

TERAPLAST SA
SIMPLIFIED CONSOLIDATED INTERIM
FINANCIAL STATEMENTS
AT AND FOR THE NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2019

Prepared in accordance with International Financial Reporting Standards as adopted by the European Union

CONTENTS	PAGE
Simplified consolidated interim statement of comprehensive income	3
Simplified consolidated interim statement of financial position	4
Simplified consolidated interim statement of changes in equity	5
Simplified consolidated interim statement of cash flows	6
Notes to the simplified consolidated interim financial statements	7 – 34

TERAPLAST SA
SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME
at September 30, 2019

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

	Note	Period ended September 30, 2019	Period ended September 30, 2018
Income from contracts with customers, of which:	4	719,136,708	590,483,294
Income from the sale of finished goods		622,543,528	508,438,908
Income from the sale of goods		87,346,771	80,155,619
Income from provision of services		9,246,409	1,888,767
Other operating income	5	1,229,244	1,402,581
Changes in stocks of finished goods and work in progress		3,432,806	10,628,733
Works and services in progress		422,682	-
Raw materials, consumables and merchandise	6	(524,092,776)	(448,452,981)
Expenses with employees' benefits	9	(62,008,960)	(48,949,210)
Amortisation/depreciation and impairment of non-current assets, net	8	(22,298,503)	(20,530,415)
Impairment of non-current assets, net		110,860	398,959
Income from reversal of provisions, net	8	101,099	212,165
Gains / (Losses) on the write-off/measurement of tangible and intangible assets	7	378,565	(103,030)
Gains on the disposal of assets held for sale	17	15,034	185,891
Losses on the sale of investment property		(133,370)	-
Other operating expenses	10	(69,937,993)	(52,748,526)
Operating profit/loss		46,355,396	32,527,461
Financial expenses	5	(3,462,696)	(4,357,647)
Interest expenses, net	5	(6,720,576)	(5,554,249)
Financial income	5	2,333,651	3,204,573
Income from dividends		-	57,000
Financial result, net	5	(7,849,621)	(6,650,323)
Profit before tax		38,505,775	25,877,138
Income tax expenses		(4,756,252)	(3,589,418)
Profit for the year		33,749,523	22,287,720
Result of the financial year			
attributable to			
owners of the parent		32,857,143	19,243,234
Non-controlling interests	20	892,380	3,044,486
Profit/loss for the year		33,749,523	22,287,720
Comprehensive income		33,749,523	22,287,720

These simplified consolidated interim financial statements were approved on October 28, 2019.

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION
at September 30, 2019

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

	Note	September 30, 2019	December 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	11	252,390,139	214,194,882
Investment property	13	6,913,460	8,324,389
Intangible assets	12	45,684,205	71,013,891
Other financial assets	14	773,209	745,868
Other financial investments	14	16,472	17,107
Total non-current assets		305,777,485	294,296,137
Current assets			
Inventories	15	210,582,964	194,414,744
Work and services in progress		918,520	495,838
Trade and other receivables	16	187,716,326	127,460,704
Prepaid expenses		1,633,519	895,914
Cash and short-term deposits	28	22,567,293	22,817,571
Total current assets		423,418,622	346,084,771
Assets measured as held for sale	17	-	1,865,560
Total assets		729,196,107	642,246,468
Equity and liabilities			
Equity			
Total share capital, of which:		107,024,527	107,024,527
Subscribed capital	18	107,024,527	107,024,527
Other capital reserves		-	1,472,925
Share premiums		27,384,726	27,384,726
Treasury shares	18	(139)	(1,472,925)
Revaluation reserves	11	17,698,554	17,698,554
Legal reserves	19	15,516,164	15,516,164
Retained earnings		101,117,828	68,526,436
Capital attributable to controlling interests		268,741,661	236,150,407
Non-controlling interests	20	2,020,672	1,965,458
Total equity		270,762,333	238,115,865
Long-term liabilities			
Borrowings and finance lease liabilities	21,25	64,453,587	71,598,023
Other long-term liabilities	14	10,011,862	49,022,037
Employees' benefits	22	742,411	724,849
Deferred tax liabilities		8,640,141	8,855,594
Subsidies for investments – long-term portion		3,115,576	3,597,809
Total long-term liabilities		86,963,577	133,798,312
Current liabilities			
Trade and other payables	23,24	215,921,391	145,252,624
Borrowings and finance lease liabilities	21,25	151,547,267	123,467,888
Income tax payable		2,320,779	377,800
Subsidies for investments – current portion		1,019,044	453,766
Provisions	22	661,716	780,213
Total current liabilities		371,470,197	270,332,291
Total liabilities		458,433,774	404,130,603
Total equity and liabilities		729,196,107	642,246,468

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CEO

Ioana Birta
CFO

TERAPLAST SA
SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
Balance at January 1, 2019	107,024,527	1,472,925	27,384,726	17,698,554	15,516,164	(1,472,925)	68,526,436	236,150,407	1,965,458	238,115,865
Profit or loss for the year	-	-	-	-	-	-	32,857,143	32,857,143	892,380	33,749,523
Total comprehensive income	-	-	-	-	-	-	32,857,143	32,857,143	892,380	33,749,523
Benefits granted to employees in the form of financial instruments	-	-	-	-	-	(1,207,037)	-	1,207,037	-	1,207,037
Losses on the sale of own shares bought back	-	-	-	-	-	265,750	(265,750)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(837,166)	(837,166)
Other equity items	-	(1,472,925)	-	-	-	-	-	(1,472,925)	-	(1,472,925)
Balance at September 30, 2019	107,024,527	-	27,384,726	17,698,554	15,516,164	(139)	101,117,829	268,741,661	2,020,672	270,762,333

	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury shares	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
Balance at January 1, 2019	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
Profit or loss for the year	-	-	-	-	-	-	21,878,022	21,878,022	760,684	22,638,706
Other comprehensive income	-	-	-	(563,754)	-	-	-	(563,754)	-	(563,754)
Total comprehensive income	-	-	-	(563,754)	-	-	21,728,022	21,314,268	760,684	22,074,952
Increase of share capital from reserves	21,333,483	-	-	-	-	-	(21,333,430)	-	-	-
Set-up of legal reserve	-	-	-	-	1,577,142	-	(1,577,142)	-	-	-
Buy-back of own shares	-	-	-	-	-	(809,529)	-	(809,529)	-	(809,529)
Benefits granted to employees in the form of financial instruments	-	1,472,925	-	-	-	-	-	1,472,925	-	1,472,925
Consolidation adjustments in relation to the Wetterbest purchase	-	-	-	-	-	-	-	-	1,615,926	1,615,926
Reserves representing revaluation surplus	-	-	-	(1,389,807)	-	-	1,389,807	-	-	-
Dividends declared	-	-	-	-	-	-	(10,069,404)	(10,069,404)	(1,101,638)	(11,171,042)
Other equity elements increases /(reductions)	(53)	-	-	-	-	-	(12,057)	(12,110)	201,005	188,895
Balance at December 31, 2018	107,024,527	1,472,925	27,384,726	17,698,554	15,516,164	(1,472,925)	68,526,436	236,150,407	1,965,458	238,115,865

TERAPLAST SA
SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

	Period ended September 30, 2019	Period ended September 30, 2018
Cash flows from operating activities:		
Profit before tax	38,505,776	25,877,138
(Gains)/Losses on the sale of assets (fixed assets) and scrapping	(378,565)	103,030
Amortisation/depreciation and impairment of non-current assets	22,298,503	20,530,415
Loss on the sale of investment property	133,370	-
Provisions for risks and charges, net	(101,099)	(212,165)
Impairment of doubtful customers	781,238	55,974
Impairment of inventories	(892,098)	(454,933)
Dividend income	-	(57,000)
Interest expenses	6,720,576	5,554,249
Net expenses with FX differences on loans	19,681	-
Operating profit before changes in working capital	67,087,382	51,396,708
Increases of trade and other receivables	(56,240,625)	(81,855,845)
Increases of inventories	(13,833,244)	(28,499,092)
Increase of trade and other liabilities	53,513,941	45,598,634
Income tax paid	(3,289,288)	(2,008,285)
Interest paid, net	(6,720,576)	(5,554,249)
Income from subsidies	585,635	568,945
Cash generated by operating activities	41,103,225	(21,491,073)
Cash flows used in investing activities:		
Payments to purchase tangible and intangible assets, other non-current receivables	(64,068,838)	(24,934,925)
Payments to purchase shares in Wetterbest	(2,379,950)	(7,215,405)
Proceeds from the sale of tangible assets	731,308	354,105
Buy-back of own shares, net of options exercised	(139)	(809,529)
Losses on the sale of own shares	(265,750)	-
Net cash flows for investing activities	(65,983,369)	(32,605,754)
Cash flows from financing activities:		
Payment of finance lease liabilities	(497,902)	(785,732)
Dividends paid	(837,166)	(10,499,648)
Dividends received	-	57,000
Loan drawdowns, net	25,964,935	68,023,978
Net cash flows generated by financing activities	24,629,867	56,795,598
Net increase of cash and cash equivalents	250,278	2,698,770
Cash and cash equivalents at the beginning of the period	22,817,571	12,015,802
Cash and cash equivalents at the end of the period	22,567,293	14,714,572

These simplified consolidated interim financial statements were approved on October 28, 2019.

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

1. GENERAL INFORMATION

These are the simplified consolidated interim financial statements of Group Teraplast SA (“the Group”).

Teraplast SA (“the Parent”) is a joint-stock company set up in 1992. The company’s registered office is located in sat Saratel, com Sieu-Magherus, DN 15A (Reghin-Bistrita) km 45+500, Bistrita – Nasaud county, Romania.

As of July 2, 2008 Teraplast is listed on the Bucharest Stock Exchange under code TRP.

These consolidated financial statements have not been audited.

Teraplast SA prepares consolidated financial statements since 2007. These financial statements are available on the company’s website (www.teraplast.ro).

Group Teraplast includes Teraplast (manufacturer of pipes, compounds and PVC profiles) and its subsidiaries:

- Terasteel Romania and Terasteel Serbia (manufacturers of sandwich panels and coated metal structures),
- Wetterbest (manufacturer of metal tiles),
- Teraglass (manufacturer of PVC windows and doors),
- Teraplast Recycling (former Teraplast Logistic which, in June 2016 – September 2018, coordinated the logistic operations of the Group; as of October 2018, these operations were re-integrated with the parent) has been operating since April 2019 as a company specialised in recycling following the separation of the recycling line from Teraplast,
- Teraplast Hungary (distributor),
- Politub (at December 31, 2017, the business of Politub was transferred to Teraplast, becoming the Polyethylene Division)

2. SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Bases of preparation

The consolidated financial statements include the financial statements of the parent and the subsidiaries. Control is obtained when the Company has the power to direct the financial and operating policies of an entity to obtain benefits from its activities.

Where necessary, the financial statements of the subsidiary are adjusted to align its accounting policies to those of the Group.

All of the group transactions, inter-company balances and income and expenses are entirely de-consolidated.

The non-controlling interests in the net assets (exclusively goodwill) of consolidated subsidiaries are identified apart from the Group’s equity in it. Non-controlling interests consist of the sum of such interests at the initial consolidation date and the share held in changes to equity as of such date.

The accounting policies and measurement methods adopted in the preparation of the simplified consolidated interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements of Teraplast SA at December 31, 2018.

2.3. Going concern

These financial statements were prepared on a going concern basis, according to which the Group will continue its activity in the foreseeable future. To assess the applicability of this assumption, the management assesses the future estimated cash flows.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3. Going concern (continued)

At September 30, 2019, the Group's current assets exceed its current liabilities by RON 51,948,425 (December 31, 2018: RON 76,063,013). In January-September 2019, the Group registered a profit of RON 33,749,523 (January-September 2018: RON 22,287,721). The Group relies on the support of financing banks.

The budget prepared by the Group's management and approved by the Board of Administration for 2019 indicates positive cash flows from operating activities, an increase of sales and profitability that directly contributes to improving liquidity and will allow the Group to meet its covenants from the contract concluded with the financing banks. The Group's management considers that the support received from the banks will be sufficient for the Group to continue to operate under normal conditions, on a going concern basis.

Based on such analyses, the management considers that the Company will be able to continue its activity in the foreseeable future and, therefore, 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 application of the Group's accounting policies, the management used the following judgments, which have the highest effect on the amounts recognised in the separate financial statements:

Investment property

The Group holds assets which the management decided to reclassify as investment property, as follows:

- The Group holds a plot of land and a building (previously used as headquarters), located at str. Romana, Bistrita. In January 2012, the management decided that the final destination of the land would be as held for appreciation followed by subsequent sale. Consequently, the land was classified in January 2012 as investment property;
- In December 2012, the Group restated the assets previously transferred to Teracota Bistrita SRL. The management decided that the final destination of the plot of land located in Bistrita, str. Drumul Cetatii would be as held for appreciation followed by subsequent sale. Consequently, the land was classified in December 2012 as investment property, carried at fair value as at such date;
- The Group holds land and buildings (previously used as zonal warehouses), located in Constanta. During 2013, the management decided that the final destination of land and buildings would be as held for appreciation followed by subsequent sale. Consequently, the land and buildings were classified in 2013 as investment property, when they were also carried at fair value; in July 2019, the property was sold, registering a net loss of RON 133 thousand.

Purchase of ownership in Wetterbest

In May 2019, the 99% ownership in Wetterbest SRL, former Depaco SRL was registered at the Trade Registry. At September 30, 2019 and the total cost of the 99% ownership in Wetterbest SRL is RON 80,812,797.

Teraplast SA controls Wetterbest as of January 2018, when it owned 67%.

At December 31, 2018, the 99% ownership in Wetterbest was registered under a sale-purchase undertaking with the minority shareholders of Wetterbest for the remaining ownership up to 99% in the company. The fair value of Wetterbest SRL at the acquisition date was RON 70,556,559 determined further to a revaluation report prepared by an external valuer. The counter value of the 99% ownership was calculated taking into account such fair value, resulting a goodwill of RON 35,230,839.

In 2019, further to the conclusion of the sale-purchase agreement for an additional 32% ownership, the value of the transaction was RON 24,269,035 lower than the value of the undertaking. At September 30, 2019, Teraplast SA accounted such reduction of its liability to the minority shareholders of Wetterbest, in correspondence with the reduction of the investment and a reduction of goodwill by such amount.

The impairment test of the investment will be conducted at the end of the year.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

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

3.2. Estimates and assumptions

The main assumptions regarding the future and other key factors of uncertainty as regards estimates at the reporting date, which present a significant risk of determining a significant adjustment of the carrying amounts of the assets and liabilities in the next financial year, are presented below. The Group based its assumptions and estimates on the parameters available at the time of drawing up the separate financial statements. However, existing circumstances and assumptions regarding future developments may change as a result of market changes or circumstances that cannot be controlled by the Group. These changes are reflected in assumptions as they occur.

Revaluation of property, plant and equipment and investment property

The Group records its real estate at fair value, and changes in fair value are recognized in profit or loss. In addition, it values land and buildings at revalued amount, and changes in fair value are recognized in other comprehensive income. The Group has contracted independent valuation specialists to establish the fair value at December 31, 2016 for land and buildings, and for investment property this exercise was carried out annually, including December 31, 2018. Investment property (land and buildings) was valued by reference to available market information, using comparable prices, adjusted to specific market factors such as the nature, location and condition of the property.

Tangible assets (land and buildings) were revalued at December 31, 2016 using an external valuer, member of ANEVAR. The valuation methods used for these assets were the market comparison method for land and the net replacement cost method affected by the results of applying the income approach and the market comparison approach.

Impairment of intangible and tangible assets

Annually, at 31 December, the Group analyses whether there are impairment indications. In order to determine whether the impairment loss on a tangible or intangible asset must be recognised, a significant judgment is imposed. In order to make this decision, for each cash generating unit (CGN), the Group compares the carrying amount of such tangible or intangible assets with the higher of fair value of the cash generating unit, less sale costs and value in use, which will be generated by the tangible and intangible assets of the cash generating unit throughout the remaining useful life. The recoverable value used by the Group for each cash generating unit to assess impairment was represented by its value in use.

At December 31, 2018, the Group analysed the internal and external sources of information and concluded that there are no indications of impairment of assets, except for the cash-generating units mentioned below. The Group takes into account the relationship between its market capitalization and its carrying amount, among other factors, when reviewing impairment indicators. Therefore, the Group decided to estimate the recoverable amount of property, plant and equipment, in accordance with IAS 36. As a result of the exercise, it concluded that it was not necessary to register an allowance for impairment of assets.

The impairment test performed by the Group is based on determining the value in use taking into account the present value of future cash flows. Cash flows have been determined based on the budget for 2019 and forecasts for the next 4 years.

Impairment of goodwill

Annually, at 31 December, the Group carries out an impairment test that requires significant judgment, in order to determine the need to recognize an impairment loss related to the recognized goodwill in the consolidated financial statements, following the acquisition of Wetterbest SRL.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

4. OPERATING INCOME AND SEGMENTS

An analysis of the Group's income is presented below:

	Period ended September 30, 2019	Period ended September 30, 2018
Income from own production	632,277,190	514,867,155
Income from resale of merchandise	87,346,771	80,155,618
Income from other activities	9,246,409	1,888,767
Trade discounts granted	<u>(9,733,662)</u>	<u>(6,428,246)</u>
Total	<u>719,136,708</u>	<u>590,483,295</u>

The information reported by the management on the operating policy as regards the allocation of resources and analysis of segment performance are focused on the type of delivered products. The reporting segments of the Group were determined according to:

- the nature of the goods and services
- the nature of the production processes
- the type or category of clients for goods and services
- the methods used to distribute the goods or provide the services

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

4. OPERATING INCOME AND SEGMENTS (continued)

The Group's reporting segments are aggregated by the main types of activity and are presented below:

January – September 2019	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Total
Turnover	217,582,240	202,078,839	185,095,460	44,851,032	48,636,292	20,892,845	719,136,709
Other operating income	737,191	240,282	186,084	24,854	33,424	7,409	1,229,245
Total operating income	218,319,431	202,319,121	185,281,544	44,875,886	48,669,716	20,900,254	720,365,954
Raw materials, consumables and merchandise	(163,804,897)	(156,271,684)	122,761,793	(29,861,017)	(36,613,397)	(10,924,501)	(520,237,288)
Expenses with employees' benefits	(11,628,861)	(15,289,925)	(20,690,011)	(6,291,512)	(3,252,728)	(4,855,922)	(62,008,960)
Depreciation, impairment of assets and provisions	(4,088,334)	(4,578,565)	(8,134,846)	(3,493,628)	(1,019,795)	(488,635)	(21,803,804)
Impairment of current assets	(1,383,275)	577,888	(386,657)	1,034,517	9,461	258,925	110,859
Other expenses	(16,318,162)	(17,759,515)	(22,735,430)	(6,218,993)	(3,179,498)	(3,726,396)	(69,937,994)
Total expenses with indirect and administrative sales	(197,223,530)	(193,321,801)	(174,708,738)	(44,830,633)	(44,055,957)	(19,736,528)	(673,877,186)
Operating result	21,095,902	8,997,320	10,572,806	45,253	4,613,759	1,163,726	46,488,767
EBITDA	25,184,237	13,575,885	18,707,652	3,538,882	5,633,554	1,652,361	68,292,570

4. OPERATING INCOME AND SEGMENTS (continued)

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

September 30, 2019

	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Investment property	Total
Operating assets	160,090,306	207,802,504	209,529,631	64,901,386	38,722,935	41,235,885	6,913,460	729,196,106
Non-current assets	53,040,435	84,545,988	87,100,070	29,094,500	19,164,437	25,918,595	6,913,460	305,777,485
Current assets	107,049,871	123,256,516	122,429,560	35,806,887	19,558,498	15,317,290	-	423,418,622
Operating liabilities	109,147,903	152,697,365	118,653,427	36,869,800	24,744,644	16,320,635	-	458,433,774
Long-term liabilities	13,150,725	43,645,775	18,945,598	3,734,656	3,971,137	3,515,685	-	86,963,577
Short-term liabilities	95,997,178	109,051,589	99,707,830	33,135,144	20,773,507	12,804,950	-	371,470,197
Net assets	50,942,403	55,105,139	90,876,203	28,031,586	13,978,291	24,915,249	6,913,460	270,762,332

January – September 2018

	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Total
Operating income	185,014,976	165,740,530	128,370,754	41,630,054	48,118,634	23,010,927	591,885,875
Expenses with indirect and administrative sales	(169,181,235)	(156,703,384)	(28,122,034)	(41,155,463)	(43,403,262)	(20,793,035)	(559,358,415)
Operating result	15,833,741	9,037,146	248,720	474,591	4,715,372	2,217,892	32,527,460
Depreciation	(3,565,056)	(3,303,382)	(8,838,626)	(3,450,644)	(997,672)	(80,009)	(20,235,389)
EBITDA	19,398,797	12,340,527	9,087,345	3,925,235	5,713,044	2,297,902	52,762,850

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

5. SUNDRY INCOME

Financial income / expenses

	Period ended September 30, 2019	Period ended September 30, 2018
Expenses with FX differences, net	(1,165,466)	(107,824)
Expenses with interest	(6,722,639)	(5,554,972)
Interest income	2,063	723
Other financial expenses	(12,216)	(943)
Other financial income	48,637	69,804
Dividend income	-	57,000
Financial discounts granted	-	(1,114,110)
Net financial loss	<u>(7,849,621)</u>	<u>(6,650,323)</u>

Other operating income

	Period ended September 30, 2019	Period ended September 30, 2018
Compensation, fines and penalties	444,036	325,432
Other income	199,573	508,206
Income from subsidies	585,635	568,943
Total	<u>1,229,244</u>	<u>1,402,581</u>

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Period ended September 30, 2019	Period ended September 30, 2018
Expenses with raw materials	421,332,749	353,782,957
Expenses with consumables	21,784,327	17,620,948
Expenses with merchandise	78,031,735	74,344,279
Packaging used	2,943,965	2,704,796
Total	<u>524,092,776</u>	<u>448,452,981</u>

7. OTHER GAINS AND LOSSES

	Period ended September 30, 2019	Period ended September 30, 2018
Income from the disposal of tangible and intangible assets	731,308	354,105
Expenses with the disposal of tangible and intangible assets	(352,743)	(457,135)
Net result from the disposal of tangible and intangible assets	378,565	103,030
Income from the disposal of assets held for sale	1,880,594	839,106
Expenses with the disposal of assets held for sale	(1,865,560)	(653,215)
Net result from the disposal of assets held for sale	15,034	185,891
Income from the sale of investment property	1,277,559	-
Expenses with the sale of investment property	(1,410,929)	-
Net result from the disposal of investment property	(133,370)	-

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ALLOWANCES AND AMORTISATION AND DEPRECIATION

	Period ended September 30, 2019	Period ended September 30, 2018
Expenses with impairment of non-current assets	(266,303)	(49,133)
Income from reversal of impairments of non-current assets	327,362	278,185
Expenses with amortisation and depreciation	<u>(22,359,562)</u>	<u>(20,759,468)</u>
Net impairment of non-current assets	<u>(22,298,503)</u>	<u>(20,530,416)</u>
Expenses with impairment of inventories	(3,420,610)	(2,090,021)
Income from reversal of impairments of inventories	<u>4,312,708</u>	<u>2,544,954</u>
Net impairment of inventories	<u>892,098</u>	<u>454,933</u>
Expenses with impairment of current assets	(1,481,374)	(1,708,744)
Income from reversal of impairments of current assets	1,431,092	2,049,970
Current receivables registered as expenses	<u>(730,956)</u>	<u>(397,200)</u>
Net impairment of current receivables	<u>(781,238)</u>	<u>(55,974)</u>
Expenses with provisions	(46,991)	(54,799)
Income from reversal/write-off of provisions	<u>148,090</u>	<u>266,964</u>
Net adjustments for provisions	<u>101,099</u>	<u>212,165</u>

9. EXPENSES WITH EMPLOYEES' BENEFITS

	Period ended September 30, 2019	Period ended September 30, 2018
Salaries	56,910,741	44,929,931
Contributions to the State social insurance fund	2,391,174	1,627,806
Meal tickets	<u>2,707,045</u>	<u>2,391,472</u>
Total	<u>62,008,960</u>	<u>48,949,209</u>

10. OTHER EXPENSES

	Period ended September 30, 2019	Period ended September 30, 2018
Transport	29,356,579	20,684,866
Utilities and green certificates	9,721,199	6,683,949
Third party services	12,109,538	9,696,369
Damages, fines and penalties	279,985	53,506
Protocol, advertising and publicity	4,717,266	3,721,280
Other general expenses	2,177,741	1,964,046
Taxes and levies	1,541,727	1,509,440
Repairs	2,632,012	2,242,299
Travel	1,210,680	1,046,479
Rentals	3,735,028	2,706,423
Postage fees and telecommunications	509,473	562,524
Insurance premiums	1,641,918	1,300,243
Sponsorship	<u>304,847</u>	<u>577,103</u>
Total	<u>69,937,993</u>	<u>52,748,526</u>

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019
(all amounts are expressed in RON, unless otherwise specified)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
COST						
Balance at January 1, 2018	12,560,965	91,670,179	219,086,237	1,684,258	5,342,961	330,344,600
Increases	2,331,508	7,556,282	28,344,831	1,076,638	20,360,758	59,670,018
of which:						
<i>Increase from acquisition of Wetterbest group</i>	2,096,125	8,069,765	16,175,206	424,407	24,908	26,790,411
<i>Increases from internal production of non-current assets</i>	-	-	-	-	1,437,450	1,437,450
Transfers to / from non-current assets in progress	-	1,751,837	9,419,807	127,407	(11,309,736)	(10,684)
Transfers from items of inventory	-	-	49,884	-	-	49,884
Transfers to non-current assets held for sale	(1,137,491)	(826,853)	-	-	-	(1,964,344)
Transfers from investment property	599,425	622,201	-	-	-	1,221,626
Valuation decrease prior to classification as held for sale, with impact on reserves	(522,189)	(333,862)	-	-	-	(856,051)
Increases / (Decreases) from value adjustments with impact on reserves	-	155,328	-	-	-	155,328
Disposals and other write-downs	-	(2,555,084)	(14,684,417)	(210,367)	-	(17,449,869)
Balance at December 31, 2018	13,832,218	98,040,028	242,216,342	2,677,936	14,393,983	371,160,507
Balance at January 1, 2019	13,832,218	98,040,028	242,216,342	2,677,936	14,393,983	371,160,507
Increases through acquisitions	319,885	965,867	8,662,987	139,454	47,614,520	57,702,713
Increases from internal production of non-current assets	-	-	-	-	1,098,728	1,098,728
Transfers to / from non-current assets in progress	-	382,914	21,415,404	60,336	(21,858,655)	-
Disposals and other write-downs	-	-	(1,694,824)	(16,801)	(390,202)	(2,101,827)
Balance at September 30, 2019	14,152,103	99,388,810	270,599,909	2,860,925	40,858,374	427,860,121

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
ACCUMULATED DEPRECIATION						
Balance at January 1, 2018	346	4,550,778	137,800,175	1,112,499	964,893	144,428,691
Depreciation during the year	346	4,495,501	22,256,684	310,261	-	27,062,791
Disposals and reductions	-	(1,515,779)	(13,760,561)	(160,156)	-	(15,436,495)
Impairment	-	(153,253)	474,412	-	539,597	860,756
Transfers from items of inventory	-	-	49,884	-	-	49,884
Balance at December 31, 2018	692	7,377,247	146,820,594	1,262,604	313,241	155,774,378
balance at January 1, 2019	692	7,377,247	146,820,594	1,262,604	313,241	155,774,378
Depreciation during the year	17,970	3,449,900	16,663,904	283,354	-	20,415,128
Disposals and reductions	-	-	(381,483)	(11,410)	-	(392,893)
Impairment	-	(23,998)	(302,633)	-	-	(326,631)
Balance at September 30, 2019	18,662	10,803,149	162,800,383	1,534,547	313,241	175,469,982
NET BOOK VALUE						
Net book value at January 1, 2019	12,560,619	87,119,401	81,286,062	571,759	4,378,068	185,915,909
Net book value at September 30, 2019	14,133,441	88,585,661	107,799,527	1,326,378	40,545,133	252,390,139

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

11. PROPERTY, PLANT AND EQUIPMENT (continued)

The non-current assets purchased in leasing include vehicles and equipment, as follows:

	<u>September 30, 2019</u>	<u>December 31, 2018</u>
Net value – vehicles	2,242,625	1,891,654
Net value – equipment	735,468	436,995
Total	<u>2,978,093</u>	<u>2,328,649</u>

At September 30, 2019, the Group registered non-current assets and investment property pledged to financial institutions at a net book value of RON 109,477,703 (December 31, 2018: RON 93,640,578).

The land and buildings were revalued at December 31, 2016. The Group's management has established that they represent a single class of assets for revaluation at fair value in accordance with IFRS 13. This analysis took into account the characteristics and risks associated with the revalued properties.

At December 31, 2017 and 2018 the management, assisted by an authorized appraiser, analyzed whether a new revaluation of land and buildings would be necessary. Due to the fact that the differences between the fair value and the accounting value would be insignificant, the management decided not to revalue the Group's land and buildings.

In 2018, the Group concluded a sale undertaking to sell some assets held in Otopeni (land and buildings) with a net book value of RON 1,865,560. According to IFRS 5, these assets were reclassified at December 31, 2018 from tangible assets into assets held for sale and were carried at the date of reclassification at the lower of net book value and fair value less costs to sell.

In January 2019, the transaction was completed and the Group registered an income of RON 1,880,594; the gross profit generated was RON 15,034.

At September 30, 2019, the Group recorded specific impairment allowances of property, plant and equipment in amount of RON 2,564,635 (December 31, 2018: RON 2,625,695).

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

12. INTANGIBLE ASSETS

	Goodwill	Licence and other intangible assets	Intangible assets in progress	Total
Cost				
Balance at January 1, 2018	-	6,786,169	3,097	6,789,266
Increases, of which:	35,230,839	36,585,892	724,056	72,541,010
Wetterbest acquisition, of which:	35,230,839	36,083,307	-	71,314,146
- goodwill	35,230,839	-	-	35,230,839
- Wetterbest brand	-	27,351,076	-	27,351,076
- trade relations	-	7,427,844	-	7,427,844
Transfers to / from non-current assets in progress	-	333,163	(322,479)	10,684
Disposals and other write-downs	-	(216,139)	-	(216,139)
Balance at December 31, 2018	35,230,839	43,489,085	404,897	79,124,821
Balance at January 1, 2019	35,230,839	43,489,085	404,897	79,124,821
Increases by acquisitions	-	311,661	1,122,859	1,434,520
Transfers to / from non-current assets in progress	-	810,927	(810,927)	-
Disposals and other write-downs	(24,269,035)	-	-	(24,269,035)
Balance at September 30, 2019	10,961,804	44,611,674	716,829	56,290,306
Accumulated amortisation				
Balance at January 1, 2018	-	5,126,916	-	5,126,916
Amortisation	-	2,695,736	-	2,695,736
Wetterbest acquisition	-	503,772	-	503,772
Impairment	-	56	-	56
Reductions	-	(215,606)	-	(215,606)
Balance at December 31, 2018	-	8,110,874	-	8,110,874
Balance at January 1, 2019	-	8,110,874	-	8,110,874
Amortisation	-	2,229,110	-	2,229,110
Impairment	-	266,116	-	266,116
Balance at September 30, 2019	-	10,606,100	-	10,606,100
Net book value				
At December 31, 2018	35,230,839	35,378,211	404,897	71,013,891
At September 30, 2019	10,961,804	34,005,574	716,829	45,684,206

At the date of acquisition of the majority shares of Wetterbest SRL, according to the valuation report issued by an external valuer, the Wetterbest brand and customer relations were included in the Wetterbest unit (for further details, see 14).

In the consolidated financial statements at September 30, 2019 and December 31, 2018, the intangible assets recognised further to the acquisition of Wetterbest SRL are classified as other intangible assets.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

13. INVESTMENT PROPERTY

Investment property includes the following elements:

- The Group holds a plot of land and a building (previously used as headquarters), located at str. Romana, Bistrita. In January 2012, the management decided that the final destination of the land would be as held for appreciation followed by subsequent sale. Consequently, the land was classified in January 2012 as investment property;
- In December 2012, the Group restated the assets previously transferred to Teracota Bistrita SRL. The management decided that the final destination of the plot of land located in Bistrita, str. Drumul Cetatii would be as held for appreciation followed by subsequent sale. Consequently, the land was classified in December 2012 as investment property, carried at fair value as at such date;
- The Group holds land and buildings (previously used as zonal warehouses), located in Constanta. During 2013, the management decided that the final destination of land and buildings would be as held for appreciation followed by subsequent sale. Consequently, the land and buildings were classified in 2013 as investment property, when they were also carried at fair value; in July 2019, the property was sold, registering a net loss of RON 133 thousand.

At September 30, 2019, the fair value of investment property is based on the valuation report prepared by an independent valuer at December 31, 2018, and the impact of such valuations was registered in profit or loss. The valuation methods used are in accordance with the International Valuation Standards.

In case of land, the valuation conducted applied the market comparison method as follows:

Price per square meter for land EUR 15 – 135 /sq m

The fair value of buildings was obtained by applying the income approach as follows:

Rent for industrial and commercial spaces EUR 2.5 – 5.5/ sq m
 Vacancy rate of logistics and industrial spaces 10 – 15 %
 Average return for 2nd rank city industrial spaces 9 – 10 %
 Average return for 3rd rank city industrial spaces 9.5 – 10.5 %

	Period ended September 30, 2019	Year ended December 31, 2018
Opening balance at 1 January	8,324,389	9,791,568
Additions / (Disposals)	(1,410,929)	(1,221,627)
Net changes in the valuation of investment property at fair value	-	(245,552)
Closing balance at September 30/December 31	6,913,460	8,324,389

In June 2018, the space in Oradea, which in December 2017 was accounted for as Investment property, was reclassified as property, plant and equipment given that the Company decided to resume the operating activity in such location. Thus, the Investment property line registered a decrease of approximately RON 1,200 thousand.

In July 2019, the investment property in Constanta was sold, generating a reduction of the Group's investment property by RON 1,411 thousand.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

14. SUBSIDIARIES AND FINANCIAL ASSETS

At September 30, 2019 and December 31, 2018, the parent holds investments as follows:

Subsidiary	Place of establishment and venue of operations	Core activity	Ownership percentage at September 30, 2019 (%)	Ownership percentage at December 31, 2018 (%)
Terasteel SA Bistrita	Romania	Manufacturing of thermal insulating panels	97.95	97.95
Teraglass Bistrita SA	Romania	Manufacturing of thermal insulating joinery	100.00	100.00
Politub SA	Romania	Manufacturing of polyethylene pipes	99.99	99.99
Teraplast Recycling SA	Romania	Waste recycling	99.00	99.00
Teraplast Hungaria Kft	Ungaria	Distributor	100.00	100.00
Terasteel DOO Serbia	Serbia	Manufacturing of thermal insulating pan	100.00	100.00
Wetterbest SRL	Romania	Manufacturing of metal tiles	99.00	99.00
Cortina WTB SRL	Romania	Manufacturing of metal tiles	51.00	51.00

In 2018 and 2019, the Company's ownership changed as follows:

Acquisition of Wetterbest SRL

Teraplast holds 99% ownership in Wetterbest.

The consideration consists of:

- acquisition price paid for the 67% ownership in amount of EUR 12,350,000
- acquisition price for the additional 32% ownership, which is EUR 5,000,000, according to the sale-purchase contract concluded in May 2019.

At September 30, 2019, the fair value of the deferred consideration for the additional 32% ownership, registered according to the sale-purchase undertaking in force at December 31, 2018 decreased from EUR 10,000,000 to EUR 5,000,000, namely from RON 48,527,375 to RON 24,258,340, based on the firm contract signed by the parties in April 2019. Further to the reduction of the deferred consideration, at September 30, 2019, the Group reduced the value of the goodwill obtained upon taking control, in correspondence with the liability recognised, at December 31, 2018, as „Long-term liabilities" by the difference of RON 24,269,035.

In September 2019, Wetterbest increased its ownership in Cortina's equity from 51% to 100%. The transaction will be finalised after obtaining the approval of the Competition Council.

Details on other financial assets of Teraplast SA are as follows:

Name of investment	Country	Ownership %	September 30, 2019 RON	Ownership %	December 31, 2018 RON
CERTIND SA	Romania	7.5%	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
The Association of Metal Panels Manufacturers	Romania	11.11	1,000	11.11	1,000
		-	16,472	-	16,472

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

Teraplast SA did not assume any obligation and made no payment on behalf of the entities in which it holds ownership interests.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

15. INVENTORIES

	September 30, 2019	December 31, 2018
Finished products	47,837,390	49,352,661
Raw materials	126,893,479	125,931,763
Merchandise	16,064,740	13,436,897
Consumables	4,668,634	3,577,615
Items of inventory	323,798	260,198
Semi-finished goods	8,971,466	3,908,861
Residual products	334,629	909,669
Goods pending supply	10,917,910	3,732,496
Packaging	2,059,849	1,684,609
Inventories – gross value	218,071,895	202,794,769
	September 30, 2019	December 31, 2018
Impairment of raw materials and consumables	(3,073,112)	(2,968,793)
Impairment of finished products	(3,530,281)	(4,463,451)
Impairment of merchandise	(885,538)	(947,781)
Total impairment	(7,488,931)	(8,380,025)
Total inventories – net value	210,582,964	194,414,744

Impairments are applied for all categories of inventories (see above), using both general, and specific methods according to their maturity and the analyses of likelihood of use in the future. Inventories one or more years old, which did not register any changes over the past year, and those found non-compliant are 100% adjusted.

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

16. TRADE AND OTHER RECEIVABLES

Short-term receivables

	September 30, 2019	December 31, 2018
Trade receivables	153,079,792	100,764,336
Commercial papers not payable	38,950,051	33,091,976
Advances paid to suppliers of non-current assets	10,687,812	6,404,825
Advances paid to suppliers of inventories and services	3,744,976	1,528,978
Other receivables	6,400,005	10,766,819
Impairment of trade receivables	(25,146,310)	(25,096,230)
Total	187,716,326	127,460,704

At September 30, 2019, the *Other receivables* line includes the RON 4,388,034 (December 31, 2018: RON 8,240,921) representing VAT recoverable (Teraglass Bistrita SRL, Terasteel Doo Serbia, Teraplast Recycling SA, Politub SA).

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

16. TRADE AND OTHER RECEIVABLES (continued)

Changes in impairment allowances for doubtful customers

	September 30, 2019	December 31, 2018
Balance at the beginning of the year	(25,096,230)	(21,939,056)
Receivables transferred to expenses during the period	730,956	640,353
(Increase)/Reduction of impairment	(781,035)	(1,050,491)
Acquisition of control by associates	-	(2,747,037)
Balance at the end of the period	(25,146,310)	(25,096,230)

In determining the recoverability of a debt, the Group takes into account any change in the lending quality of the debt from the date of granting the credit, until the reporting date. The concentration of credit risk is limited considering that the customer base is large and customers are not related to each other. Therefore, the management of the Group is of the opinion that no further impairment allowance is needed for loans over the allowance for doubtful customers.

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

17. ASSETS HELD FOR SALE

	<u>June 30, 2019</u>	<u>December 31, 2018</u>
Opening balance at 1 January	<u>1,865,560</u>	<u>653,215</u>
Additions by transfer from property, plant and equipment		1,865,560
Disposals by sale	<u>1,865,560</u>	<u>653,215</u>
Closing balance at September 30 / December 31	<u>-</u>	<u>1,865,560</u>

In 2017, the Company reclassified the assets held in Galati (land and building) with a net book value of RON 653,215 from tangible assets to assets held for sale and were valued at the date of reclassification at the lower of net book value and fair value less costs to sell. These assets were sold in 2018, generating a profit of RON 185,891.

In 2018, the Company reclassified the assets held in Otopeni (land and buildings) to assets held for sale; they were valued at the date of reclassification at the lower of net book value and fair value less costs to sell, namely RON 1,865,560. These assets were sold in January 2019, generating a profit of RON 15,034.

18. SHARE CAPITAL

	September 30, 2019	December 31, 2018
Share capital subscribed and fully paid in	107,024,527	107,024,527
Total	107,024,527	107,024,527

At September 30, 2019, the value of the subscribed and paid in share capital of the Company comprised 1,070,245,274 (2018: 1,070,245,274) authorized shares, issued and paid in full, at a nominal value of RON 0.1 with a total nominal value of RON 107,024,527 (2018: RON 107,024,527). The ordinary shares grant one vote each and give the right to dividends.

On December 12, 2018 the Financial Supervisory Authority issued Certificate of Registration of Securities no. AC-3420-7 / 12.12.2018 for the increase of share capital approved by Resolution no.1 of April 27, 2018 of the Extraordinary General Meeting of the Shareholders of Teraplast SA, by the amount of RON 21,333,483, through the issuance of 213,334,304 new shares, at a nominal value of RON 0.1 / share.

As a result of this increase, at December 31, 2018, the Group reported an average number of 868,046,555 shares.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

18. SHARE CAPITAL (continued)

Shareholding

	September 30, 2019		December 31, 2018	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	501,197,059	46.83	501,197,059	46.83
Marley Magyarorszag (Gemencplast Szekszard)	84,858,730	7.93	84,858,730	7.93
KJK BALKAN HOLDING S.a.r.l.	107,530,688	10.05	107,530,688	10.05
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	71,305,117	6.66	71,305,117	6.66
LCS IMOBILIAR SA	38,619,285	3.61	38,619,285	3.61
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIANZ PP	34,639,061	3.24	34,639,061	3.24
Other individuals and legal entities	232,095,334	21.68	232,095,334	21.68
Total	1,070,245,274	100.00	1,070,245,274	100.00

Treasury shares

	Number of shares	RON
At December 31, 2018	3,571,450	1,472,925
Buy-back of own shares, net of options exercised	-	-
Transfer of shares to program beneficiaries	(3,571,114)	(1,207,036)
Losses on the sale of own shares	-	(265,750)
At September 30, 2019	336	139

The options for the shares, exercised each year, were settled using the Company's treasury shares. The decrease of treasury shares in equity equals the cost incurred to purchase the shares.

On September 27, 2019, the Central Depository registered in the Shareholders' Registry of Teraplast SA the transfer of shares to its own employees, as laid down in the program begun in September 2018.

Further to the transfers, the Company registered losses on the sale of own shares bought back in amount of RON 266 thousand, a non-deductible expense when calculating income tax.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

19. LEGAL RESERVES

	September 30, 2019	December 31, 2018
Opening balance	15,516,164	13,939,022
Increases / (Reductions) for the period	-	1,577,142
Total	15,516,164	15,516,164

The legal reserve is used to transfer profits from retained earnings. According to the Romanian legislation, a transfer from the Group's net profit is required. The transfer can be up to 5% of the profit before taxation, until the reserve reaches 20% of the share capital.

The reserve cannot be distributed to shareholders, instead it can be used to cover operating losses, in which case it becomes taxable as of the date it was established. The management does not intend to use the legal reserve to cover the accounting losses carried forward.

20. NON-CONTROLLING INTERESTS

	September 30, 2019	December 31, 2018
Balance at the beginning of the year	1,965,458	489,480
Profit or loss for the year	892,380	760,684
Dividends granted	(837,166)	(1,101,638)
Acquisition of non-controlling interests	-	1,615,926
Other elements	-	201,005
Balance at the end of the year	2,020,672	1,965,458

At September 30, 2019 and December 31, 2018, non-controlling interests are ownerships of 2.05% in Terasteel SA, 1.00% in Wetterbest SRL and 49.00% in Cortina WTB SRL.

21. BORROWINGS

	Short-term		Long-term	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Transilvania Bank	80,434,694	71,161,905	57,289,151	67,757,841
Raiffeisen Bank	33,393,406	32,606,025	-	-
UniCredit Bank	978,352	12,957,716	2,146,918	2,703,821
Exim Bank	36,045,284	-	3,005,098	-
Citi Bank	-	5,724,129	-	-
ING Bank	-	343,496	-	-
Total	150,851,736	122,793,271	62,441,167	70,461,662

The break-down of borrowings by currency is the following:

Currency	September 30, 2019	December 31, 2018
EUR	14,729,576	14,985,632
RON	198,563,327	178,269,301
Total	213,292,903	193,254,933

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

21. BORROWINGS (continued)

The break-down of bank loans by company is as follows:

	Short term		Long term	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Teraplast SA	78,891,487	58,948,895	56,888,318	67,218,258
Terasteel SA	20,753,550	27,537,494	-	-
Teraglass Bistrita SRL	8,934,065	2,678,585	3,405,931	539,583
Wetterbest SRL	32,696,020	24,171,789	1,993,469	2,504,454
Terasteel Doo Serbia	9,519,792	9,366,195	-	-
Cortina WTB SRL	56,822	90,313	153,449	199,369
Total	150,851,736	122,793,271	62,441,167	70,461,664

At September 30, 2019, the Group registered non-current assets and investment property pledged to financing institutions at a net book value of RON 109,477,703 (December 31, 2018: RON 93,640,578).

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

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

The Group's cash is fully pledged in favour of financing banks.

22. LIABILITIES REGARDING EMPLOYEES' BENEFITS AND PROVISIONS

The Group has established a benefit plan whereby employees are entitled to receive retirement benefits based on seniority in the Group at the retirement age of 65 for men and 61 for women. There are no other post-retirement benefits for employees.

The provision represents the current value of the retirement benefit obligation calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2018. Future salary increases are estimated at 0.5% in the long term, and 1% in the first 6 years.

	Short term		Long term	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Employees' benefits	-	-	742,411	724,849
Provisions for risks and charges	661,716	780,213	-	-
Total	661,716	780,213	742,411	724,849

For Group companies resident in Romania, the most recent actuarial valuations were performed on December 31, 2018 by an independent valuer member of the Romanian Institute of Actuaries. The current value of the obligations regarding the defined benefits and the current and past cost of the related services were measured using the projected credit unit method. The movements from January to September are recorded in Terasteel Doo, where this action is performed monthly.

Employees' benefits	September 30, 2019	December 31, 2018
Opening balance	724,849	320,838
Changes	17,562	404,011
Closing balance	742,411	724,849

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

22. LIABILITIES REGARDING EMPLOYEES' BENEFITS AND PROVISIONS (continued)

Current provisions	September 30, 2019	Net changes	December 31, 2018
Litigation provisions	646,837	(118,497)	765,334
Other provisions	14,879	-	14,879
Closing balance	661,716	(118,497)	780,213

The Group has established provisions for various expenses related to environmental activities (Teraplast SA and Terasteel SA) and potential tax liabilities (Teraplast SA), and obligations generated by the entity's past events are probable.

23. TRADE AND OTHER PAYABLES

	September 30, 2019	December 31, 2018
Trade payables	167,077,499	125,833,102
Commercial papers payable	794,655	818,625
Liabilities with purchase of non-current assets	6,301,434	2,270,474
Other current payables (note 24)	31,394,715	9,075,734
Advances on account of orders	10,353,088	7,254,687
Total	215,921,391	142,252,622

24. OTHER CURRENT PAYABLES

	September 30, 2019	December 31, 2018
Payroll liabilities and social security liabilities	9,022,595	6,877,775
VAT payable	7,945,798	1,210,565
Employees' rights not claimed	93,411	91,531
Sundry creditors	11,983,803	12,556
Deferred income	8,928	8,928
Trade guarantees received	1,088,832	114,859
Other taxes payable	855,530	524,373
Dividends payable	395,818	235,147
Total	31,394,715	9,075,734

Of the total of RON 11.98 thousand in line "Sundry creditors", RON 11.90 thousand represents the short-term liability in relation to the minority shareholders of Wetterbest SRL according to the firm contract concluded in April 2019 for the acquisition of additional 32% ownership in Wetterbest; RON 10.02 thousand representing the long-term portion of the liability is mapped in line "Other long-term payables".

25. FINANCE LEASE

Leases

Finance leases refer to vehicles and equipment with lease terms of 5 to 6 years. The Group has the option to buy the equipment for a nominal amount at the end of the contractual periods. The Group's finance lease obligations are secured with the lessor's ownership over the assets.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

25. FINANCE LEASE (continued)

Finance lease liabilities

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

	Minimum lease payments		Present value of minimum lease payments	
	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Current value of lease payments				
Amounts due in less than one year	811,570	741,431	695,530	674,619
More than one year and less than 5 years	2,160,211	1,403,743	2,012,421	1,303,679
Total lease liabilities	2,971,781	2,145,174	2,707,951	1,978,298
Less future finance expenses	(263,830)	(166,876)		
Current value of finance lease liabilities	2,707,951	1,978,298		

26. FINANCIAL INSTRUMENTS

The risk management activity within the Group is carried out in the area of financial risks (credit risk, market risk, geographic risk, currency risk, interest rate risk and liquidity risk), operational risks and legal risks. The primary objectives of the financial risk management activity are to set the risk limits, and then to ensure that the risk exposure remains within these limits. Operational and legal risk management activities are intended to guarantee the proper functioning of internal policies and procedures to mitigate operational and legal risks.

(a) Capital risk management

The Group manages its capital to ensure that the Group entities will be able to continue their activity while maximizing shareholders' income, 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 21, the cash and cash equivalents and the equity attributable to the equity holders of the parent. Equity includes the share capital, reserves and retained earnings.

The Group's risk management also includes a regular analysis of the capital structure. As part of this analysis, management considers the cost of capital and the risks associated with each class of capital. Based on the management's recommendations, the Group can balance its general capital structure by paying dividends, issuing new shares and buy-back of shares, as well as by contracting new debts or by settling existing debts.

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

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

26. FINANCIAL INSTRUMENTS (continued)

The Group's gearing ratio at September 30, 2019 and December 31, 2018 was as follows:

	September 30, 2019	December 31, 2018
Total loans (note 21)	216,000,854	195,065,913
Less cash and cash equivalents	(22,567,293)	(22,817,571)
Net debt	193,433,561	172,248,340
Total equity	270,762,333	238,115,865
Total equity and net debt	464,195,894	410,364,205
Gearing ratio	42%	42%

(b) Main accounting policies

Details on the main accounting policies and the methods used, including recognition criteria, basis of measurement and basis for recognition of income and expenses for each class of financial assets, financial liabilities and equity instruments are presented in note 2 to the financial statements.

(c) Objectives of financial risk management

The treasury function of the Group provides services necessary to the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the operations of the Group through internal risk reports, which analyse the exposure by the degree and extent of the risks.

These risks include market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and interest rate risk on cash flows.

(d) Market risk

The Group's activities primarily expose it to financial risks regarding fluctuations in the exchange rate and interest rate.

The Group's management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group from incurring any losses outside the foreseeable limits, in case of significant fluctuations in the market. There was no change compared to the previous year in the Group's exposure to market risks or in the way the Group manages and assesses its risks.

(e) Management of currency risk

The Group carries out transactions in various currencies. Hence, the Group is exposed to fluctuations in the exchange rate. Exposures to exchange rate are managed in accordance with the approved policies.

(f) Management of interest rate risk

The Group's interest-bearing assets, revenues, and cash flows from operating activities are exposed to fluctuations in market interest rates. The Group's interest rate risk arises from its bank loans. Variable interest rate loans expose the Group to the risk of interest rate cash flows. The Group did not resort to any hedging operation in order to reduce its exposure to interest rate risk.

The Group continuously monitors its exposure to interest rate risk. This includes simulating various scenarios, including refinancing, updating existing positions, financing alternatives. Based on these scenarios, the Group estimates the potential impact on the income statement of certain fluctuations defined in the interest rate. In each simulation, the same interest rate fluctuation is used for all currencies. These scenarios are only prepared for the debts that represent the main interest bearing positions.

The Group is exposed to the interest rate risk, considering that the entities within the Group lend funds at both fixed and variable interest rates. The Group manages risk by maintaining a favourable balance between fixed rate and variable rate loans.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

26. FINANCIAL INSTRUMENTS (continued)

(g) Other price risks

The Group is not exposed to the risks regarding equity price, arising from equity investments. Financial investments are held for strategic, rather than commercial purposes and are not significant. The Group does not actively market these investments.

(h) Management of credit risk

Credit risk refers to the risk that a third party will not comply with its contractual obligations, thus causing financial losses to the Group. The Group has adopted a policy of only dealing with trusted parties and obtaining sufficient guarantees, when appropriate, as a means of reducing the risk of financial losses from default. The Group's exposure and credit ratings of contracting third parties are monitored by the management.

Trade receivables consist of a large number of clients, from various industries and geographical areas. The permanent evaluation of credits is carried out as far as the financial condition of the clients is concerned and, when applicable, credit insurance is made.

Cash is held in financial institutions which, at the time of deposit, are considered to have the lowest risk of default. The Group has policies that limit the exposure value for any financial institution.

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

The Group considers the exposure to credit risk to counterparties or group of counterparties with similar characteristics, by analysing the receivables individually and carrying out impairment allowances together with the customer credit management department.

(i) Management of liquidity risk

The final responsibility for managing liquidity risk lies with the board of administration, which has built an appropriate framework for managing liquidity risks with respect to providing short-, medium- and long-term Group funds and liquidity management requirements. The Group manages liquidity risks by maintaining adequate reserves, banking facilities and reserve loan facilities, by continuously monitoring real cash flows and by matching the maturity profiles of financial assets and liabilities.

27. RELATED PARTY TRANSACTIONS

The Company's related parties and affiliates are as follows:

December 31, 2018

Subsidiaries

Teraglass Bistrita SRL
Terasteel SA
Politub SA
Teraplast Recycling SA (former Teraplast Logistic SRL)
Teraplast Hungaria Kft
Wetterbest SRL
Terasteel Doo Serbia
Cortina WTB SRL

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

27. RELATED PARTY TRANSACTIONS (continued)

Related parties (common shareholding/decision-makers)

ACI Cluj SA Romania
AGROLEGUMICOLA DRAGU SRL Romania
Cetus Capital SRL Romania
Ditovis Impex SRL Romania
Eurohold AD Bulgaria
FERMA POMICOLA DRAGU SRL Romania
Hermes SA Romania
INFO SPORT SRL
ISCHIA ACTIVHOLDING SRL
ISCHIA INVEST SRL
LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
Magis Investment SRL
Mundus Services AD Bulgaria
NEW CROCO PIZZERIE SRL
Parc SA
PARCSERV SRL
RSL Capital Advisors SRL
Sphera Franchise Group SA

September 30, 2019

Subsidiaries

Teraglass Bistrita SRL
Terasteel SA
Politub SA
Teraplast Recycling SA
Teraplast Hungaria Kft
Wetterbest SRL
Terasteel Doo Serbia
Cortina WTB SRL

Related parties (common shareholding/decision-makers)

ACI Cluj SA Romania
AGROLEGUMICOLA DRAGU SRL Romania
Ditovis Impex SRL Romania
Eurohold AD Bulgaria
FERMA POMICOLA DRAGU SRL Romania
Hermes SA Romania
INFO SPORT SRL
ISCHIA ACTIVHOLDING SRL
ISCHIA INVEST SRL
LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
Magis Investment SRL
Mundus Services AD Bulgaria
NEW CROCO PIZZERIE SRL
Parc SA
PARCSERV SRL
RSL Capital Advisors SRL
Sphera Franchise Group SA
Dedal As s.r.l.
Rematinvest s.r.l.
Remat Salaj s.a.
Remat s.a. Satu Mare
Remat Alba s.a.
Recomet s.r.l.
Paziv s.r.l.
Anda Imobiliare s.r.l.
Colina Construct s.r.l.

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

28. CASH AND CASH EQUIVALENTS

For the statement of cash flows, cash and cash equivalents include petty cash and bank accounts. Cash and cash equivalents at the end of the financial year, as presented in the statement of cash flows, may be reconciled with the related items in the balance sheet, as follows:

	September 30, 2019	December 31, 2018
Cash at banks	14,772,396	22,284,803
Commercial papers receivable	499,253	235,668
Petty cash	371,127	192,728
Cash equivalents	6,924,517	104,372
Total	22,567,293	22,817,571

The Group's cash is fully pledged in favour of financing banks.

The amount of RON 6.92 thousand comprises letters of credit issued by Wetterbest SRL and Terasteel Doo to suppliers of raw materials.

29. COMMITMENTS AND CONTINGENCIES

Teraplast SA

On August 27, 2013 the Company signed a contract with Banca Transilvania for multi-currency bank letter of guarantee with multiple use, extended for 24 months from August 8, 2019. The value of the ceiling is RON 1,750,000.

At September 30, 2019, tangible assets and investment property with a net book value of RON 60,070,967 (December 31, 2018: RON 56,463,119) are collateral for loans and credit lines. For banks loans, the Company has guaranteed with all the present and future money available, with all the present and future commodity stocks and goods and has assigned the present and future debt rights, as well as the related accessories coming from the present and future contracts with its customers which are assigned debtors. Also, the Company assigned the rights resulting from the insurance policies issued for real estate and movable goods brought as guarantee.

The Company has ongoing finance leases for which the capital rate is included in the short or long term debt, as applicable.

In 2017, the Company granted to Banca Transilvania a guarantee for joint liability with Terasteel SA for the repayment of loans in amount of RON 31,227,695 (December 31, 2018: RON 47,846,249), which Terasteel has contracted from Banca Transilvania

At September 30, 2019, the Company has unused credit facilities of RON 10,486,939 (December 31, 2018: RON 18,794,869).

The company signed in November 2018 a financing agreement for an investment project of RON 28,987 thousand, under the State aid scheme for stimulating investments with major impact on the economy, 50% of the value of the project being financed by State aid. The project of Teraplast SA aims to offer a new product in the field of compounds and the equipment of a line that will allow to expand the production capacity of polypropylene systems.

On September 7, 2019, the Company contracted a loan amounting to RON 14,493,278 from Banca Transilvania in order to support the investments it undertook within the State aid scheme to stimulate investments with major impact on the economy, for which Teraplast SA has received the financing agreement in November 2018.

Until the date of these financial statements, the Company has submitted three requests for reimbursement (in June, August and September 2019) and received, until September 30, 2019, the amount of RON 0.67 million; RON 4.75 million is the amount that the Company will collect on account of the other two requests for reimbursement.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

29. COMMITMENTS AND CONTINGENCIES (continued)

In 2018, Teraplast SA and EON Energie Romania signed an agreement worth EUR 1.9 million. Based on such partnership, E.ON will mount solar energy systems on the roofs of 13 production halls and buildings of TeraPlast, which will allow the company to generate its own electricity from renewable sources. The agreement provides the possibility to extend the project next year up to a value of EUR 4 million.

Terasteel SA

At September 30, 2019, the Company registers unused credit facilities, amounting to RON 11,847,495 (December 31, 2018: RON 5,497,027).

The Group's long-term loans and short-term loans are guaranteed with the current and future cash availability deposited in the current accounts opened with the banks which granted the loans, with assignments of inventories and commercial contracts and real estate mortgages.

At September 30, 2019, the Company registers a ceiling of letters of credit of EUR 1,500,000 which expires on 07.08.2020. Within this ceiling, at September 30, 2019, letters of credit amounting to EUR 1,138,522 are issued.

In 2017, the Company granted to Banca Transilvania a guarantee for joint liability with Teraplast SA for repayment of loans in amount of RON 107,331,043 (December 31, 2018: RON 150,763,303), which Teraplast SA has contracted from Banca Transilvania.

At September 30, 2019, the Company registers a ceiling of letters of guarantee of RON 1,500,000 which expires on 07.08.2020.

Teraglass Bistrita SRL

At September 30, 2019, the Company registers unused credit facilities amounting to RON 1,336,597 (December 31, 2018: RON 506,415).

In November 2018, the Company signed a financing agreement for an investment project of RON 16,057 thousand, under the State aid scheme to stimulate investments with major impact on the economy, 50% of the value of the project being financed through State aid. The project of Teraglass Bistrita SRL aims to create a new flow, fully automated, for the production of PVC windows and doors, a process that will contribute both to the increase of the production capacity and the productivity of work, as well as to meeting the growing demand.

On 08.03.2019, the Company contracted a loan amounting to RON 8,028,744 from Banca de Export Import a Romaniei EximBank, in order to support the investments it undertook within the State aid scheme to stimulate investments with major impact on the economy, for which Teraglass Bistrita SA received the financing agreement in November 2018.

On September 30, 2019, the Company submitted a request for reimbursement amounting to RON 6.63 million, unpaid until the date of these financial statements.

Wetterbest SRL

At September 30, 2019, the Company registers unused credit facilities amounting to RON 16,653,210 (December 31, 2018: credit facilities of RON 8,107,433 and EUR 608,105, unused investment loans of RON 8,298,661).

At September 30, 2019, tangible assets with a net book value of RON 14,139,541 (December 31, 2018: RON 16,163,194) are collateral for loans and credit lines.

The Company signed, in November 2018, a financing agreement for an investment project of RON 18.266 thousand, under the State aid scheme for stimulating investments with major impact on the economy, 50% of the value of the project being financed from state aid. The project of Wetterbest SRL aims to open a new manufacturing unit in Băicoi (Prahova), which, at a production capacity of over 10 million square meters of tile, will ensure optimal flows of logistics and storage.

On 12.03.2019, Wetterbest contracted a loan worth EUR 5 million from the European Bank for Reconstruction and Development, in order to support the investments it has committed under the State aid scheme to stimulate investments with major impact on the economy, for which Wetterbest SRL was granted the financing in November 2018.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE NINE-MONTH PERIOD ENDED SEPTEMBER 30, 2019

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

29. COMMITMENTS AND CONTINGENCIES (continued)

Up to the date of these financial statements, the Company did not draw any amounts from the loan from EBRD.

At September 30, 2019, the Company submitted the request for reimbursement in amount of RON 2.05 million.

At June 30, 2019 Cortina WTB SRL registers unused credit facilities, in amount of RON 1,500,000 (December 31, 2018: RON 1,500,000).

Potential tax liabilities

In Romania, there are agencies authorized to conduct controls (audits). Such controls are to a great extent similar to those conducted in other countries by tax authorities, but may extend to other legal or regulatory fields in which the Romanian authorities may become interested. The Company is likely to continue to be subject to periodic controls for breaches or alleged breaches of new and existing laws and regulations. Although the Company may challenge the alleged breaches and penalties when the management considers that it is entitled to, the adoption or implementation of laws and regulations in Romania might have a significant effect on the Company. The tax system in Romania is under continual development, being subject to constant interpretations and changes, often retroactive. In Romania, the fiscal year remains open for fiscal verification for 5 years. The Company's administrators consider that the Company's tax liabilities have been calculated and recorded according to the legal provisions.

Environmental aspects

The main activity of the group companies has inherent effects on the environment. The environmental effects of the activities of the companies are monitored by the local authorities and by the management. The group companies are constantly pursuing environmental obligations. Therefore, no provisions were registered for any kind of non-quantifiable obligations at present, regarding the environmental aspects or the necessary remediation measures.

Transfer pricing

The Romanian tax legislation includes the principle of "arm's length", according to which the transactions between affiliates must be conducted at market value. Local taxpayers carrying out transactions with affiliates must prepare and make available to the tax authorities in Romania, at their written request, the documentation for the transfer pricing file. Failure to file the documentation for the transfer pricing file or presenting an incomplete file may result in penalties for non-compliance. In addition to the content of the transfer pricing documentation file, tax authorities may interpret transactions and circumstances differently from the management's interpretation and, as a result, may impose additional tax obligations resulting from adjusting transfer prices. The management of the Group considers that it will not suffer losses in the case of a fiscal audit to verify the transfer prices. However, the impact of different interpretations of tax authorities cannot be reliably estimated. This may be significant for the financial position / or for the Group's operations.

29. SUBSEQUENT EVENTS

On September 18, 2019, the Financial Supervisory Authority issued Certificate no. AC-3420-8/18.09.2019 for registration of securities, corresponding to the increase of share capital approved by Resolution no. 1 of the Extraordinary General Meeting of Shareholders of Teraplast SA dated April 25, 2019, by the amount of RON 26,756,123.40, through the issuance of 267,561,234 new shares, at a nominal value of RON 0.1 /share.

On October 24, 2019, based on the certificate issued by the FSA on September 18, 2019, the Central Depository registered the increase in Teraplast SA's shareholders' registry.

Hence, as of October 24, 2019, the subscribed and paid in share capital of Teraplast SA is in amount of RON 133,780,650.8.

These simplified consolidated interim financial statements were approved on October 28, 2019.

Alexandru Stanean
CEO

Ioana Birta
CFO