

TERAPLAST SA

**INTERIM SIMPLIFIED CONSOLIDATED
FINANCIAL STATEMENTS**

**AS OF AND FOR THE NINE MONTH PERIOD
ENDED 30 SEPTEMBER 2018**

Prepared in accordance with the international financial reporting standards
adopted by the European Union

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TERAPLAST SA
INTERIM SIMPLIFIED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	30 September 2018	30 September 2017
Total turnover, out of which:	590,483,294	294,633,800
<i>Revenues from the sale of finished products</i>	<i>508,438,908</i>	<i>263,857,631</i>
<i>Revenues from sale of goods</i>	<i>80,155,619</i>	<i>29,859,600</i>
<i>Revenues from the provision of services</i>	<i>1,888,767</i>	<i>916,569</i>
Other operating income	1,402,581	589,681
Changes in inventories of finished goods and semi-manufactured goods	10,628,733	6,649,584
Raw materials, consumables and merchandise	(448,452,981)	(213,470,549)
Employee benefits expense	(48,949,210)	(28,019,536)
Amortization and adjustments for the depreciation of non-current assets, net	(20,530,415)	(12,454,575)
Adjustments for the impairment of current assets, net	398,959	(437,637)
Reversed provisions, net	(48,949,210)	(28,019,536)
Gains/(Losses) from the disposal of non-current assets	212,165	2,014,940
Gains from the outflow of assets held for sale	(103,030)	87,319
Gains from the fair value measurement of investment property	185,891	-
Other expenses	-	335
Operating result	32,527,461	19,162,389
Financial costs	(4,357,647)	(2,892,926)
Expenses on interest, net	(5,554,249)	(1,379,710)
Financial income	3,204,573	2,137,091
Revenues from dividends	57,000	81,045
Financial loss	(6,650,323)	(2,054,500)
Share of the profit or loss of joint ventures, accounted for using the equity method	-	1,525,042
Profit before tax	25,877,138	18,632,931
Income tax expense	(3,589,418)	(2,713,161)
Profit or loss for the year	22,287,720	15,919,770

These interim simplified consolidated financial statements were approved on 29 October 2018

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
INTERIM SIMPLIFIED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as of 30 September 2018

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

	30 September 2018	31 December 2017
ASSETS		
	257,397,134	248,913,44
Non-current assets		4
Property, plant and equipment	216,842,366	185,915,90
Investment property	8,569,94	9,791,56
Intangible assets	2,634,64	1,662,35
Goodwill	28,625,50	19,948,63
Equity accounted investees_ Depaco Group	8	20,728,64
Other financial investments	16,47	0
Other long-term receivables	2	16,47
	708,20	10,849,87
	5	2
	375,747,48	202,848,74
Current assets	7	0
Inventories	171,959,70	100,464,59
Trade and other receivables	187,742,75	89,766,98
Prepayments	1,330,44	601,35
Cash and short-term deposits	14,714,57	12,015,80
Assets classified as held for sale	2	2
	-	653,21
	-	5
	633,144,621	452,415,39
Total assets		9
Equity and liabilities		
Equity		
Share capital	85,691,04	85,691,09
Share premium	4	7
Treasury shares	27,384,72	27,384,72
Revaluation reserves	6	6
Legal reserves	(1,472,925)	(663,396)
Retained earnings	19,481,79	19,652,11
	4	5
	13,939,02	13,939,02
	2	2
	85,900,16	78,250,69
	8	3
	230,923,829	224,254,25
Capital attributable to controlling interests		7
Non-controlling interests	17,189,60	489,48
	2	0
	248,113,43	224,743,73
Total equity	1	7

TERAPLAST SA
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as of 30 September 2018

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

Long-term liabilities	82,162,614	80,967,093
	74,226,64	
Interest-bearing loans and borrowings	0	74,968,047
	320,83	
Liabilities for employee benefits	6	320,838
	3,782,83	
Investment subsidies – non-current portion	3	2,470,745
	3,832,30	
Deferred tax liabilities	5	3,207,463
	302,868,57	
Current liabilities	6	146,704,569
	162,926,57	
Trade and other payables	7	86,184,973
	136,545,22	
Interest-bearing loans and borrowings	8	58,778,393
Income tax payable	1,947,002	307,943
	453,76	
Investment subsidies – non-current portion	6	457,814
Provisions	996,003	975,446
Total liabilities	385,031,190	227,671,662
Total equity and liabilities	633,144,621	452,415,399

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TERAPLAST SA
INTERIM SIMPLIFIED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Total share capital	Other capital reserves	Capital premiums	Revaluation reserves	Legal reserves	Treasury shares	Cumulated retained earnings	Attributable to equity holders of the parent entity	Non-controlling interests	Total
Balance as of 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	29,047,831	-	-	-	-	-	(29,047,831)	-	-	-
Set up of the legal reserves	-	-	-	-	1,531,986	-	(1,531,986)	-	-	-
Reserves representing realized revaluation surplus	-	-	-	(2,089,708)	-	-	2,089,708	-	-	-
Losses related to the sale of own shares	-	-	-	-	-	61,727	(61,727)	-	-	-
Repurchase of own shares	-	-	-	-	-	(663,396)	-	(663,396)	-	(663,396)
Benefits granted to the employees in the form of financial instruments	-	(450,980)	-	-	-	450,980	-	-	-	-
Dividends paid	-	-	-	-	-	-	(9,572,712)	(9,572,712)	(191,848)	(9,764,560)
Other equity items	-	-	-	-	-	-	(335,410)	(335,410)	14,121	(321,288)
Balance as of 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

TERAPLAST SA
INTERIM SIMPLIFIED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Total share capital	Capital premiums	Revaluation reserves	Legal reserves	Treasury shares	Cumulated retained earnings	Attributable to equity holders of the parent entity	Non-controlling interests	Total
Balance as of 1 January 2018	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
Result for the year						19,24			22,287,72
Other comprehensive income						3,233	19,243,233	3,044,487	0
Total comprehensive income	-	-	-	-	-	19,243,233	19,243,233	3,044,487	22,287,720
Share capital increase from reserves									
Set up of the legal reserves									
Reserves representing realized revaluation surplus			(170,321)				(170,321)		(170,321)
Losses related to the sale of own shares									-
Repurchase of own shares					(809,529)		(809,529)		(809,529)
Consolidation adjustments related to Depaco								14,085,878	14,085,878
Dividends paid						(10,069,404)	(10,069,404)	(430,244)	(10,499,648)
Other equity items	(53)					(1,524,354)	(1,524,354)		(1,524,354)
Balance as of 30 September 2018	85,691,044	27,384,726	19,481,794	13,939,022	(472,925)	85,900,168	230,923,829	17,189,602	248,113,431

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TERAPLAST SA
INTERIM SIMPLIFIED CONSOLIDATED CASH FLOW STATEMENT
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Period ended 30 September 2018	Period ended 30 September 2017
Cash flows from operating activities:		
Net profit prior to taxation and extraordinary items	25,877,138	18,632,931
Loss/(profit) from the sale and retirement of assets (fixed assets)	103,030	(87,319)
Amortization and depreciation of long-term assets	20,530,415	12,454,575
Reversals of provisions for risks and expenses, net	(212,165)	(2,014,940)
Adjustments for the depreciation of current assets, net	(398,959)	437,637
Income from dividends	(57,000)	(81,045)
Gain from the assessment of investment property	-	(335)
Interest expense	5,554,249	1,379,710
Share of the profit of the joint venture accounted for using the equity method	-	(1,525,042)
Losses related to the sale of own shares	-	61,711
Operating profit prior to the changes in current capital	51,396,708	29,257,883
Increase of trade and other receivables	(81,855,845)	(26,935,472)
Increase in inventories	(28,499,092)	(24,560,002)
Increase in trade and other payables	45,598,634	43,957,089
Income tax paid	(2,008,285)	(1,659,522)
Interest paid, net	(5,554,249)	(1,379,710)
Income from subsidies	(568,945)	(348,987)
Cash (used in) / generated by operating activities	(21,491,073)	18,331,279
Cash used in investment activities:		
Payment for the purchase of tangible and intangible non-current assets, other than non-current receivables	(24,934,925)	(40,060,072)
Payments for the purchase of investments	(7,215,405)	(47,219,587)
Receipts from the sale of tangible assets	354,105	511,585
Repurchase of own shares	(809,529)	(512,689)
Cash used in investment activities	(32,605,754)	(87,280,763)
Cash flows from finance activities:		
The payment of liabilities related to finance lease	(785,732)	(845,351)
Dividends received	57,000	81,045
Dividends paid	(10,499,648)	(9,572,712)
Net loan drawings	68,023,978	90,863,241
Cash from finance activities	56,795,598	80,526,223
Net increase of treasury and treasury equivalents	2,698,770	11,576,739
Treasury and treasury equivalents at the beginning of the financial year	12,015,802	16,032,373
Treasury and treasury equivalents at the end of the financial year	14,714,572	12,015,802

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TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018

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

1. GENERAL INFORMATION

These are the consolidated financial statements of the TeraPlast SA Group (the "Group").

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

2017 was highlighted by a series of events important in the development of TeraPlast Group, having a significant contribution to this year's results.

Subsidiaries, shareholders and purchases

TeraPlast Group includes the TeraPlast company (manufacturer of pipes, granules and PVC profiles), the subsidiaries TeraSteel Bistrita and TeraSteel Serbia (manufacturers of sandwich panels and zincate metal structures), Depaco (the manufacturer of the Wetterbest metal tiles), TeraGlass (manufacturer of PVC windows and doors), TeraPlast Logistic (starting June 2016, it coordinates the Group's logistic activities), TeraPlast Hungary (distributor) and Politub SA (as of 31 December 2017, Politub's business was transferred to Teraplast SA, which became the polyethylene division).

In 2017, the Group has concluded agreements for the purchase of the 67% package within Depaco, the second player on the metal tiles market, through the Wetterbest brand. TeraPlast took over the control of Depaco in January 2018, after obtaining the favorable endorsement by the Competition Council. As of 31 December 2017, Depaco was jointly controlled together with the other shareholders. Depaco is consolidated as a subsidiary starting January 2018.

In 2017, Teraplast SA established the subsidiary TeraSteel Serbia, where it has a 100% investment. Starting October 2017, after the purchase of production assets from a company under liquidation, TeraSteel Serbia is producing and commercializing polyurethane foam sandwich panels in Serbia and on the neighboring markets. The investment was of RON 23 million.

The series of purchases has continued with the takeover of Politub, one of the most important players on the water and gas pipes market, which was added in its entirety to TeraPlast's portfolio starting October of last year. Starting December 2017, Politub has transferred its business to TeraPlast as a whole, becoming TeraPlast's polyethylene pipes division.

By September 2017, the Company was owning 50% of the Politub SA („Politub”) shares, controlling Politub jointly with the other shareholder, New Socotub. Therefore, by 30 September, Politub was a joint venture, consolidated by using the equity method. In August 2017, the Company has purchased from New Socotub 49.99% of Politub's shares, for the amount of Euro 2.5 million. On 20 September 2017, the Company has received the Competition Council's approval for the sole control over Politub and, therefore, Politub is being consolidated starting 1 October 2017. As of 31 December 2017, Politub's business was purchased by TeraPlast SA.

Starting September 2016, Teraplast SA is holding, as sole shareholder, Teraplast Hungary, a distributor of the Company's products, especially of joinery profiles, on this market.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of conformity

The financial statements have been prepared in accordance with the International Accounting Standard 34 – Interim Financial Reporting.

Basis of preparation

The consolidated financial statements incorporate the financial statements of the parent company, of the subsidiaries and of the joint venture. Control is obtained when the Company has the power to govern the financial and operating policies of an entity to obtain benefits from its activities.

Where necessary corrections are made on the subsidiary's financial statements, to align its accounting policies to those used by the Group.

All intra-group transactions, balances, revenues and expenses are eliminated in full from the consolidation.

The Group's portion of the assets, liabilities and expenses of the jointly-controlled entity were combined with the equivalent items in the consolidated financial statements, line by line.

Non-controlling interests in net assets (excluding the goodwill) of the consolidated subsidiaries are identified separately from the Group's capital held within it. Non-controlling interests consist in the sum of these interests at the date of initial consolidation and in the portion held from the changes in equity after this date.

The accounting policies and measurement methods adopted for the preparation of the interim simplified consolidated financial statements are consistent with those used for the preparation of the consolidated annual financial statements of Teraplast SA as of 31 December 2017.

Going concern

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

The budget prepared by Group management and approved by the Board of Administration for 2018 indicates positive cash flows from operating activities, an increase in sales and profitability which contribute directly to improving liquidity. Based on these analyses, management believes that the Group 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.

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:

Purchase of the investment in Depaco

TeraPlast SA has a 67% holding in Depaco following the transactions concluded last year. Depaco is consolidated line by line starting January 2018.

Following the analysis made by Group management, Depaco was accounted for as an affiliate through the equity method as of 31 December 2017, since the Group did not hold control over the company as of that date.

Politub's acquisition

In October 2017, Teraplast SA acquired the rest of the 50% investment in Politub SA from the French partner New Socotub for the amount of RON 11,432,250.

The Group has purchased this investment and has integrated the activity of the polyethylene division, to be able to provide customers an integrated water and sewerage system.

The fair value of Politub as of the date of purchase was of RON 24,955,026, determined after the preparation of a revaluation report by an external appraiser. The equivalent value of the initial 50% holding was computed as related to this fair value, resulting the amount of RON 12,477,513, which was at the basis of recognizing the gains related to the initial 50% holding:

50% of Politub's equity as of 30 September 2017	11,016,673
50% of the fair value of Politub as of 30 September 2017	12,477,513
Gains related to the initial holding, recognized in the comprehensive income	1,460,841

As of 31 December 2017, the gains resulting from the revaluation of the initial holding in the purchased company were registered in other operating income.

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 has contracted independent specialist appraisers to determine the fair value as of 31 December 2016 for land and buildings and, for investment properties, this exercise was carried out annually, including as of 31 December 2017. Investment properties (land and buildings) were measured by comparison with information existing on the market, using comparable prices, adjusted depending on specific market factors such as the nature, location and state of the property.

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

Tangible assets (land and buildings) were revalued as of 31 December 2016, by using an external appraiser, ANEVAR member. The valuation methods used for these assets were the method of market comparison for land and the net replacement cost method, impacted by the results of the application of the revenues and market comparison methods.

Impairment of tangible and intangible 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 mentioned 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 to estimate the recoverable amount of tangible assets, in accordance with IAS 36. As a result of the performed exercise, it resulted there is no need to register an impairment provision for the assets as of 31 December 2017.

The impairment test performed by the Group as of 31 December 2017 is based on determining the value in use, considering the present value of the future cash flows. The cash flows were determined based on the budget for 2018 and the forecasts for the following 4 years. The terminal value was determined based on forecast cash flows for the year 2022, by using a 2.5% growth rate.

The identified cash generating units are:

1. The Installations and Fittings cash generating unit;
2. The Granules cash generating unit;
3. The PVC Joinery Profiles cash generating unit
4. The PVC Doors and Windows Profiles cash generating unit

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

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

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
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4. REVENUE AND OPERATING SEGMENTS

The information on the operational policy as reported to the responsible parties from 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

Period ended 30 September 2017	Heat insulating panels	Metal tiles	Installations and fittings	Joinery profiles	Granules	Joinery works	Non-allocated amounts	Total
Operating income	113,740,240	-	89,301,000	38,377,938	38,911,022	14,303,599	-	294,633,800
Sales, indirect and administrative expenses	(103,077,726)	-	(88,049,516)	(38,158,609)	(34,940,596)	(11,244,964)	-	(275,471,411)
Operating result	10,662,514	-	1,251,484	219,330	3,970,426	3,058,635	-	19,162,389
EBITDA	14,398,649		7,571,705	3,731,516	4,925,663	2,281,467		32,909,000

Period ended 30 September 2018	Heat insulating panels	Metal tiles	Installations and fittings	Joinery profiles	Granules	Joinery works	Non-allocated amounts	Total
Operating income	185,014,976	165,740,530	127,973,249	41,630,054	48,118,634	23,010,927	397,505	591,885,875
Sales, indirect and administrative expenses	(169,181,235)	(156,703,384)	(128,312,396)	(41,155,463)	(43,403,262)	(20,193,035)	(409,639)	(559,358,414)
Operating result	15,833,741	9,037,146	(339,147)	474,591	4,715,372	2,817,892	(12,134)	32,527,461
EBITDA	19,398,797	12,340,527	8,499,479	3,925,235	5,700,910	2,897,902		52,762,850

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NOTES TO THE INTERIM SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
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5. EMPLOYEE BENEFITS EXPENSE

	6 month period ended 30 September 2017	9 month period ended 30 September 2018
Wages	21,623,208	44,930,420
Contributions to the public social security fund	5,170,907	1,627,318
Meal tickets	1,225,421	2,391,472
Total	28,019,536	48,949,210

6. OTHER EXPENSES

	6 month period ended 30 September 2017	9 month period ended 30 September 2018
Transport costs	12,285,169	20,684,866
Expenses with utilities and green certificates	3,994,837	6,683,949
Expenses with third party services	6,274,556	9,696,368
Expenses with compensations, fines and penalties	41,899	53,506
Entertainment, promotion and advertising expenses	1,551,355	3,721,280
Other general expenses	1,566,494	2,541,148
Expenses with other taxes and duties	784,668	1,509,440
Repair expenses	1,057,561	2,242,299
Travelling expenses	698,847	1,046,480
Rent expenses	526,954	2,706,423
Mail and telecommunication expenses	404,995	562,523
Insurance premium expenses	649,570	1,300,244
Total	30,431,243	52,748,526

7. NON-CURRENT ASSETS

Pledged and restricted tangible assets

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As of 30 September 2018, tangible assets having a net book value of RON 58,839,877 are guarantees for investment loans and lines of credit (land and buildings – RON 32,361,653; equipment, machinery, other non-current assets – RON 26,478,224).

TERASTEEL

As of 30 September 2018, tangible assets having a net book value of RON 19,786,618 are guarantees for loans and lines of credit (land and buildings – RON 11,189,238; equipment, machinery, other non-current assets – RON 8,597,380).

TERAGLASS

As of 30 September 2018, tangible assets having a net book value of RON 613,671 are guarantees for loans and lines of credit (equipment, machinery – RON 613,671).

7. NON-CURRENT ASSETS (continued)

DEPACO

As of 30 September 2018, tangible assets having a net book value of RON 13,627,112 are guarantees for loans and lines of credit (land and buildings – RON 4,609,362; equipment, machinery, other non-current assets – RON 9,017,751).

CORTINA

As of 30 September 2018, tangible assets having a net book value of RON 492,879 are guarantees for loans and lines of credit (land and buildings – RON 0.00; equipment, machinery, other non-current assets – RON 492,879).

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
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8. FINANCIAL INVESTMENTS

As of 30 September 2018, TeraPlast SA had investments in the companies TeraSteel Bistrita and TeraSteel Serbia (manufacturer of sandwich panels and zincate metal structures), TeraGlass (manufacturer of PVC windows and doors), TeraPlast Logistic (coordinating the Group's logistic activities), TeraPlast Hungary (distributor) and Politub (manufacturer of polyethylene pipes), as well as the Depaco Company (metal tiles manufacturer).

Politub

By September 2017, the Company was owning 50% of the Politub SA („Politub”) shares, controlling Politub jointly with the other shareholder, New Socotub. Therefore, by 30 September, Politub was a joint venture, consolidated by using the equity method. In August 2017, the Company has purchased from New Socotub 49.99% of Politub's shares, for the amount of Euro 2.5 million. On 20 September 2017, the Company has received the Competition Council's approval for the sole control over Politub and, therefore, Politub is being consolidated starting 1 October 2017.

The main activities of Politub SA include the manufacturing of average and high density polyethylene pipes for the water and natural gas transport and distribution networks, but also for telecommunications, sewerage or irrigations.

Starting 31 December 2017, TeraPlast SA has taken over Politub SA's activity as a whole, including the know-how, the ownership right over the buildings, the equipment and the other assets belonging to Politub, except for the land, at the market value from that date. Starting January 2018, TeraPlast also took over all Politub employees. Politub's commercial relations have also been taken over by TeraPlast.

Following this takeover, Politub has become the polyethylene pipes division of TeraPlast, within the Installations and Fittings segment.

The selling price of Politub SA's activity (without the contribution of the land that remains the property of Politub SA), of RON 21,805,000, was determined through the income approach by an independent appraiser.

As of 31 December 2017, the following patrimony items were taken over in the Company's balance sheet, at fair value, based on a purchase price allocation ratio prepared by an independent appraiser:

	The fair value as of 31 December 2017 of the net assets transferred
NON-CURRENT ASSETS	16,095,369
Buildings	5,386,147
Equipment	10,658,700
Intangible assets	50,522
INVENTORIES	5,716,674
Raw materials and consumables	2,113,786
Finished and residual products	2,476,496
Merchandise	1,126,392
NET TRADE RECEIVABLES AND CASH	2,901,988
NET ASSETS	24,714,030

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8. FINANCIAL INVESTMENTS (continued)

At the date of transfer, the fair value of intangible assets, inventories, receivables and payables was equal with their carrying value registered by Politub SA.

Constructions and equipment were transferred at market value.

Total trade receivables, trade payables and cash on balance as of 31 December 2017 will be settled within Politub and the difference will be settled in cash with the receivable related to Teraplast. Teraplast is continuing its commercial relations with the clients and suppliers of Politub as part of new contracts.

The RON 2,909,030 difference between the net transferred assets amounting to RON 24,714,030 and the value of the transferred business amounting to RON 21,805,000 was included in reserves.

The following intangible assets have also been transferred:

- The superficies right over the land
- The PT Politub brand
- Client data bases

Since the value of the Politub business was lower than the fair value of the transferred patrimonial items, these intangibles were recognized at the transfer date as being equal to zero.

The transfer price will be settled in June 2019 and, therefore, the debt to Politub SA is disclosed within Short-term liabilities (as of 31 December 2017, it was disclosed in Long-term liabilities).

Depaco

As of 1 March 2017, Teraplast has concluded a contract with the shareholders of Depaco SRL for the purchase of 50% of its capital shares. The transaction was finalized after its approval by the General Shareholders' Meeting of Teraplast SA and after receiving the agreement from the Romanian Competition Council.

Subsequently, Teraplast has purchased 17% more of the capital shares of Depaco SRL, the investment being presented in the Statement of Financial Position within Other financial investments. As of 31 December 2017, this holding was not registered at the Trade Register and, therefore, Depaco's control was exercised jointly with the other shareholders.

After receiving the Competition Council approval for the sole control over Depaco SRL, in January 2018, the 67% holding in Depaco was registered with the Trade Register. Therefore, starting January 2018, the Company is consolidating Depaco group in full.

Depaco is the second player on the Romanian metallic tiles market, through the Wetterbest brand.

TeraSteel

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

TeraSteel Serbia

In January 2017, the Board of Administration approves the establishment of a subsidiary (100% holding in Teraplast SA) in Serbia. By 30 June 2017, the Company has issued and paid in full the share capital amounting to EUR 10,000.

Starting October 2017, Terasteel Serbia has been manufacturing and commercializing polyurethane foam sandwich panels in Serbia and the neighboring markets.

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8. FINANCIAL INVESTMENTS (continued)

Teraglass Bistrita

The Company holds one more subsidiary (100% holding), Teraglass Bistrita SRL, having as main scope of business the manufacturing and commercialization of PVC and aluminum windows and doors. In March 2015, Teraplast SA has transferred to Teraglass Bistrita SRL the business consisting in the manufacturing and commercialization of heat insulating glass, windows and PVC and aluminum doors.

Teraplast Hungaria

On 29 September 2016, by Decision of the Board of Administration, the participation of Teraplast SA, as sole shareholder, in the set-up of a Limited Liability Company in Hungary was approved.

Teraplast Hungaria is distributing the Company's products, especially joinery profiles, on this market.

Teraplast Logistic

On 26 September 2015, by Decision of the Board of Administration, the participation of Teraplast SA, as sole shareholder, in the set-up of a Limited Liability Company in Romania, Teraplast Logistic SRL, was approved. Teraplast SA's investment in this company is of 99%. Teraplast Logistic has taken over the Group's logistic activity.

Subsidiary	Country	Investment share	31 December	Investment share	30
			2017		September
		%	RON	%	RON
Terasteel S.A. Bistrita	Romania	97.95	10,960,083	97.95	10,960,083
Teraglass Bistrita SRL	Romania	100.00	50,000	100.00	50,000
Politub SA	Romania	99.99	11,677,250	99.99%	11,677,250
Teraplast Logistic SRL	Romania	99.00	990	99.00	990
Teraplast Hungaria	Hungary	100.00	43,167	100.00	43,167
Depaco SRL	Romania	50.00	39,246,960	67.00	56,554,457
Terasteel DOO Serbia	Serbia	100.00	45,271	100.00	45,271
		-	62,023,721	-	79,331,218

As of 30 September 2018, the total cost of investments in subsidiaries was of RON 79,331,218 (31 December 2017: RON 62,023,721).

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8. FINANCIAL INVESTMENTS (continued)

As of 31 December 2017 and 30 September 2018, the Company was holding securities in the form of investments in the following non-listed companies:

Subsidiary name	Country	Investment share %	31 December 2017	Investment share %	30 September 2018
CERTIND S.A.	Romania	7.50	14,400	7.5	14,400
Parteneriat pentru dezvoltarea durabila Tera Tools SRL	Romania	7.14	1,000	7.14	1,000
Asociatia Producatorilor de Panouri Metalice	Romania	24.00	72	24.00	72
Total		11.11	1,000	11.11	1,000
			16,472		16,472

The Company did not make any payments on behalf of the companies in which it holds securities in the form of investments.

Long-term securities are measured at historic cost less any adjustments for impairment. The classification of securities as financial investments or short-term investments is done depending on the Company's intention regarding the term for holding the securities of below or above one year.

Related companies (through joint shareholding/decision-makers)

ACI Cluj SA Romania
 Ferma Pomicola Dragu SRL Romania
 La Casa Ristorante Pizzeria Pane Dolce 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
 Parc SA
 Hermes SA
 RSL Capital Advisors SRL
 Eurohold AD
 Mundus Services AD
 Cetus Capital SRL

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9. INVENTORIES

	31 December 2017	30 September 2018
Finished products	40,509,329	49,063,842
Semi-manufactured goods	711,610	3,716,485
Residual products	288,142	452,727
Products being supplied	1,212,587	5,150,190
Raw materials	55,406,294	102,697,694
Consumables	2,655,109	3,948,669
Packaging	189,869	714,588
Inventory items	234,237	332,203
Merchandise	7,047,070	13,519,649
Inventories – gross value	108,254,247	179,596,047
Value adjustments for raw materials, consumables	(2,168,156)	(2,860,996)
Value adjustments for finished products	(4,730,950)	(4,049,371)
Value adjustments for merchandise	(890,543)	(725,973)
Inventories – net value	100,464,598	171,959,707

Of the total RON 71,945 thousand increase recorded during January-September 2018, RON 51,640 thousand arise from the consolidation in full of Depaco SRL.

10. PETTY CASH AND BANK ACCOUNTS

	31 December 2017	30 September 2018
Cash at banks	11,844,996	13,672,324
Trade notes receivable	7,184	597,127
Cash in the petty cash	132,618	208,299
Cash equivalents	31,004	236,822
Total	12,015,802	14,714,572

Of the total cash as of 30 September 2018, the following amounts represent cash blocked in bank accounts:

- RON 2,331,850 (the equivalent of Eur 500,000) represents cash blocked in a collateral deposit to counter-guarantee the letters of credit line with Raiffeisen Serbia
- RON 4,500,000 represents cash blocked in a collateral deposit for the credit line with Raiffeisen Bank Romania

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11. RECEIVABLES

	Balance as of 31 December 2017	Balance as of 30 September 2018
Trade receivables	75,306,103	163,144,108
Non-exigible trade notes	26,189,222	32,686,345
Advances paid to suppliers of non-current assets	3,233,906	7,259,516
Advances to suppliers of services and inventories	1,463,081	2,565,441
Advances paid to employees	1,199	(520)
Other receivables	5,512,526	6,231,171
Value adjustments for receivables, out of which:	(21,939,056)	(24,143,302)
- Adjustments of receivables within Politub as of 01 Oct 2017	(4,645,980)	-
- Adjustments of receivables within Depaco as of 01 Jan 2018	-	(2,747,037)
Total	89,766,981	187,742,759

Of the total RON 97,975 thousand increase recorded during January-September 2018, RON 35,794 thousand arise from the consolidation in full of Depaco.

12. INVESTMENTS AND SOURCES OF FINANCING

The share capital issued and paid as of 30 September 2018 is of RON 85,691,044. The shareholding structure is the following:

	31-Dec-17		30-Sept-18	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	400,957,648	46.79%	400,957,648	46.79%
KJK FUND II SICAV-SIF	86,024,551	10.04%		
KJK BALKAN HOLDING S.a.r.l.	-	-	86,024,551	10.04%
Other natural persons and legal entities	369,928,771	43.17%	369,928,243	43.17%
Total	856,910,970	100%	856,910,442	100%

As of 30 September 2018, the value of the Company's issued and paid share capital comprised 856,910,442 authorized shares, issued and paid in full, for a value of RON 0.1, having a total nominal value of RON 85,691,044. Common shares bear one vote each and entitle the holder to receive dividends.

On 13.04.2018, the Central Depository has recorded the share capital decrease by RON 52.80 (528 own shares were canceled) as a result of the Securities Registration Certificate no. AC-3420-6/04.04.2018 issued by the Financial Supervisory Authority and of the Certification of the Company's Information no. 6457/22.03.2018 issued by the Bistrita-Nasaud Trade Register Office.

On 03.07.2017, the Financial Supervisory Authority issued the Securities Registration Certificate related to the share capital increase amounting to RON 29,047,831 through the issuance of 290,478,310 new shares, having a nominal value of RON 0.1/share.

The share options used in each year, respectively, have been settled by using the Company's treasury shares. The reduction of the equity component represented by treasury shares is equal to the cost incurred to purchase the shares. Any positive difference between the cash received from the employees and the reduction of the treasury shares is registered in retained earnings.

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13. LOANS

As of 30 September 2018, the Teraplast Group had on balance the following bank loans, lines of credit and finance lease:

Financing entity	Short-term RON equivalent	Long-term RON equivalent
BANCA TRANSILVANIA	82,275,203	68,887,439
RAIFFEISEN BANK Romania	28,282,552	-
RAIFFEISEN BANK Serbia	9,331,331	-
PORSCHE BANK	18,868	-
UNICREDIT BANK	10,571,233	4,001,576
ING BANK	458,301	468,702
CITIBANK	4,814,111	-
IMPULS LEASING	68,449	-
BT LEASING	91,049	289,210
RAIFFEISEN LEASING	411,035	267,645
RCI LEASING	223,096	312,068
TOTAL	136,545,228	74,226,640

14. TRADE AND OTHER PAYABLES

Description	Balance as of 31 December 2017	Balance as of 30 September 2018
Trade payables	66,864,762	132,934,258
Trade notes payable	1,172,128	668,74
Liabilities from the purchase of long-term assets	2,495,030	3
Advances from clients	7,402,253	5,388,050
		8,265,093
Other payables, out of which:	8,250,800	3
Payables to employees and social security	5,349,242	7,834,323
VAT payable	1,506,579	6,913,034
Employee rights not claimed	88,536	92,102
		114,85
Trade guarantees paid	123,130	9
Sundry debtors	209,712	(70,895)
Deferred income	184,143	41,315
		336,20
Dividends payable	186,265	2
		409,49
Other taxes payable	603,193	3
Total	86,184,973	162,926,57
		7

Of the total RON 76,742 thousand increase recorded during January-September 2018, RON 41,031 thousand arise from the consolidation in full of Depaco.

15. SUBSEQUENT EVENTS

Share capital increase

According to the Board of Directors' Decision from 14 September 2018, which is based on the Extraordinary General Shareholders' Meeting ("EGSM") Decision from 27 April 2018, Teraplast SA's share capital will be increased through the issuance of 213,334,832 new shares, having the nominal value of RON 0.10/share.

The share-capital increase will be achieved by including the reserves amounting to RON 21,333,483.20 set up from the net profit of the prior years and the issuance of 213,334,832 new shares, having the nominal value of RON 0.10/share. The newly issued shares will not change the shareholders' holding percentages and they will be distributed free of charge to all company shareholders recorded in the Shareholders' Register at the registration date to be established through this decision. The share capital increase will be carried out to support the Company's current activity. Each shareholder registered within the Shareholders' Register at the registration date will be distributed 1 free share for every 4 shares held. This increase will be presented in the Company's financial statements when the legal formalities before the Trade Register and the FSA are completed.

Stock option plan

EGSM Decision no. 1 from 14 September 2018 approved an amendment of the EGSM Decision no. 1 from 21.09.2017 to decrease the maximum number of shares that can be repurchased from 5,150,000 shares to 3,571,114 shares, within the limit of a RON 1,480,308.10 budget, instead of the previously approved RON 1,850,000 budget and, at the same time, it was approved that the own shares repurchased by the Company will be offered to the employees and management members of the companies within Teraplast Group, free of charge, within the Company's stock option plan.

Through the Board of Directors' Decision no. 57 from 26.09.2018, based on the mandate granted through the EGSM Decisions from 21.09.2017 and from 14.09.2018, it was decided that the 3,571,114 own shares repurchased as part of the Stock Option Plan to be offered free of charge to the employees and management members of the companies within Teraplast Group.

State aid applications

TeraPlast has proposed an investment of Euro 6.2 million, out of which Eur 3.1 million would be the state aid for the investment in equipment for the group's plastics division. As part of this project, the company will bring new innovation on the PVC granules market: Teraplast will be the first producer in Romania of no halogen fire-resistant granules, used for insulating electrical cables.

From the position of leader on the exterior sewerage market, TeraPlast aims at expanding the production capacity for interior polypropylene sewerage systems, which are a higher quality alternative for the PVC systems. The recent trend was to increase the demand for products in the higher quality range. The polypropylene scrap resulting from the technological process will be recycled and reprocessed, Teraplast constantly keeping within the objective of providing effective solutions for people and the environment.

Depaco will open a new production unit in a new location, of 38 thousand sq. m. in Baicoi (Prahova County). The factory and the new production lines will ensure optimum logistics and storage flows and an annual production capacity of over 10 million sq. m. of tiles. In a first stage, Depaco will build 10 thousand

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sq. m. The budget for the construction and for increasing the production capacity is of Euro 5.2 million, out of which Euro 1.9 would be financed from state aid.

15. SUBSEQUENT EVENTS (CONTINUED)

TeraGlass will apply for state aid with a Euro 3.5 million investment project. The project objective is a new flow of double-glazed windows and doors, completely automated, which will contribute equally to increasing the production capacity and work productivity. This investment is as result of the increase in the demand for TeraGlass products.

The cumulated state aid value does not exceed Euro 6.8 million, amount with which the beneficiary companies commit to contribute to the state budget through taxes and additional salary contributions until 2024.

These interim simplified consolidated financial statements were approved on 29 October 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO