,247 (RON 0.56 price/share).

In February 2017, the repurchase and the awarding of a total number of 1,159,053 shares was finalized, the value of the shares at purchase price being RON 512,707.

The Company had no share options plans in 2016 and 2017.

34. EVENTS AFTER THE BALANCE SHEET DATE

On 30 January 2018, the Group has received the favorable approval from the Competition Council for the sole control of Depaco SRL. Therefore, Depaco will be consolidated starting with 2018. The Group will assess the fair value of the investment during the 12 month period since the date when the control was obtained.

The financial statements were approved by the Board of Directors and authorized for issue on 5 April 2018.

Mirela Pop
CEO

Ioana Birta
CFO

The Board of Directors report on the consolidated financial statements of Teraplast Group prepared in accordance with the International Financial Reporting Standards ("IFRS")

Financial year: 2017

Name of the company: TERAPLAST S.A.

Headquarters: Bistrita, Teraplast Industrial Park, DN 15A, KM 45+500

Phone/fax: 0263 238202; Fax: 0263 231221

Sole registration number at the Trade Register Office: 3094980

Trade Register No: J06/735/1992

Regulated market on which the issued shares are traded: Bucharest Stock Exchange

Subscribed and paid share capital: RON 85,691,097

Main features of securities issued by the trading company:

- 856,910,970 nominative shares with a nominal value of RON 0.1/share

The Board of Directors of Teraplast SA, appointed by the General Meeting of Shareholders, has drawn up for fiscal year 2017 this report on the balance sheet, profit and loss account, equity records, cash flows and accounting policy, as well as explanatory notes included in the 2017 consolidated financial statements of Teraplast Group.

These consolidated financial statements are submitted along with the Audit Report and this Directors Report and refer to:

Equity	**RON 224,743,737**
Turnover	**RON 422,270,070**
Net result – profit	**RON 18,569,336**
Of which, attributable to the equity holders of the parent – profit:	RON 18,236,827

The financial statements have been drawn up in accordance with:

(i) Accounting Law 82/1991 republished in June 2008 ("Law 82")
(ii) International Financial Reporting Standards as adopted by the European Union ("EU IFRS").

The consolidated financial statements include the financial statements of the parent company, of the subsidiaries and of the jointly-controlled unit. The control is obtained when the Company has the power to control the financial and operational politics of an entity in order to obtain benefits from its activity.

Where necessary, correction is made on the financial statements of the subsidiary in order to bring its accounting politics in accordance with those of the Group.

All the intragroup transactions balance, incomes and expenses are eliminated from the consolidation. Non-controlling interests in assets (excluding commercial fund) of the consolidated subsidiary are separately identified from the Group's equity owned in this. Non-Controlling interests are the amount of these interests at the initial combination of the companies and in the part owned by the non-controlling interests in the changes of the equity starting with the combination date.

The application of IAS 27 (revised in 2010) had as a result changes in the accounting politics of the Group regarding modifications of ownership in subsidiaries.

Specifically, the revised standard affected the accounting politics of the Group regarding modifications of ownership in its subsidies, which does not have as a result the loss of control. In the previous years, in the absence of specific IFRS requests, the increments in the existing subsidies were handled in the same manner as the acquisition of subsidies, with commercial fund or with a gain recognized from an acquisition by negotiating, by case: for the decrease of the existing subsidies which not implicate a loss of control, the difference between the received price and the adjustment of non-controlling interests was recognized in the profit and loss account. According to IAS 27 (revised in 2010), all there increases and decreases are treated in the equity, without impact on the commercial fund or on the profit and loss account.

When control is lost in a subsidiary as a result of a transaction, event of circumstances, the revised Standard stipulates the Group the unrecognized all the assets, liabilities and non-controlling interests at the accounting value and to recognize the just value of the received price. Any interests retained in a subsidiary is recognized as a gain or a loss in the profit and loss account.

1. Analysis of Group's activity

These are the financial statement of Teraplast Group. The consolidation includes the following companies: Teraplast S.A. („parent company"), Politub SA ("subsidiary"), Teraglass Bistrita SRL („subsidiary"), Teraplast Logistic SRL („subsidiary"), TeraSteel SA („subsidiary"), Teraplast Hungaria Kft („subsidiary"), Terasteel Doo Serbia („subsidiary"), Depaco SRL („jointly-controlled entity").

a) Description of the basic business activity of the parent company:

The parent company (TERAPLAST SA) is operating based on Company Law 31 / 1990 (with subsequent amendments and additions) and the Stock-market Law 297/2004. Teraplast SA (the „Company") is a joint-stock company established in 1992, by taking over the activities carried out by Intreprinderea de Materiale de Constructii Bistrita.

The company's head office is in the „Teraplast Industrial Park". DN 15A (Reghin-Bistrita). km 45+500. Bistrita – Nasaud county, Romania. According to Item 6 of the Memorandum of Association the parent company's scope of business is: "Manufacture of plastic plates, sheets, tubes and profiles".

Starting with 2 July 2008, Teraplast is listed on the Bucharest Stock Exchange under the TRP symbol.

The company's main activities include the production of PVC pipes and profiles, plasticized and rigid granules, polypropylene pipes, fittings and the trading of cables, polyethylene pipes, steel parts.

Teraplast (TRP) is currently one of the leading Romanian manufacturers for the construction, fittings and arrangement market. Our company's product portfolio covers three lines of business: Fittings & Arrangement, Joinery profiles and Granules. The Thermal Insulation line of business has been transferred, as of April 2015, to a separate entity – Teraglass. Teraplast owns manufacturing facilities divided to a PVC plant (PVC pipe department, PVC panel department, PVC joinery profile department, PVC granules department, PVC recycling department, commissioned in November 2017), the Polyolefin plant (PE manhole and storage tanks department, PVC & PP fittings department and PP tubes department) and the Polyethylene pipes plant, included in the Company's patrimony following the transfer of the business line within Politub SA.

b) Financial investments:

As of 31 December 2017, Teraplast SA had investments in the companies: Terasteel Bistrita and Terasteel Serbia (manufacturers of sandwich panels and zincate metallic structures), Teraglass Bistrita (producer of PVC windows and doors), Teraplast Logistic (starting June 2016, it has been coordinating the logistic activities of the Group), Teraplast Ungaria (distributor), Politub (producer of polyethylene pipes), and Depaco (producer of metallic tiles).

Until September 2017, the Company held 50% of the Politub SA ("Politub") shares, controlling Politub jointly with the other shareholder New Socotub. Therefore, until 30 September 2017, Politub was a joint venture, consolidated according to the equity method. In August 2017, the Company bought from New Socotub 49.99% of the Politub shares, for EUR 2.5 million. On 28 September 2017, the Company received the Competition Council approval for the sole control of Politub; therefore, Politub is consolidated starting 1 October 2017. As at 31 December 2017, the Politub business was bought by the Company.
Politub SA main activities include the production of pipes from average and high density polyethylene for water, gas transport and distribution networks, but also for telecommunications, sewerage systems or irrigations.

In March 2017, the Company became the majority shareholder of Terasteel SA (Terasteel). Terasteel main activity is the production of heat insulating panels with polyurethane foam for the construction of warehouses. Starting 31 December 2015, the percentage held by Teraplast SA in Terasteel SA is 97.95%.

The Company holds another subsidiary, Teraglass Bistrita SRL having as main activity the production and trading of windows and doors from PVC and aluminum. In March 2015, Teraplast SA transferred to Teraglass Bistrita SRL the business consisting in the production and trading of heat insulation glass, windows and doors from PVC and aluminum.

Starting 2015, Teraplast SA became a shareholder with a 51% shareholding in Teraplast Group Moldova, a legal entity registered in the Republic of Moldova.
In 2017, the Board of Directors approved the disposal of the Company shares in Teraplast Group (Moldova) at a nominal value MDL 2,754, to the other shareholders of this company and also, the set-up of a trading company in Hungary (Teraplast Hungary), where Teraplast SA is the sole shareholder.

On 26 November 2015, a Board of Directors Decision approved the participation of Teraplast SA, in capacity of shareholder, to the set-up of a limited-liability company in Romania, Teraplast Logistic SRL. The shareholding of Teraplast SA in this company is 99%. Teraplast Logistic has undertaken the logistic activity of the Group.

On 29 September 2016, a Board of Directors Decision approved the participation of Teraplast SA, in capacity of sole shareholder, to the set-up of a limited-liability company in Hungary.
Teraplast Hungary distributes the Company products, specifically joinery profiles on this market.

In January 2017, the Board of Directors approves the setup of a subsidiary (100% shareholding by Teraplast SA) in Serbia. Until 30 June 2017, the Company called up and paid in full the share capital of EUR 10,000.
Starting October 2017, Terasteel Serbia has been producing and trading of polyurethane foam sandwich panels in Serbia and the neighboring countries.

On 1 March 2017, Teraplast signed a contract with the shareholders of Depaco SRL for the acquisition of 50% of its shares. The transaction was finalized after its approval by the Teraplast SA General Shareholders Meeting and receiving the approval from the Romanian Competition Council.

Subsequently, Teraplast acquired another 17% of the Depaco SRL shares, the investment being disclosed in the Statement of Financial Position under Other financial assets. As at 31 December 2017, this shareholding was not recorded with the Trade Register; therefore control over Depaco is joint with the other shareholders.

Following the approval from the Competition Council for the sole control over Depaco, in January 2018, the 67% shareholding in Depaco was recorded with the Trade Register. Therefore, the Company will consolidate Depaco starting 2018.

Depaco is the second player on the Romanian metallic tile market with the Wetterbest brand.

120 ani TeraPlast® since 1896

c) Describing acquisitions and/or sale of assets;

The total company assets as of 31 December 2017 was RON 452 mil., with RON 145 mil higher than the value recorded at the beginning of the year. The main purchases during 2017 were:

- RON 34 mil. – buildings and equipment purchased by Terasteel Doo in Serbia;
- RON 25 mil. – assets having entered the Group's patrimony by consolidating Politub SA;
- RON 41 mil. – investment from the joint venture accounted for through the equity method in relation with Depaco SRL;
- RON 11 mil. – an additional holding of 10% in Depaco and the advance for an additional percentage of 7% in the capital of this company; these withholdings have been registered with the Trade Register in January 2018 and, therefore, starting 2018, Teraplast is in control over Depaco.
- RON 14 mil. - investments in the PVC recycling department and in the Transformer station;

d) The Group's results;

- **Situation of the profit and loss account** – for the period January – December 2017, it is as follows:

Profit and loss account (thousand lei)	2016	2017
Net turnover	398,788	422,270
Operating result	46,593	24,227
Net result:	39,416	18,569

In 2017, the volume of the revenues obtained from the export operations has increased by approximately 16% as compared to the prior year

Ratios (RON thousand)	2016	2017	▲% vs 2016
Turnover	**398,788**	**422,270**	**5.89%**
Export/RON	88,134	102,312	16.09%

The evolution of the turnover was also supported by the exports which increased by approximately 19% (expressed in Euro) as compared to the similar period of last year. Teraplast Group exports in Germany, Austria, the Republic of Moldova, Ukraine, Hungary, Slovenia, Czech Republic, Slovakia, Italy, Bulgaria, Serbia or Belgium

a) Teraplast Group has a sales system that includes its own network of rented or owned storehouses opened in: Otopeni, Brasov, Galati, Deva, Iasi, as well as partnerships with distributors countrywide.

b) Considering that Teraplast operates on construction materials market, seasonality is a major factor in the monthly evolution of sales. In these circumstances, the peak activity covers about 6 months (May to October). The distribution policy targets mainly specialist customers in the installation and construction fields, and the distribution channels are:

1) Sales through distributors and resellers (internal market and partially exports);
2) Sales by specialized networks (DIY) (internal market and exports);
3) Sales to general contractors and constructors (tenders for infrastructure projects);
4) Direct sales to cable manufacturers or other profiles (internal market and exports);

- **Expenses:**

Expenses (RON thousand)	2016	2017
Costs with raw materials, used consumables and goods		
Costs with raw materials	218,478	257,553
Costs with consumables	14,857	15,570
Costs with goods	33,688	39,506
Used packaging	810	714
TOTAL	**267,833**	**313,344**
Employee entitlement expenses		
Wages	26,159	31,261
Contributions to the government social security fund	6,586	7,338
Meal tickets	1,300	1,749
TOTAL	**34,047**	**40,348**

e) Changes in assets as at December 2017 versus December 2016 are as below:

Assets (RON thousand)	2016	2017	Δ 2017/2016
Non-current assets:	**157,570**	**248,913**	**91,343**
Current assets:	**149,336**	**203,502**	**54,166**
Total assets	**306,907**	**452,415**	**145,508**

f) Changes in liabilities as at December 2017 versus December 2016 are as below:

Liabilities (RON thousand)	2016	2017	Δ 2017/2016
Long-term liabilities	**17,313**	**80,967**	**63,654**
Current liabilities	**72,670**	**146,704**	**72,034**
Total liabilities	**89,983**	**227,671**	**137,688**

The Group's **equity** has increased in the financial year 2017 as compared to 2016 by RON 7,820 thousand, the Group having equities amounting to **RON 225 million as of 31 December 2017**.

The Group's **total liabilities** have increased, mainly as a result of contracting loans for supporting the investment activities.

g) The Group's production capacity

Teraplast SA (the "Parent company") is currently one of the leading Romanian manufacturers for the construction, fittings and arrangement market. The company's product portfolio covers three lines of business: Fittings & Arrangement, Joinery profiles and Granules Teraplast owns manufacturing facilities divided to a PVC plant (having a total capacity of approximately 42,000 tons/year) comprising: the PVC pipe department, PVC panel department, PVC joinery profile department, PVC granules department, the PVC recycling department commissioned in November 2017, the Polyolefin plant (having a capacity of 3,200 tons/year) comprising: the PE manhole and storage tanks department, PVC & PP fittings department and PP tubes department and the Polyethylene pipes plant, added to the Company's patrimony following the transfer of the business line from Politub SA, having a capacity of 10,000 tons/year

Teraglass Bistrita SRL (the „subsidiary") holds the Heat insulated joinery plant, having an annual capacity of 120,000 units and it is located in the industrial area of Bistrita city.

Terasteel Romania and Serbia („subsidiaries") hold the sandwich panels factories**,** having an annual capacity of over 4 million sq. m., located in the Teraplast Industrial Park and in Leskovac, Serbia, respectively and the Zincate structures plant, having an annual capacity of 6,000 tons and located in the industrial area of Bistrita city.

h) The Group's employees

The average number of the Group's employees has increased during the period from 594 in 2016 to 687 employees in 2017.

According to the applicable collective agreement, Group's minimum pay rates cannot go below the national minimum wage. The collective agreement provides that the wage should include the basic pay, indemnities, premiums and other additions. The Group paid the following categories of additions: night shift increments, additions for additional hours, additions for working on Sundays and Saturdays and additions for average hours of work in a noxious environment.

The Group's spends money for partial compensation of tickets for rest and treatment. These benefits are granted to the Group's employees according to the collective agreement currently applicable. The collective agreement applicable at the company level is negotiated from time to time with workers unions.

Moreover, pursuant to the collective agreement, the Group should pay to its employees upon their retirement an amount equal to a multiplier of their gross wages, according to their period of employment, working conditions etc. Our Group has made provisions for such payments. Beside taxes paid to government funds and insurance funds, the Group has no other obligations related to post-retirement benefits.

i) The Group's impact on the environment

The main activity of Teraplast has inherent effects on the environment. These effects are carefully monitored by the local authorities and Teraplast's management. A preventive approach and an intention to diminish the impact on the environment are guiding elements for the company activity, in that Teraplast has obtained for its manufacturing processes:

- water management license no. 405/30.10.2017 (Teraplast SA).
- water management license no. 62/12.02.2016 valid until 12.02.2018 (Terasteel SA)

The following permits and licenses were in force for 2017:

- environmental permit for the manufacture of plastic plates, sheets, tubes and profiles for constructions in the manufacturing plant from Bistrita, unincorporated locality of Sarata, fn [without number]; locality of Saratel, fn, DN 15A, commune of Sieu Magherus, Bistrita-Nasaud County (Industrial Park Teraplast): environmental permit no. 169/30.12.2009, revised on 26 July 2017, valid for 10 years. (Teraplast SA).
- environmental permit for the manufacture of PVC joinery elements with insulated glazing – manufacturing plant of Bistrita, Strada Tarpiului nr. 27/A – Environmental Permit no. 127/15.10.2010, revised on 28 August 2015, valid for 10 years. (Teraglass Bistrita SRL)
- environmental permit no. 55/30.08.2017 for the Heat insulated panels plant in Crainimat city, DN 15A km 45+500, Sieu Magherus commune, Bistrita-Nasaud (Terasteel SA)

- environmental permit no. 172/17.08.2012 (revised in April 2015) for the production of zincate metal sheet profiles in Bistrita city, str. Tarpiului nr 27 A, B-N county. The new one, for Terasteel – change of name – no. 12/22.01.2018 (Terasteel SA)

j) Research and development

Teraplast is registered in Potential Contractors' Register thanks to its Research Centre. Its research and development programs are financed from Group's own funds, as well as national or European funds. In 2017, the Research and Development Centre conducted both research activities for improving the existing products, as well as for the manufacturing of new products.

The Research Centre developed the following projects:

1. Compounds formulation for sewage PVC pipes with organic-based stabilizers;
2. Formulation for PVC reinforcing spire used for composite tubes with organic-based stabilizers;
3. Formulation for compounds used for profiles with organic-based stabilizers;
4. Formulation for PVC ventilation tubes and profiles with organic-based stabilizers, with normal endurance and fire action;
5. Formulation for windows PVC profiles with organic-based stabilizers;

Formulation for compounds used for windows PVC profiles with organic-based stabilizers.

2. Risk management

The risk management activity within the Group is performed in relation to financial risks (credit risk, market risk, geographic risk, foreign currency risk, interest rate risk and liquidity risk), operating risks and legal risks. The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

The Group manages its capital to ensure that the Group companies will be able to continue operating as a going concern, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities and equity.

The structure of the Group's capital consists of liabilities, which include the loans presented in Note 24, cash and cash equivalents and equity belonging to the parent-entity equity holders. Equity includes share capital, reserves and retained earnings, as presented in Notes 19, 20, 21.

Managing the Group's risks also includes a regular analysis of the capital structure. As part of the same analysis, management considers the cost of capital and the risks associated to each class of capital. Based on the management's recommendations, the Group may balance its general capital structure through the payment of dividends, by issuing new shares and repurchasing shares, as well as by contracting new liabilities and settling the existing ones.

Just as other industry representatives, the Group monitors the capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is represented by the total loans (including long-term and short-term loans as detailed on the balance sheet) less the cash and cash equivalents. Total capital represents "equity", as detailed on the consolidated balance sheet plus the net debt.

The gearing ratio as at 31 December 2017 and 2016 was as follows:

	2017	2016
	RON	**RON**
Total loans (Note 23)	133,746,440	26,423,937
Less the cash and cash equivalents	(12,015,802)	(16,032,373)
Net debt	**121,730,638**	**10,391,564**
Total equity	**224,743,737**	**216,923,646**
Total equity and net debt	**346,474,375**	**227,315,210**
Gearing ratio	**35%**	**5%**

The Group is subject to capital requirements provided by the legal regulations in force governing the net-asset-to-share-capital ratio. The net asset, calculated as the difference between total assets and total liabilities must exceed 50% of the share capital amount. According to the Company Law 31/1990, as republished. When this requirement is not met, the administrators must immediately convene the Extraordinary General Meeting to decide on whether to increase the share capital or decrease the share capital by an amount at least equal to the losses that cannot be covered from the existing reserves, or to dissolve the company.

The Group met this requirements and needed no share capital increase as at 31 December 2017 and 31 December 2016.

(b) Summary of significant accounting policies

The details on the main accounting policies and methods adopted, including the recognition criteria, measurement basis and revenue and expenses recognition basis, concerning each class of financial assets, financial liabilities and capital instruments are presented in Note 2 to the financial statements.

(c) Objectives of the financial risk management

The cash function of the Group provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyze the exposure to and extent of the risks. These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Group activities expose it first to the financial risks related to the fluctuation of the exchange rates (see (e) below) and of the interest rate (see (f) below).

The Group management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group from the occurrence of potential losses beyond the foreseeable limits in case of significant fluctuations on the market. There was no change from the prior year in relation to the Group exposure to the market risks or to how the Group manages and measures its risks.

(e) Foreign exchange risk management

The Group conducts transactions in various currencies. Hence the foreign exchange risks. Exposure to foreign exchange risks is managed according to approved policies.

The Group is mainly exposed to the EUR-RON exchange rate. The table below details the Group sensitivity to a 10% increase and decrease of EUR against RON. 10% is the sensitivity rate used when the internal reporting on the foreign currency risk to the Group is done and it represents the management estimate on the reasonably possible changes in exchange rates. The sensitivity analysis only includes the remaining foreign currency expressed in monetary items and adjusts the conversion at the end of the period for a 10% change in exchange rates. In the table below, a negative value indicates a decrease in profit when the RON depreciates by 10% against the EUR. A 10% strengthening of the RON against the EUR will have an equal opposite impact on profit and other equity, and the balances below will be positive. The changes will be attributable to the exposure related to the loans, trade receivables and payables with foreign partners, and denominated in EUR at the end of the year.

	31 December 2017		31 December 2016	
	RON	RON	RON	RON
Profit or (loss)	1,496,014	(1,496,014)	831,177	(831,177)

The Group obtains revenues in EUR based on the contracts signed with foreign clients (as detailed in Note 4)

(f) Managing interest rate risk

Group's interest-bearing assets, income, as well as cash flow from operating activities are exposed to fluctuations in market interest rates. The Group's interest rate risk is apparent in its bank loans. Variable interest rate loans expose the Group to the risk of cash flow from interest. The Group has not resorted to any hedging operation in order to lower its exposure to interest rate risks.

The Group is permanently monitoring its exposure to interest rate risks. This includes simulation of various scenarios, including refinancing, updating of existing positions, funding alternatives. Based on such scenarios, the Group is estimating the potential impact upon the profit and loss account of fluctuations defined by the interest rate. The same interest fluctuation is used for each currency in each simulation. These scenarios are prepared only for debts representing the main interest-bearing positions.

The Group is exposed to interest rate risks, considering that Group companies take out both fixed-rate loans and variable-rate loans. The risk is managed by the Group by maintaining a favorable balance between the fixed-rate loans and the variable-rate loans.

The Group's exposures to the interest rates on the financial assets are detailed in the section on liquidity risk management of this Note.

As at 31 December 2017, in the event of a 1% decrease/increase in the interest rate on loans, with all the other variables held constant, the net profit for the period would fluctuate as follows, mainly as a result of the lower/ higher interest expenses on floating interest loans.

	31 December 2017		31 December 2016	
	RON	RON	RON	RON
Profit or (loss)	1,336,015	(1,336,015)	144,197	(144,197)

(g) Other price-related risks

The Company is not exposed to risks related to its stock price resulting from equity investment. Financial investments is hold for strategic purposes rather than trading purposes and is not significant. The Group does not actively trade such investment.

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(h) Managing credit risk

Credit risk concerns a risk incurred by a third party's failing to comply with its contract obligations, thus causing financial losses to the Group. The Group has adopted a policy of trading only with trustworthy parties and obtaining enough guarantees, where possible, as a means to reduce risk of financial loss from failure to observe terms of contracts. Group's exposure and Third Parties' credit ratings are monitored by the Group management.

Trade receivables cover a large number of customers from various industries and geographical areas. Customers' creditworthiness is constantly evaluated in terms of their financial conditions and, if appropriate, credit insurance is made.

The cash is kept in financial institutions that, at the time of deposit, are considered to have the lowest return risk. The Group's policies limit the amount of exposure for any financial institution.

The accounting value of receivables, net receivables provision plus cash and cash equivalent represent the maximum sum exposed to the credit risk. Although receivable collection could be influenced by economic factors, the Group management considers there is no significant risk of loss for the Group outside already recorded provisions.

The Group considers exposure to credit risk toward its counterparty or group of counterparties with similar features by assessing receivables individually and making depreciation adjustment along with its department of customer credit management.

(i) Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which have developed an appropriate liquidity risk management framework in terms of ensuring funding for the Group on the short, medium and long-term and managing liquidities. The Group manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities. Note 24 includes a list of additional facilities not drawn by the Group, which the Group has in order to further reduce the liquidity risk.

(j) Fair value of financial instruments

Financial instruments in the statement of financial position include trade receivables and other receivables, cash and cash equivalent, short-term loans and long-term loans and other debts. The accounting values are the maximum exposure of the Group to the credit risk related to existing receivables.

The analysis of the trade receivables and of trade notes is as follows:

	31 December 2017	31 December 2016
	RON	**RON**
Not overdue	79,746, 379	51,682,587
Overdue, but not impaired	8,964,700	7,362,655
Impaired and provisioned in full	21,832,885	18,205,487
Total	**110,543,964**	**77,250,729**

(*) The adjustments are made following an individual analysis on the recoverability of the trade receivable balances.

Past due, but not impaired:

	31 December 2017	31 December 2016
	RON	**RON**
Below 3 months	6,077,115	6,614,776
3 to 6 months	578,588	653,695
6 to 9 months	517,888	13,566
Above 9 months	1,791,109	80,618
Total	8,964,700	**7,362,655**

Receivables that are overdue, but not impaired, for more than 9 month are secured.

Impaired and provisioned in full

	31 December 2017	31 December 2016
	RON	RON
Below 6 months	788,301	1,848,264
6 to 12 months	1,494,797	506,522
Above 12 months	19,549,787	15,850,700
Total	**21,832,885**	**18,205,486**

Tables on liquidity and interest rate risks

The tables below detail the dates remaining until the maturity of the Group's financial liabilities.

The tables were prepared based on the undiscounted cash flows of the financial liabilities at the nearest date when is possible for the Group to be requested to pay. The table includes both the interest and the cash flows related to the capital.

2017	**Below 1 month**	**1-3 months**	**3 months to 1 year**	**1-3 years**	**3 - 5 years**	**Above 5 years**	**Total**
Non-interest bearing							
Trade payables and other liabilities	(48,044,742)	(34,555,312)	(3,584,920)	-	-	-	**(86,184,973)**
Interest-bearing instruments							
Short and long-term loans	(292,667)	(1,940,085)	(56,545,642)	(46,077,055)	(22,829,355)	(7,061,637)	**(133,746,440)**
Future interest	(304,799)	(716,787)	(3,012,258)	(6,073,491)	(3,147,377)	(734,006)	**(13,988,719)**
Non-interest bearing							
Cash and cash equivalents	12,015,802	-	-	-	-	-	**12,015,802**
Receivables	47,667,812	40,513,843	1,585,322	-	-	-	**89,766,981**

2016	**Below 1 month**	**1-3 months**	**3 months to 1 year**	**1-3 years**	**3 - 5 years**	**Above 5 years**	**Total**
Non-interest bearing							
Trade payables and other liabilities	(29,058,550)	(23,376,398)	(105,745)	(500,332)	-	-	**(53,041,025)**
Interest-bearing instruments							
Short and long-term loans	(1,308,327)	(3,924,458)	(10,597,089)	(7,572,566)	(3,021,497)	-	**(26,423,937)**
Future interest	(6,722)	(11,641)	(23,894)	(5,437)	-	-	**(47,694)**
Non-interest bearing							
Cash and cash equivalents	16,032,373	-	-	-	-	-	**16,032,373**
Receivables	33,325,727	29,581,343	2,931,162	20,784	59,835	-	**65,918,851**

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Non-financial statement

According to the legal regulation on the disclosure of non-financial information, the Group prepares and publishes a distinctive sustainability report which includes information required by the non-financial statement.

4. Group Management

Directors' presentation

Teraplast is managed in a unitary system by a Board of Directors composed of five members appointed by the General Meeting of Shareholders by secret vote. The length of service of the Directors is one year and the Directors can be reappointed. At the date of this Report the structure of the Board of Directors is as follows:

Dorel Goia – Chairman

Mr. Dorel Goia is the main shareholder of Teraplast and he was elected in the in the Board of Directors in 2008. Mr. Goia is also Director in the Board of Directors of the companies Terasteel SA, ACI Cluj and Parc SA and Chairman of the Board of Directors of the company Hermes SA.

Sorin Olaru - Independent Non-executive Director

Mr. Sorin Olaru is an economist having large experience in the banking field; in time, he has held several key-positions within important banking institutions and he was elected in the Board of Directors of Teraplast in 2017. Prior to the setup of Cetus Capital in 2015, Mr. Sorin Olaru was the head of the Treasury and Capital Markets department of Millennium Bank for eight years. Before joining the Millennium team, for ten years, he held several positions within the ING Bank Treasury department, from a stock market agent to the manager of the Instalments and Credit department.

RSL Capital Advisors SRL through the legal representative Razvan Lefter - Non-executive Director

RSL Capital Advisors SRL was established in 2014and was elected in the Board of Directors of Teraplast in 2017. The company is represented by Mr. Razvan Lefter, who continues in this capacity his appointment as a Director of Teraplast. He is an economist and he was elected in the Board of Directors of Teraplast in 2014, at the proposal of KJK Fund, shareholder in Teraplast with 10%. Mr. Lefter is the sole shareholder and Director of RSL Capital Advisors and he is also a Director in the Board of Directors of the companies Conpet Ploiesti and Mundus Services AD Bulgaria.

Magda Palfi-Tirau – Independent non-executive Director

Ms. Magda Palfi-Tirau has the profession of economist and she was elected in the Board of Directors of Teraplast in 2007. Mrs. Palfi-Tirau is the Regional Corporate Director within Raiffeisen Bank Cluj Corporate Center. Ms. Palfi is also a member in the Board of Directors of Terasteel SA.

Mirela Pop – Executive Director

Ms. Mirela Pop is an economist and has been part of the Teraplast team for ten years, being elected in the Board of Directors of the Company in 2017. Since May 2017, she is the Chief Executive Officer of Teraplast. She has initially led several departments in the financial sector, and, since 2014, she is responsible for the commercial field, being in charge with the management of the Installations and Arrangements line of business; also, from 2016 until the time of her appointment as the company CEO, she also led the Joinery Profiles line of business and the logistic activities.

The members of the Board of Directors are appointed within the General Meeting based on shareholders' votes according to the legal requirements. Therefore, there is no agreement or arrangement to report in this report.

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Members of the executive team

Teraplast's executive management is appointed by the Board of Directors, and at the date of this report it is delegated to two managers, one of whom holds the position of General Manager. The managers manage the everyday activity of the company and must provide an accurate movement of corporate information.

Mirela POP

Chief Executive Officer, responsible of: organizing, directing and managing Teraplast's operations based on performance objectives and criteria provided by the Income and Expenses Budget and the Investment Program approved by the General Meeting of Shareholders.

Ms. Mirela Pop is an economist and has been part of the Teraplast team for ten years, being elected in the Board of Directors in 2017. Since May 2017, she is the Chief Executive Officer of Teraplast. She has initially led several departments in the financial sector, and, since 2014, she is responsible for the commercial field, being in charge with the management of the Installations and Arrangements line of business; also, from 2016 until the time of her appointment as the company CEO, she also led the Joinery Profiles line of business and the logistic activities.

Ioana BIRTA

Chief Financial Officer responsible of: financial and treasury management, analysis department and IT department.

Ioana Birta is a reputable financial and accounting specialist, an ACCA and CAFR member, having worked in the last ten years in leading international companies in the auditing and advisory fields. From 2013 to 2017, Ioana led the activities of the Cluj-Napoca EY office. Starting June 2017, she is the CFO of the Teraplast Group.

a) The General Manager's appointment is for two years, starting 09.05.2017, whereas the Financial Manager's is for two years, starting 14 June 2017.

b) Senior managers are appointed by the Board of Directors and there is no agreement, arrangement or family relationship among directors and managers, that should be mentioned herein.

5. Corporate governance

Teraplast has implemented recommendations of the Corporate Governance Code of Bucharest Stock Exchange, setting out governance principles and structures mainly aimed at respecting shareholders' rights as well as at providing them fair treatment. In that sense, the Board of Directors elaborated a Regulation for Organisation and Operation, consistent with the CGC principles, thus ensuring the company's transparency and sustainable development. The Regulation for Organisation and Operation also sets out the roles corresponding to the Board of Directors, competences and responsibilities of the Board, so as to ensure observance of interests of all the company's shareholders, and not least, equal access of the shareholders, and also of potential investors to relevant information pertaining to the company.

Governance structures

For continuation of the process of implementing the principles of the Code of Corporate Governance, the General Meeting of October 2014 approved the election of a new Board of Directors made up of five directors, one of whom is independent from other significant shareholders. Enough members have been this way ensured as to guarantee the Board's efficiency to supervise, analyze and evaluate the efficiency of Teraplast's executive management, the Board's main goal as a collective body being to promote and observe the interests of the company's shareholders.

Another step of the implementation process is the essential amendment of the Company's Memorandum of Association, endorsed by the General Meeting of Shareholders of September 2008, at which time provisions of the Memorandum were made to match regulatory documents specific to the Romanian stock market and also recommendations and principles included in Code of

Corporate Governance of Bucharest Stock Exchange. One of the most important updates of the company's Charter is the amendment of chapter VI – Managers – pursuant to which the premises of a fundamental change of the company management are created, thus enabling the Board of Directors to delegate managing competencies not just to a sole manager, but to a larger number of directors, one of them being appointed general manager.

Moreover, in compliance with CGC recommendations, strict rules have been set within the company on the internal movement and disclosure to third parties of confidential documents and privileged information, a special importance being granted to data and/or information that could influence the evolution of market price of securities issued by Teraplast. In this sense starting 2008, specific confidentiality agreements were concluded, with the company management and executives as well as with employees who, based on their positions and/or responsibilities, have access to such confidential/privileged information.

Teraplast's corporate organisms are organised as follows: the General Meeting of Shareholders, which is the highest decision-making body of the Company, the Board of Directors and the Executive Management. Teraplast is a company managed in a unitary system by its Board of Directors.

The General Meeting of Shareholders

The General Meeting of Shareholders (GMS) is the leading body deciding on Teraplast's activity and regulating its economic and trading policy. GMS can be Ordinary or Extraordinary and is conducted in the Company's city or town of residence.

The General Meeting of Shareholders is convened by the Board of Directors whenever necessary. The Ordinary General Meeting meets at least once a year, within 4 months at the most from the end of the financial year, to examine the accounting balance and the profit and loss account for the previous year and to establish the business program and budget for the ongoing year.

The General Meeting of Shareholders shall be convened by publishing the convening notice in the Official Gazette of Romania Part IV, in a popular paper in the city or town where the Company is based, in a national newspaper and in the CNVM Bulletin.

The convening shall be transmitted as a current Report to CNVM and BVB Bucharest and published on the web page of the company with at least 30 days before the date set for the Ordinary and Extraordinary General Meeting, gathered at the first calling.

Teraplast has established and is implementing internal regulations for the manner in which meetings should be organised and developed, imposing specific responsibilities for different Company structures and departments within the process of GMS organising. Such regulations are intended for the entire internal movement of documents, as well as the external process that consists in accurately informing Company's shareholders on issues pertaining to the convened meetings.

Responsibilities of the Ordinary General Meeting (OGM) are to:

a. discuss, approve or modify the annual financial reports in agreement with the reports submitted by the Board of Directors or the financial auditor, as the case may be, and to set dividends;
b. elect and dismiss members of the Board of Directors;
c. establish the remuneration due for the ongoing tax year to the members of the Board of Directors, unless established by the Memorandum of association, considering their specific duties and the company's economic situation;
d. decide on the management of the Board of Directors;
e. appoint and establish the minimum length of the audit contract, and dismiss the financial auditor;
f. set the income and expenses budget and the next tax year's schedule, accordingly;
g. decide upon pledging, hiring out or liquidating one or several of the Company's facilities;
h. decide to bring action against company directors and managers for damaging the company by failure to observe their responsibilities towards the Company;

The main responsibilities of the Extraordinary General Meeting (EGM) are:

a. changing the Company's legal status;
b. relocating the Company's headquarters to a different county;
c. changing the Company's scope of activity;
d. increasing the share capital;
e. decreasing the share capital or reintegrating it by issuing new shares;
f. mergers or divisions;
g. anticipated liquidation of the Company;
h. conversion of nominative shares to bearer shares or bearer shares to nominative shares;
i. conversion of shares from one category to another;
k. conversion of a category of bonds to another category of bonds or to shares;
l. issuing bonds;
m. any other amendment to the Memorandum of association or any other decision for which the approval of the Extraordinary General Meeting is required;
n. approval of documents of purchasing, selling, exchanging or creating under warranty assets labelled as fixed assets of the company, whose value during a tax year, for each share or added up value, exceeds 20% of the total value of fixed assets, minus receivables;

o. approval to rent out fixed assets for periods of time exceeding one year, whose individual value or added up value as related to the same co-contractor or people jointly involved or acting exceeds 20% of the total value of fixed assets, minus receivables at the date of signing a legal document, as well as partnerships longer than a year, exceeding the same value;

The company holds a department designed for relationships with investors, responsible of applying the procedure of informing the investors/shareholders and interaction with them. The Investors Relation department can be contacted by e-mail at: comunicare@teraplast.ro

In addition to the internal regulations, Teraplast is fully compliant with the legal provisions regulating the development of the General Meeting of Shareholders in case of listed companies.

The Board of Directors

The members of the Board of Directors were elected by the shareholders of Teraplast. The General Meeting of Shareholders approved in 2014 the decrease the number of the members of the Board of Directors from seven to five. In 2017, General Meeting of Shareholders reconfirmed the 2016 structure of the Board of Directors for another year.

The current structure of the Board of Directors is of five members, namely: Dorel Goia (President), Sorin Olaru (Independent Non-Executive Director), RSL Capital Advisors SRL through legal representative Razvan Stefan Lefter (Non-Executive Director), Magda Eugenia Palfi (Non-Executive Independent Director) and Mirela Pop (Executive Director).

Responsibilities of the Board of Directors include:

a. setting the main course of action and development for the Company;
b. establishing the accounting and financial control system and approving the financial planning;
c. appointing and revoking managers and establishing their remuneration considering specific responsibilities and the Company's economic situation;
d. supervising managers' activity;
e. preparing the annual report, organising General Meetings and implementing its decisions;
f. filing a request for the opening of the procedure of company insolvency, in line with Law no. 85/2006 on insolvency proceedings;

g. ensuring the management of the Company business;
h. approving the Company's organisation structure and staff organisation chart;
i. approving the creation of consultants committees, appointing members and responsibilities;
j. setting principles and policies of employment and dismissal of the Company's staff, including the executive managers;
k. setting the remuneration principles of the hired staff according the their roles and responsibilities within the Company;
l. approving the marketing strategy;
m. defining the strategy for the implementation of the approved budget;
n. granting shareholders access to documents and information, pursuant to legal provisions;
o. approval on entering into on Company's behalf any legal documents except those for which OGM/EGM approval is required, according to law;
p. appointing and revoking the General Manager and the other managers of the Company;
q. establishing the number of managers and the organisation of their activity;
r. concretely establishing which of the general responsibilities of the Board of Directors are delegated to managers;

s. representing the Company in its relationships to managers;

In 2017, the Board of Directors met almost every month, and all the directors participated in the meetings, the agenda including issues related to operating regulations of the Board of Directors and the Executive Management, as well as related to the expansion and development of Teraplast.

Executive Management

The current membership of the Executive Management is the result of amendments approved by the Board of Directors and the General Meeting of Shareholders during 2017, and its purpose is to consolidate the company's corporate governance structures. The Board of Directors delegates managing roles to one or several managers.

Consequently, Teraplast's Executive Management is ensured by a General Manager (Carmen Mirela Pop) and a Financial Manager (Ioana Birta).

Managers' responsibilities include:

a) approval of major tenancy agreements (regardless if the Company is landlord or tenant);
b) negotiating the collective agreement with employees' representatives;
c) setting the development strategy and policies of the Company, including the Company's organisational chart, and establishing operations departments;
d) entering into documents or deeds with third parties in the name and on behalf of the Company, in compliance with provisions of the Memorandum of Association on double signatures and the aspects reserved to the competence of the General Meeting or the Board of Directors;
e) employing and dismissing, setting tasks and responsibilities of the Company staff in line with the Company's employment policy;
f) taking every measure that may be necessary and useful for the Company management according to the daily management of each department or delegated by the General Meeting or the Board of Directors, except for those reserved to the General Meeting of Shareholders or the Board of Directors by law or the Memorandum of association;
g) recommends to shareholders distribution of profits.

Shareholders' rights

Teraplast's commitment is to ensure equal treatment to all its shareholders. The main rights of its shareholders in relation to the General Meeting of Shareholders are detailed below.

a) Right to minimum notice period: The company's shareholders are informed upon the next shareholders' meeting by means of a convening notice published in the Official Gazette of Romania and in a popular national newspaper with at least 30 days before the day of the meeting; in addition, the convening shall be published on the company's web page, in Investor Relations section and shall be submitted to the National Committee for Securities and Bucharest Stock Exchange as a current report;

b) Right of access to information: Teraplast shall publish any necessary documents and information on its website or to ensure that all its shareholders can exert their rights in full knowledge thereof;

c) Right to supplement the meeting's agenda: Teraplast shareholders representing individually or jointly with other shareholders at least 5% of the share capital can request additional issues to be added on the agenda within the limits of and as provided by the applicable laws;

d) Right to participate in the meeting: Shareholders registered in the shareholders' register at the reference date have the right to participate in person or by a representative in General Meetings of the Company Shareholders;

e) Right to vote: The Company's share capital consists of ordinary shares conferring a right to vote for each share registered on the name of a shareholder on the reference date;

f) Right to put questions: Any Company shareholder can ask written questions on the items of the General Meeting agenda and is entitled to get answers from Teraplast.

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2017	Compliant YES / NO
A.1. Any company should hold Internal Regulations of the Board to include reference terms/ responsibilities of the Board and key management roles of the company and to apply, among others, the general principles of this Section.	**YES**
A.2. Provisions pertaining to the management of conflicts of interest should be mentioned in the Board's Regulations.	**YES**
A.3. The Board of Directors should include at least five members.	**YES**
A.4. The majority of the Board's members should hold non-executive roles. At least one member of the Board of Directors or the Supervisory Board should be independent in case of companies included in the Standard Category. Each independent member of the Board of Directors should file a statement at the time of his/her appointment for election or re-election purposes, as well as upon any change of their status, indicating the elements underlying the grounds of independence in terms of his/her character and decision.	**YES**
A.5. Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions within the Board held by non-profit companies and institutions should be disclosed to potential shareholders and investors before their appointment and during it.	**YES**
A.6. Any member of the Board should submit to the Board information on any relationship with a shareholder holding directly or indirectly shares representing over 5% of all their rights to vote.	**YES**
A.7. The company should appoint a registrar of the Board whose responsibility is supporting the Board's activity.	**YES**
A.8. The declaration on corporate governance will report on any Board evaluation under the direction of the Chairman or the appointing committee and, if so, it will resume the key measures and changes resulting from it. The company should maintain a policy/guide on the Board's evaluation on the goal, criteria and frequency of the evaluation procedure.	**NO – it is on its way to be implemented**
A.9. The declaration on corporate governance should include information on the number of meetings of the Board and committees during the past year, directors' participation (*in person* and *in absentia*) and a report of the Board and committees on their activities.	**YES**
A.10. The declaration on corporate governance should include information on the exact number of independent members of the Board of Directors.	**YES**
A.11. The companies' board in the Premium Category should establish an Appointments Committee made up of non-executive members, in charge of the procedure of appointing new members of the Committee and of making recommendations to the Committee. The majority of the members of the Appointments Committee should be independent.	**NO - TRP is of the standard category**

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Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2017	Compliant YES / NO
B.1 The Board should establish an audit committee where at least one member should be an independent non-executive director. Most of the members, including the chair, should have been proven to hold relevant qualification for the Committee's roles and responsibilities. At least one member of the audit committee should have proven and accurate auditing or accounting experience. In case of Premium companies, the audit committee should comprise at least three members and the majority of the members of the Appointments Committee should be independent.	**YES**
B.2. The chairman of the Appointments Committee should be a non-executive independent member.	**YES**
B.3. Within its responsibilities, the audit committee should carry out an annual evaluation of the internal control system.	**YES**
B.4. The evaluation should consider the efficiency and extent of the internal audit role, the degree of adequacy of risk management reports and internal audit submitted to the audit committee of the Board, the accuracy and promptness with which the Company executives settle deficiencies or weaknesses identified following the internal audit and submitting relevant reports to the Board's attention.	**YES**
B.5. The audit committee should assess any conflict of interest pertaining to transactions of the company and its agencies with the affiliated parties.	**YES**
B.6. The audit committee should evaluate the efficiency of the internal audit system and the risk management system.	**YES**
B.7. The audit committee should monitor the enforcement of legal standards of internal audit generally accepted. The audit committee must receive and evaluate the reports of the internal audit team.	**YES - internal audit is outsourced**
B.8. Whenever the Code mentions reports or analyses initiated by the audit committee, such analyses should be followed by periodical reports (at least annual) or *ad-hoc* reports to be subsequently submitted to the Board.	**YES**
B.9. No shareholder can be given preferential treatment as compared to other shareholders in terms of transactions and agreements concluded by the company with their shareholders and affiliates.	**YES**
B.10. The Board should adopt a policy by which to ensure that any transaction of the company with any of the companies with which it maintains close relationships whose value is equal or exceeding 5% of the company's net assets (according to the latest financial report) is approved by the Board following a mandatory opinion of the audit committee.	**YES**
B.11. Internal audits should be conducted by a structurally separate division (department of internal audit) within the company or by employing an independent third party.	**YES**
B.12. For the purposes of ensuring the main roles of the internal audit department, the audit department's functional report should be to the Board by means of an audit committee. For administrative purposes and within the management's responsibility to monitor and reduce risks, the audit committee must report directly to the general manager.	**NO – internal audit is outsourced**
C.1. The company must publish on its web page its remuneration policy and include into the annual report a declaration on implementing such remuneration policy during the annual period subject to assessment. Any essential change occurred in the remuneration policy should be published on the Company's web page in time.	**YES**

Degree of compliance with the new BVB Corporate Governance Code as of 31 December 2017	Compliant YES / NO
D.1. The Company should organise an Investor Relations service – mentioning to the broad public the person/s in charge or the organising company. Outside the mandatory information required by the legal provisions, the company should also mention on its web page a section dedicated to the Investor Relations, in Romanian and English, with any relevant information which may be of interest to investors, including: **D.1.1.** Main corporate regulations: memorandum of association, procedures on general meetings of the company shareholders; **D.1.2.** Professional CVs of the company's management, other professional involvement of the Board members, including executive and non-executive positions in companies' Boards of directors or into non-profit organisations; **D.1.3.** Current and periodical reports (quarterly, bi-annual and annual) – at least those mentioned at D.8 above – including current reports with detailed information on incompliance with this Code; **D.1.4.** Information concerning general meetings of shareholders: the meeting agenda and information materials; procedure of electing the members of the Board; arguments supporting application proposals for elections within the Board, along with the members' professional CVs; shareholders' questions on agenda items and the company's replies, including adopted decisions; **D.1.5.** Information on corporate events, such as dividend payment and other distributions to shareholders, or other events leading to acquiring or limiting a shareholder's rights, including deadlines and principles applied to such operations. Such information shall be published within deadlines allowing investors to adopt decisions to invest; **D.1.6.** Names and contact data of a person that could supply, upon request, relevant information; **D.1.7.** Company's presentations (e.g. presentations for investors, presentations on the quarterly outcome etc.), financial situations (quarterly, bi-annual, annual), audit reports and annual reports.	YES
D.2. The company shall practice a policy on the annual distribution of dividends or other benefits to shareholders. Principles of the annual policies of distribution to shareholders shall be published on the company's web page.	YES
D.3. The company shall adopt a forecast policy, either public or not. The forecast policy is to be published on the company's web page.	YES
D.4. Rules of general meetings should not limit shareholders' participation in general assemblies and exertion of their rights. Amendments to rules and regulations shall become enforceable starting from the next shareholders' meeting at the earliest.	YES
D.5. External auditors will attend the general meeting when their reports are submitted within such meetings.	YES
D.6. The Board will present to the annual general meeting a short assessment of the systems of internal control and management of significant risks, as well as opinions on matters submitted to the general meeting's decision.	YES
D.7. Any financial specialist, consultant, expert or analyst can participate in the shareholders' meeting based on prior invitation from the Board. Authorised journalists can, too, participate in shareholders' general meeting, unless the Chairman of the Board decides otherwise.	YES
D.8. Quarterly and bi-annual reports shall include information both in Romanian and in English on key factors influencing changes in terms of sales, operational profit, net profit and other relevant financial indicators, from one term to another, as well as from one year to another.	YES
D.9. A company shall organise at least two sessions/teleconferences with analysts and investors every year. Information submitted with such occasions is to be published in the investor relations section of the company's web page on the date of the sessions/teleconferences.	YES
D.10. In the event a company displays different forms of artistic and cultural forms of expression, sports activities, educational or scientific activities and considers that their impact on the company's innovative character and competitiveness is a part of the company's development mission and strategy, it will publish its policy on such activity in the field.	YES

Signatures

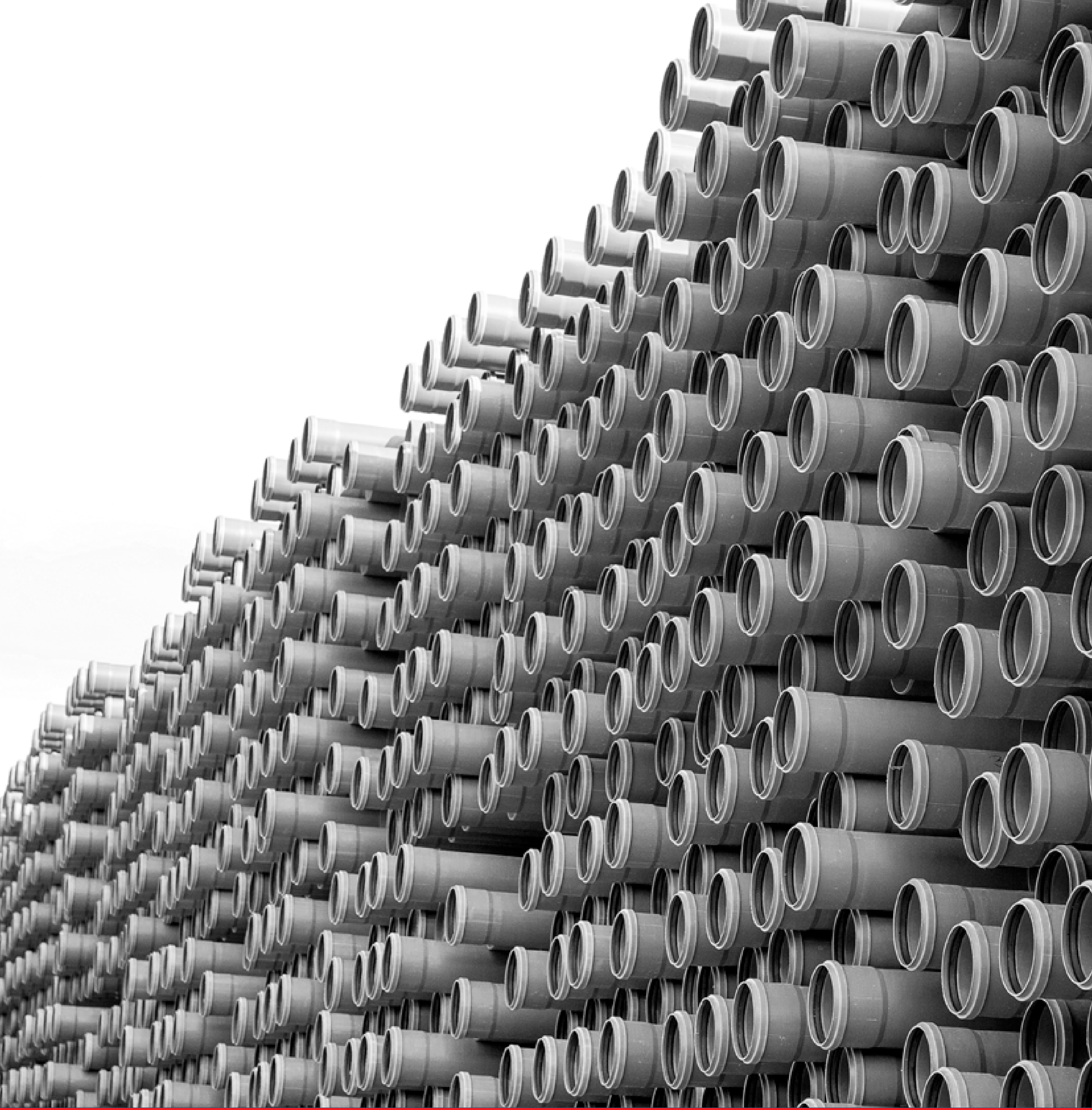
Director — **Mirela Pop**

Chief Financial Officer — **Ioana Birta**

We confirm to the best of our knowledge that the individual and consolidated financial statements give a true and fair view of the financial position of TeraPlast and the Group as of December 31, 2017, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the Board of Directors' report gives a true and fair view of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

Bistrita, april 27, 2018
The Executive Board

____________________	____________________
General Manager	Financial Manager
Mirela Pop	Ioana Birta



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