

TERAPLAST SA

INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS

AS OF AND FOR THE 6 MONTH PERIOD ENDED 30 JUNE 2018

Prepared in accordance with Minister of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards

TERAPLAST SA**Interim Simplified Separate Financial Statements**

Prepared in accordance with Minister of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards

30 JUNE 2018

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

	Note	30 June 2017	30 June 2018
Revenues total – out of which:	4	101,551,293	134,142,525
Revenues from the sale of finished products		87,992,718	118,585,518
Revenues from sale of goods		12,891,845	14,857,508
Revenues from the provision of services		666,730	699,499
Other operating income		54,235	454,506
Changes in inventories of finished goods and work in progress		3,632,117	10,528,867
Raw materials, consumables used		(62,375,856)	(92,696,286)
Expenses with merchandise		(10,260,429)	(12,182,733)
Employee benefits expenses	5	(10,304,861)	(13,772,731)
Adjustments for the depreciation of current assets, net		(253,460)	339,217
Gains/ Losses from the outflow of tangible and intangible assets, net		51,666	(41,183)
Amortization and adjustments for the depreciation of non-current assets, net		(6,314,335)	(8,555,612)
Provisions set/(reversed), net		2,066,414	248,477
Gains/Losses from the fair value measurement of investment property		335	-
Gains/Losses from the outflow of assets held for sale		-	185,891
Other expenses	6	(13,173,151)	(16,807,202)
Operating result		4,673,968	1,843,736
Other financial expenses		(688,347)	(556,198)
Other financial income		493,750	429,589
Revenues from dividends		5,477,527	20,626,756
Expenses on interest, net		(353,097)	(2,441,646)
Profit before tax		9,603,801	19,902,237
Income tax expense		(422,893)	-
Profit or loss for the year		9,180,908	19,902,237
Other comprehensive income			
Total comprehensive income		9,180,908	19,902,237
Number of shares		566,432,663	856,910,445
Earnings per share		0.016	0.023

These interim simplified separate financial statements were approved on 30 July 2018.

 Alexandru Stanean
 CEO

 Ioana Birta
 CFO

TERAPLAST SA
INTERIM SIMPLIFIED SEPARATE STATEMENT OF FINANCIAL POSITION as of 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	31 December 2017	30 June 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	123,567,829	121,785,881
Investment property		19,218,403	17,996,777
Intangible assets	8	1,104,406	939,269
Investments in subsidiaries and jointly controlled entities	9	62,023,721	79,331,218
Other financial investments	9	15,472	15,472
Long-term receivables	9	39,379,971	28,403,222
Total non-current assets		245,309,812	248,471,839
Current assets			
Inventories	10	61,130,406	77,681,332
Trade and other receivables	12	63,225,961	95,872,102
Prepayments		472,615	957,422
Income tax recoverable		-	0
Cash and short-term deposits	11	4,564,912	3,612,759
Total current assets		129,393,894	178,123,615
Assets classified as held for sale		653,215	=
Total assets		375,356,922	426,595,454
EQUITY AND LIABILITIES			
Equity			
Total share capital, out of which:		85,691,097	85,691,045
- Issued capital	13	85,691,097	85,691,045
- Other equity items			
Share premium		27,384,726	27,384,726
Treasury shares		(663,396)	(1,472,925)
Revaluation reserves		15,631,288	15,525,539
Legal reserves		8,399,015	8,399,015
Retained earnings		54,203,265	64,141,884
Total equity		190,645,995	199,669,284
Long-term liabilities			
Loans and finance lease	14	73,498,016	70,515,302
Liabilities for employee benefits		258,907	258,907
Other liabilities		21,805,000	-
Deferred tax liabilities		3,038,044	3,038,044
Total long-term liabilities		98,599,967	73,812,253
Current liabilities			
Trade and other payables	15	42,078,849	82,701,078
Deferred income		184,143	41,315
Loans and finance lease	14	43,155,476	69,978,290
Income tax payable		50,781	-
Provisions for risks and expenses		641,711	393,234
Total current liabilities		86,110,960	153,113,917
Total liabilities		184,710,927	226,926,170
Total equity and liabilities		375,356,922	426,595,454

These interim simplified separate financial statements were approved on 30 July 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO

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

	Period January - June 2017	Period January - June 2018
Cash flows from operating activities		
Profit before tax	9,603,800	19,902,237
<i>Adjustments for:</i>		
Loss/profit from the sale and retirement of assets (fixed assets)	(51,666)	1,370,133
Amortization and depreciation of long-term assets	6,314,335	8,768,410
Provisions for risks and expenses, net	(2,066,414)	(248,477)
Adjustments for the depreciation/impairment of non-current assets	-	(1,492,615)
Adjustments for doubtful clients	214,981	(1,065,053)
Adjustments for the depreciation of inventory	38,479	(117,696)
Income from dividends	(5,477,527)	(20,626,756)
(Gain)/Loss from the assessment of investment property	(335)	-
Interest income	(5,335)	(636,937)
Interest expense	358,432	3,078,583
Profit before adjustments in current capital	8,928,750	8,931,829
Movements in current capital		
Increase of trade and other receivables	(21,868,178)	(30,999,828)
Increase in inventories	(12,368,048)	(15,780,015)
Increase in trade and other payables	37,512,688	19,028,472
Income tax paid	-	(50,781)
Interest received	5,335	-
Interest paid	(358,432)	(3,078,583)
Net cash generated from operating activities	11,852,115	(21,948,906)
Net cash used in investment activities		
Payment for the purchase of tangible and intangible non-current assets, other than non-current receivables	(8,777,887)	(4,854,436)
Financial investments	(40,023,847)	(7,215,405)
Receipts from the sale of tangible assets	148,914	13,446
Repurchase of own shares	(512,689)	(809,529)
Gains related to the cancelation of own shares	61,711	-
Net cash used in investment activities	(49,103,798)	(12,865,924)
Cash flows from finance activities		
The payment of liabilities related to finance lease	(845,351)	(444,090)
Loans granted to Group companies	(13,376,371)	(429,129)
Dividends received	5,477,527	20,626,756
Dividends paid	(9,572,712)	(10,069,404)
Net loan drawings	62,578,956	24,178,559
Net cash generated from financing activities	44,262,049	33,862,693
Net variation of cash and cash equivalents	7,010,366	(952,153)
Cash and cash equivalents as of 1 January	10,689,973	4,564,912
Cash and cash equivalents as of 30 June	17,700,339	3,612,759

These interim simplified separate financial statements were approved on 30 July 2018.

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 CEO

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TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

THE REPORTING ENTITY

These notes to the half year financial statements are presented by TERAPLAST SA (the "Company").

As of 30 June 2018, the Company held investments in seven subsidiaries:

- Terasteel SA,
- Teraglass Bistrita SRL,
- Teraplast Logistic SRL,
- Teraplast Hungaria Kft,
- Terasteel Doo Serbia
- Depaco SRL
- Politub SA

Details concerning the Company's investments are disclosed in Note 9.

These financial statements do not include the results of the companies in which the Company holds investments.

The quarterly financial statements ended 30 June 2018 have not been audited.

1. GENERAL INFORMATION

Teraplast SA (the Company) is a joint-stock company established in 1992. The Company's head office is in Bistrita, the „Teraplast Industrial Park", DN 15A, km 45+500, zip code 427298, Bistrita-Nasaud County.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim simplified separate financial statements for the six month period ended 30 June 2018 were prepared in accordance with IAS 34 – Interim financial reporting.

The interim simplified separate financial statements do not comprise all the information and items presented in the annual financial statements and they must be read in corroboration with the separate annual financial statements of Teraplast SA as of 31 December 2017.

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

Going concern

These financial statements were prepared on a going concern principle, implying that the Company will continue its activity in the foreseeable future. To assess the applicability of this assumption, management analyzes the forecasts of future cash inflows.

As of 30 June 2018, the Company's current assets exceed its current liabilities by RON 25,009,697 (as of 31 December 2017, current assets had exceeded current liabilities by RON 43,282,934). As of 30 June 2018, the Company recorded net profit of RON 19,902,237 (30 June 2017 profit: RON 9,603,801).

The budget prepared by the Company management and approved by the Board of Administration for 2018 indicates positive cash flows from operating activities, an increase in sales and profitability which contribute directly to improving liquidity and will allow the Company to meet its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity under normal conditions, on a going concern basis. Based on these analyses, management believes that the Company will be able to continue its activity in the foreseeable future and, consequently, the application of the going concern principle in the preparation of the financial statements is justified.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

3.1. Judgments

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

Investment property

The Company has certain land and buildings in Bistrita and Constanta held to obtain an increase in its value and to be subsequently materialized through sale. These are included in investment property.

As of 30 June 2018, the space in Oradea which, in December 2017, was in the Investment property balance sheet position, was reclassified in Tangible non-current assets as a result of the fact that the Company decided to restart the operating activity in this location. As a result, the Investment property balance sheet position decreased by approximately RON 1,200 thousand.

As of 31 December 2017, the fair value of investment property is based on the valuation report prepared by an independent appraiser and the impact of this valuation was registered in the profit and loss statement. The valuation methods used are in agreement with the International Valuation Standards.

Control over Depaco SRL

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.

Also in 2017, the Company has concluded agreements for the purchase of an additional investment of 17% within Depaco. TeraPlast took over the control of Depaco in January 2018, after obtaining the favorable endorsement by the Competition Council and registering the 67% holding with the Trade Register. As of 31 December 2017, Depaco was jointly controlled together with the other shareholders and, consequently, the Company is consolidated through the equity method (Depaco did not have a contribution to the group's consolidated EBITDA for 2017). Depaco was consolidated, as a subsidiary, starting with January 2018.

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

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

Acquisition of Politub business

In October 2017, the Company acquired most of the Politub SA shares. In December 2017, the Company transferred the Politub subsidiary activity within Teraplast and, on this occasion, it also transferred most of the Politub assets. In order to account for this business transfer between jointly controlled entities, which is not covered by IFRS 3 Business Combinations, the management chose to record the assets undertaken from Politub at their value disclosed in the Teraplast SA consolidated financial statements (RON 24.1 million, which approximates their fair value). The difference between the price paid for asset acquisition (a gain of RON 2.9 million) was recorded under reserves. Management has adopted this accounting policy because it generates accounting values similar to those recorded at group level and considered that the disclosure of the gain under reserves gives a fairer view than the recording under the result account, because it derives from a transaction with a controlled entity.

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

Had the Company chose to record the difference mentioned above under the result account, the Company profit for the financial year 2017 would have been RON 2.9 million higher.

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 Company based its assumptions and estimates on parameters available when these separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Company 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 items or in result for the period. The Company engaged independent valuation specialists to assess fair value as at 31 January 2016 for land and buildings and for investment properties, this action was performed on an annual basis, including 31 December 2017. Investment properties (land and buildings) were valued by reference to market-based information, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

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

Impairment of intangible and tangible assets

To determine whether the impairment related to an intangible or tangible asset must be recognized, significant judgment is needed. To take this decision, for each cash generating unit (CGU), the Company compares the carrying amount of these intangible or tangible assets, to the higher of the CGU fair value less costs of disposal 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 Company for each cash generating unit for impairment measuring purposes was represented by its value in use.

In the current economic context, the Company analyzed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets, except for the cash generating units below. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As a result, the Company has decided to estimate the recoverable amount of the tangible assets, in accordance with IAS 36. Therefore, an allowance for asset impairment proved not to be necessary as of 31 December 2017.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUES

The Company's reporting segments are aggregated depending on the main types of activities and are presented below:

January – June 2017

	Installations and fittings	Joinery profiles	Granules	Non-allocated amounts	Total
Turnover	55,929,252	22,512,926	22,868,992	240,123	101,551,293
Other operating income	29,941	12,052	12,242		54,235
Total revenues January – June 2017	55,959,193	22,524,978	22,881,234	240,123	101,605,528

January – June 2018

	Installations and fittings	Joinery profiles	Granules	Non-allocated amounts	Total
Turnover	79,610,959	22,201,877	32,082,884	246,805	134,142,525
Other operating income	281,895	74,472	70,665	27,474	454,506
Total revenues January – June 2018	79,892,854	22,276,349	32,153,549	274,279	134,597,031

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

5. INFORMATION REGARDING THE EMPLOYEES, BOARD MEMBERS, MANAGEMENT AND SUPERVISORY BODY

The average number of employees during the year was as follows:

	Period ended 30 June 2017	Period ended 30 June 2018
Equivalent number of employees	309	381
Number of members of the administration, management and supervision bodies	5	5
Total	314	385

	Period ended 30 June 2017	Period ended 30 June 2018
Employee salaries and meal tickets expenses	8,452,488	13,412,978
Administrators' salaries expenses	197,591	185,316
Salary related contributions	1,852,373	359,753
Total	10,304,861	13,772,731

6. OTHER OPERATING EXPENSES

	Period ended 30 June 2017	Period ended 30 June 2018
Transport costs	3,767,131	5,765,530
Expenses with utilities	2,225,791	3,150,098
Environmental protection expenses	336,702	480,641
Expenses with third party services	4,014,967	4,010,703
Expenses with compensations, fines and penalties	21,285	1,127
Entertainment, promotion and advertising expenses	658,851	574,623
Other general expenses	354,579	485,524
Expenses with other taxes and duties	468,223	569,023
Repair expenses	366,166	555,708
Travelling expenses	175,868	197,977
Rent expenses	323,460	501,147
Mail and telecommunication expenses	156,482	148,497
Insurance premium expenses	303,646	366,604
Total	13,173,151	16,807,202

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Buildings	Equipment and machines	Installations and furniture	Tangible assets in progress	Total
Balance as of 1 January 2018	8,599,553	54,778,962	173,486,479	1,387,372	4,506,535	242,758,901
Increases:			263,354		5,136,848	5,400,202
Out of which:						-
<i>Increases from the internal production of non-current assets</i>					354,487	354,487
Transfers in/from tangible assets in progress						
Transfers from investment property		416,905	4,338,848		(4,755,753)	-
Transfers from inventory items	599,425	622,201				1,221,626
			49,884			49,884
Disposals and other decreases		(1,472,226)	(4,396,535)	(136,096)		(6,004,857)
Balance as of 30 June 2018	9,198,978	54,345,842	173,742,029	1,251,276	4,887,630	243,425,756
CUMULATED DEPRECIATION						
Balance as of 1 January 2018	346	3,426,406	114,846,382	918,273	-	119,191,407
Depreciation recorded during the year	173	1,278,583	7,190,551	68,647		8,538,298
Transfers to non-current assets held for sale						-
Transfers from inventory items			49,884			49,884
Decreases		(143,275)	(4,385,758)	(93,156)		(4,622,189)
Impairment		(1,381,088)	(136,094)			(1,517,182)
Balance as of 30 June 2018	518	3,180,626	117,564,965	893,764	-	121,639,874
Net carrying amount as of 1 Jan. 2018	8,599,208	51,352,556	58,640,096	469,099	4,506,535	123,567,493
Net carrying amount as of 30 June 2018	9,198,460	51,165,216	56,177,064	357,512	4,887,630	121,785,881

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Pledged and restricted tangible assets

As of 30 June 2018, tangible assets having a net book value of RON 68,101,396 are guarantees for loans and lines of credit (land and buildings – RON 41,203,213; equipment, machinery, other non-current assets – RON 26,898,183).

Tangible assets used as part of lease contracts where the Company is a lessee.

Tangible assets include equipment used as part of finance lease contract, plant and machinery, as follows:

	<u>31 December 2017</u>	<u>30 June 2018</u>
Net value – vehicles	1,256,844	1,047,313
Net value – equipment	1,266,228	147,720
TOTAL	2,523,072	1,195,033

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

8. INTANGIBLE ASSETS

	Licenses	Total
COST		
Balance as of 1 January 2018	4,979,745	4,979,745
Increases:	89,541	89,541
Transfers in/from tangible assets in progress	-	-
Disposals and other decreases	(6,741)	(6,741)
Balance as of 30 June 2018	5,062,545	5,062,545
CUMULATED DEPRECIATION		
Balance as of 1 January 2018	3,875,339	3,875,339
Depreciation recorded during the year	230,112	230,112
Decreases	(6,741)	(6,741)
Impairment	24,567	24,567
Balance as of 30 June 2018	4,123,277	4,123,277
Net carrying amount as of 1 January 2018	1,104,406	1,104,406
Net carrying amount as of 30 June 2018	939,268	939,268

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. FINANCIAL INVESTMENTS

As of 30 June 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

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the six month period ended 30 June 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. 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 subscribed 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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9. 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 2017	Investment share	30 June 2018
		%	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 June 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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9. FINANCIAL INVESTMENTS (continued)

As of 31 December 2017 and 30 June 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 June 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
	Romania	24.00	72	24.00	72
Total			15,472		15,472

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
 Omniconstruct SA Romania
 Magis Investment SRL
 Ischia Invest SRL
 Ischia Activholding SRL
 Info sport SRL
 Agrolegumicola Dragu SRL
 New Croco Pizzerie SRL
 Parcserv SRL
 Ditovis Impex SRL Romania
 Parc SA
 Hermes SA
 RSL Capital Advisors SRL
 KJK Caramida SRL
 Eurohold AD
 Mundus Services AD
 Cetus Capital SRL

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10. INVENTORIES

	31 December 2017	30 June 2018
Finished products	30,331,734	39,827,244
Semi-manufactured goods	711,610	1,508,781
Residual products	285,829	455,522
Products being supplied	1,212,587	3,679,689
Raw materials	27,149,418	30,332,914
Consumables	1,898,915	771,830
Packaging	135,858	571,434
Inventory items	97,842	120,006
Merchandise	5,387,789	6,353,222
Inventories – gross value	67,211,581	83,620,642
Value adjustments for raw materials, consumables	(1,278,499)	(1,500,293)
Value adjustments for finished products	(3,957,165)	(3,555,190)
Value adjustments for merchandise	(845,511)	(883,826)
Inventories – net value	61,130,406	77,681,332

11. PETTY CASH AND BANK ACCOUNTS

	31 December 2017	30 June 2018
Cash at banks	4,508,739	3,510,603
Cash in the petty cash	38,490	88,604
Cash equivalents	17,683	13,552
Total	4,564,912	3,612,759

Of the total cash as of 30.06.2018, the amount of RON 2,329,850 (the equivalent of Eur 500,000) represents cash blocked in a collateral deposit to counter-guarantee the letters of credit lines with Raiffeisen Serbia.

12. RECEIVABLES

	Balance as of 31 December 2017	Balance as of 30 June 2018
Trade receivables	39,148,642	55,900,810
Non-exigible trade notes	20,313,633	24,707,753
Advances paid to suppliers of non-current assets	2,153,666	1,903,201
Advances to suppliers of services and inventories	2,684,589	1,944,481
Advances paid to employees	1,199	4,349
Intra-group settlements	5,483,751	6,549,817
Receivables related to personnel and the state budget	266,474	325,917
Other receivables, among which:	5,285,754	5,352,910
Dividends to be received	-	10,626,756
Value adjustments for receivables	(12,111,748)	(11,443,894)
Total	63,225,961	95,872,100

Amounts receivable from Group companies are presented in Note 17.

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13. INVESTMENTS AND SOURCES OF FINANCING

The share capital issued and paid as of 30 June 2018 is of RON 85,691,045. The shareholding structure is the following:

	31-Dec-17		30-Jun-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%	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 June 2018, the value of the Company's issued and paid share capital comprised 856,910,445 authorized shares, issued and paid in full, for a value of RON 0.1, having a total nominal value of RON 85,691,045. 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 no. AC-3420-5/03.07.2017 related to the share capital increase approved through the Decision of the Extraordinary General Shareholders' Meeting of Teraplast S.A no. 1 from 27 April 2017, amounting to RON 29,047,831, through the issuance of 290,478,310 new shares, having a nominal value of RON 0.1/share.

On 28 April 2016, based on the EGSM Decision, the share capital increase by the amount of RON 18,881,089, through the issuance of 188,810,890 new shares having a nominal value of RON 0.01/share was approved. The share capital was increased by incorporating the reserves amounting to RON 18,881,589 set from the net profit of 2015.

The share capital increases were registered with the Bistrita Nasaud Trade Register Office through the Certification of the Company's Information no. 2853/09 February 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-3 of 24.02.2016 and, respectively, with the Bistrita Nasaud Trade Register Office through the Certification of the Company's Information no. 10589/16 May 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-4 from 07.07.2016.

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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14. LOANS

The loans contracted by the Company are as follows:

Financing bank	Financing type	Granting date	Financing currency	Maximum limit granted	On balance as of 31.12.2017		On balance as of 30.06.2018		Short-term	Long-term	Period
					in contract currency	in RON equivalent	in contract currency	in RON equivalent	as of 30.06.2018	as of 30.06.2018	
BANCA TRANSILVANIA	Working capital	07.06.2017	RON	41,200,000	25,969,682	25,969,682	35,596,338	35,596,338	35,596,338	0	12 MONTHS
BANCA TRANSILVANIA	investments	20.04.2017	RON	27,500,000	12,043,485	12,043,485	12,249,973	12,249,973	2,073,722	10,176,251	84 MONTHS
BANCA TRANSILVANIA	investments	07.06.2017	RON	32,900,000	32,900,000	32,900,000	28,200,000	28,200,000	4,700,000	23,500,000	84 MONTHS
BANCA TRANSILVANIA	investments	19.07.2017	RON	15,663,934	15,721,463	15,721,463	15,722,618	15,722,618	2,669,340	13,053,278	84 MONTHS
BANCA TRANSILVANIA	investments	24.07.2017	RON	4,630,000	4,644,469	4,644,469	4,371,558	4,371,558	1,103,323	3,268,235	60 MONTHS
BANCA TRANSILVANIA	investments	31.07.2017	RON	11,885,363	10,730,255	10,730,255	9,538,644	9,538,644	2,407,426	7,131,218	60 MONTHS
BANCA TRANSILVANIA	investments	07.11.2017	RON	9,775,000	9,775,000	9,775,000	9,775,000	9,775,000	1,955,000	7,820,000	60 MONTHS
RAIFFEISEN	Working capital	01.07.2017	RON	19,000,000	3,741,922	3,741,922	18,056,440	18,056,440	18,056,440	0	12 MONTHS
PORSCHE BANCA	investments	31.03.2015	RON	111,596	33,835	33,835	19,530	19,530	19,530	0	48 MONTHS
BANCA TRANSILVANIA	investments	04.04.2018	RON	6,392,000			6,230,810	6,230,810	1,057,857	5,172,953	72 MONTHS
TOTAL					115,560,110	115,560,110	139,760,910	139,760,910	69,638,974	70,121,935	

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15. TRADE AND OTHER PAYABLES

Description	Balance as of 31 December 2017	Balance as of 30 June 2018
Trade payables	35,625,473	46,667,506
Trade notes payable	300,981	319,187
Liabilities from the purchase of long-term assets	2,130,986	1,882,545
Advances from clients	373,289	2,038,655
Other payables, out of which:	3,648,120	31,793,185
Payables to employees and social security	2,375,281	3,365,204
VAT payable	679,547	3,124,588
Employee rights not claimed	87,930	87,706
Trade guarantees paid	106,579	2,525,703
Sundry debtors	205,801	45,397
Principal and interest from the Politub business line transfer	-	22,342,887
Dividends payable	159,296	106,579
Other taxes payable	33,686	195,120
Total	42,078,849	82,701,078

Amounts owed to Group companies are presented in Note 17.

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16. FINANCIAL INSTRUMENTS

The Company has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Company when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis. The main estimates in the actuarial valuation were based on a discount rate of 4% for the first year, of 3% for the following year and of 2% for the following years and represent the average RON interest rate curve without adjustments as provided by EIOPA on 31 December 2016. Employee turnover in the past year was considered constant over time.

The latest actuarial valuations were performed on 31 December 2016 by Mr. Silviu Matei, a member of the Romanian Actuarial Institute. The present value of the defined benefit obligations and the current and past costs of related services have been measured using the projected unit credit method.

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

(a) Capital risks management

The Company manages its capital to ensure the going concern principle and, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities and equity.

The structure of the Company's capital consists of liabilities, which include the loans presented in note 14, cash and cash equivalents and equity belonging to the parent-entity equity holders. Equity includes share capital, reserves and retained earnings.

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

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

The degree of indebtedness as at 31 December 2017 and 30 June 2018 was as follows:

	31.12.2017	30.06.2018
Total loans	116,653,492	140,493,592
Cash	4,564,912	3.612.759
Net debt	112,088,580	136.880.833
Total equities	<u>190,645,995</u>	<u>199,669,284</u>
Total equity and net debt	<u>302,734,575</u>	<u>336,550,117</u>
Gearing ratio	<u>37%</u>	<u>41%</u>

16. FINANCIAL INSTRUMENTS (continued)

The Company is subject to capital requirements provided by the legal regulations in force governing the net-asset-to-share-capital ratio. The net asset, calculated as the difference between total assets and total liabilities must exceed 50% of the share capital amount.

According to the Company Law no. 31/1990, as republished, when this requirement is not met, the administrators must immediately convene the Extraordinary General Shareholders' Meeting to decide on whether to increase the share capital or decrease the share capital by an amount at least equal to the losses that cannot be covered from the existing reserves, or to dissolve the company.

The Company met this requirement and needed no share capital increase as at 31 December 2017.

(b) Objectives of the financial risk management

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

(c) Market risk

The Company activities expose it first to the financial risks related to the fluctuation of the exchange rates and of the interest rate.

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

(d) Foreign currency risk management

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

(e) Interest rate risk management

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

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

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

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16. FINANCIAL INSTRUMENTS (continued)

(f) Other price risks

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

(g) Credit risk management

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

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

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

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

The Company considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analyzing the receivables individually and making impairment adjustments together with the client credit management department. The Company defines the counterparties as having similar characteristics when they are affiliated entities.

(h) Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which have developed an appropriate liquidity risk management framework in terms of ensuring funding for the Company on the short, medium and long-term and managing liquidities. The Company manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities.

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17. RELATED PARTY TRANSACTIONS AND BALANCES DURING JANUARY – JUNE 2018

Partner	Purchases		Liabilities		Sales/reinvoicing		Receivables	
	Jan-Dec	Jan-Jun	31 Dec	30 Jun	Jan-Dec	Jan-Jun	31 Dec	30 Jun
	2017	2018	2017	2018	2017	2018	2017	2018
Terasteel	2,839,660	1,180,304	115,399	816,016	287,409	147,717	123,961	802,058
Politub	1,392,655	-	8,982	-	2,077,811	19,398	1,851,877	179,701
Teraglass	35,765	183,645	3,844	5,730	6,587,168	3,801,773	8,079,289	7,385,983
Teraplast Logistic	16,723,593	10,092,015	1,246,622	3,695,805	941,372	491,055	136,479	100,831
Teraplast Hungaria		43853.89		-	1,522,061	836,100	975,343	602,100
Depaco		-		-	569	-	677	-
Total	20,991,673	11,499,817	1,374,846	4,517,551	11,416,390	5,296,043	11,167,626	9,070,673

As of 30 June 2018, from the total balance receivable from Teraglass Bistrita SRL, the balance related to the transfer of the business line is as follows: RON 2,887,587 represents the long-term portion, discounted to the present value and presented in non-current receivables and RON 1,709,380 represents the short-term portion, shown in sundry debtors. Therefore, as of 30 June 2018, the total debt receivable at the present value amounted to RON 4,596,967.

Also, concerning the loan contracts concluded with the subsidiaries, as of 30 June 2018 there were the following balances: RON 200,000 related to Teraplast Logistic SRL, RON 923,343 related to Teraplast Hungaria Kft and RON 30,026,295 in relation to Terasteel Doo Serbia.

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18. COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 June 2018, the Company has issued letters of guarantee according to the details below:

Issuing bank	Validity period	Amount	Currency	Object of the guarantee
Banca Transilvania	30.06.2018-28.06.2019	1,000,000	RON	Proper payment in favor of ROMPETROL DOWNSTREAM Counterguaranteeing bank letter of guarantee – guaranteed by a Eur 500,000 collateral deposit It was issued to counterguarantee the letters of credit line opened with Raiffeisen Serbia for TRS
Raiffeisen Bank	25.08.2017 – 01.07.2019	3,000,000	EUR	DOO

As of 30 June 2018, tangible assets having a net book value of RON 68,101,396 are guarantees for loans and lines of credit (land and buildings – RON 41,203,213; equipment, machinery, other non-current assets – RON 26,898,183). For the loans from banks, the Company guaranteed by means of all current and future cash, the merchandise and product inventories, either current or future, and assigned the current and future rights of debt, and their accessories arising from current and future contracts with its clients, in capacity of assigned debtors. Moreover, the Company has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

Potential tax liabilities

In Romania, there are several agencies authorized to perform controls (audits). These controls are similar in nature to the tax audits carried out by the tax authorities in many countries, but they can include not only tax matters, but also other legal and regulatory matters the respective agency may be interested in. It is likely for the Company to continue to be subject, at times, to such controls for breaches or alleged breaches of new and existing laws and regulations. Even though the Company can challenge the alleged breaches and related penalties when management thinks it is entitled to act this way, the adoption or implementation of laws and regulations in Romania may have a significant effect on the Company. The Romanian taxation system is under continued development, being subject to several constant interpretations and amendments, sometimes being applied retrospectively. The statute of limitation for tax liabilities is 5 years.

The Company administrators believe that the Company's tax liabilities have been computed and registered according to the legal provisions.

Environmental matters

The Company's main activity has inherent effects on the environment. The Company activities' impact on the environment are monitored by the local authorities and by the Company management. Consequently, no provisions of any type were set for any sort of obligations, currently non-quantifiable, concerning environmental matters or the necessary remedial works.

18. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Transfer pricing

The Romanian tax law includes the principle of "market value", according to which the transactions between related parties must be performed at market value. Local taxpayers carrying out transactions with affiliates must prepare and submit to the Romanian tax authorities, upon their written request, the transfer pricing file. Failure to submit the transfer pricing documentation file or submission of an incomplete file may lead to penalties for non-compliance; in addition to the contents of the transfer pricing file, the tax authorities may interpret the transactions and circumstances differently than the management and, as a result, they may apply additional tax obligations resulting from the adjustment of transfer prices. Company management considers it will not suffer losses in case of a tax control for the verification of transfer pricing. However, the impact of different interpretations by the tax authorities cannot be reliably estimated. It can be significant for the Company's financial position and/or operations.

19. SUBSEQUENT EVENTS

Not applicable.

These interim simplified separate financial statements were approved on 30 July 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO