

**TERAPLAST SA**

**SIMPLIFIED CONSOLIDATED INTERIM  
FINANCIAL STATEMENTS**

**AT AND FOR THE THREE-MONTH PERIOD  
ENDED MARCH 30, 2020**

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

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**TERAPLAST SA**  
**SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**  
**At March 31, 2020**

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

	Note	Period ended March 31, 2020	Period ended March 31, 2019
<b>Income from contracts with customers, of which:</b>	4	<b>208,946,865</b>	<b>174,643,424</b>
Income from the sale of finished goods		183,662,693	141,910,319
Income from the sale of goods		23,837,811	29,107,974
Income from provision of services		1,446,361	3,625,131
<b>Other operating income</b>	5	<b>197,401</b>	<b>99,607</b>
<b>Income from investment subsidies</b>		<b>478,638</b>	<b>184,686</b>
Changes in stocks of finished goods and work in progress		14,417,661	8,739,706
Works and services in progress		(280,660)	110,011
Raw materials, consumables and merchandise	6	(158,019,885)	(134,515,155)
Expenses with employees' benefits	9	(24,946,684)	(17,922,057)
Amortisation/depreciation and impairment of non-current assets, net	8	(8,742,373)	(7,242,415)
Impairment of non-current assets, net		73,623	576,595
Income / expenses from reversal of provisions, net	8	(3,178)	-
Gains / (Losses) on the write-off/measurement of tangible and intangible assets	7	(152,435)	306,067
Gains on the disposal of assets held for sale	17		15,034
Other operating expenses	10	(22,797,923)	(18,595,666)
Sponsorship		(191,507)	(152,467)
<b>Operating profit/loss</b>		<b>8,979,543</b>	<b>6,247,370</b>
Financial expenses	5	22,591	(1,973,881)
Interest expenses, net	5	(2,238,265)	(2,051,867)
Financial income	5	687,922	1,089,619
<b>Financial result, net</b>	5	<b>(1,527,752)</b>	<b>(2,936,129)</b>
<b>Profit before tax</b>		<b>7,451,791</b>	<b>3,311,241</b>
Income tax expenses		(1,312,048)	3,516
<b>Profit for the year</b>		<b>6,139,743</b>	<b>3,314,757</b>
<b>Result of the financial year</b>			
attributable to			
Owners of the parent		5,693,771	2,554,073
Non-controlling interests	20	445,972	760,684
<b>Profit/loss for the year</b>		<b>6,139,743</b>	<b>3,314,757</b>
<b>Comprehensive income</b>		<b>6,139,743</b>	<b>3,314,757</b>

These simplified consolidated interim financial statements were approved on April 22, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION**  
**At March 31, 2020**

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

	Note	March 31, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	289,750,945	280,815,152
Investment property	13	6,913,460	6,913,460
Leased right-of-use assets		8,445,557	9,172,609
Intangible assets	12	33,883,998	33,926,670
Goodwill		10,026,839	10,026,839
Other financial assets	14	16,472	16,472
Other financial investments	14	308,825	771,748
<b>Total non-current assets</b>		<b>349,346,096</b>	<b>341,642,950</b>
<b>Current assets</b>			
Inventories	15	209,365,162	181,596,424
Work and services in progress		525,930	806,590
Trade and other receivables	16	152,368,752	138,795,252
Prepaid expenses		2,291,962	1,066,286
Cash and short-term deposits	28	22,059,307	29,472,744
<b>Total current assets</b>		<b>386,611,113</b>	<b>351,737,296</b>
<b>Total assets</b>		<b>735,957,209</b>	<b>693,380,246</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Subscribed capital	18	133,780,651	133,780,651
Share premiums		27,384,726	27,384,726
Treasury shares	18	(139)	(139)
Revaluation reserves	11	17,871,014	17,871,014
Legal reserves	19	16,096,574	16,096,574
FX reserves upon consolidation		(436,298)	(436,298)
Retained earnings		86,816,507	79,198,291
<b>Capital attributable to controlling interests</b>		<b>281,513,035</b>	<b>273,894,819</b>
Non-controlling interests	20	778,659	2,253,580
<b>Total equity</b>		<b>282,291,694</b>	<b>276,148,399</b>
<b>Long-term liabilities</b>			
Borrowings and finance lease liabilities	21,25	107,088,493	69,260,122
Other long-term liabilities	14	6,098,869	9,517,202
Employees' benefits	22	1,639,934	1,636,529
Deferred tax liabilities		9,607,525	9,690,589
Subsidies for investments – long-term portion		14,856,971	15,329,362
<b>Total long-term liabilities</b>		<b>139,291,792</b>	<b>105,433,804</b>
<b>Current liabilities</b>			
Trade and other payables	23,24	164,546,786	156,769,897
Borrowings and finance lease liabilities	21,25	145,622,741	152,050,013
Income tax payable		1,238,757	6,445
Subsidies for investments – current portion		1,914,556	1,920,804
Provisions	22	1,050,884	1,050,884
<b>Total current liabilities</b>		<b>314,373,724</b>	<b>311,798,043</b>
<b>Total liabilities</b>		<b>453,665,516</b>	<b>417,231,847</b>
<b>Total equity and liabilities</b>		<b>735,957,209</b>	<b>693,380,246</b>

These simplified consolidated interim financial statements were approved on April 22, 2020.

Alexandru Stanean  
CEO

Ioana Birta  
CFO

**TERAPLAST SA**  
**SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury share	FX reserve upon consolidation	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	133,780,650	-	27,384,726	17,871,015	16,096,574	(139)	(436,298)	79,198,288	273,894,816	2,253,580	276,148,396
Profit or loss for the year	-	-	-	-	-	-	-	5,693,771	5,693,771	445,972	6,139,743
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	5,693,771	5,693,771	445,972	6,139,743
Other equity items	-	-	-	-	-	-	-	1,924,448	1,924,448	(1,920,893)	3,555
<b>Balance at March 31, 2020</b>	133,780,650	-	27,384,726	17,871,015	16,096,574	(139)	(436,298)	86,816,507	86,816,507	778,659	282,291,694

	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury share	FX reserve upon consolidation	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
<b>Balance at January 1, 2019</b>	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	238,115,864
Profit or loss for the year	-	-	-	-	-	-	-	37,782,242	37,782,242	1,125,288	38,907,530
Other comprehensive income	-	-	-	172,460	-	-	(436,298)	436,298	(263,838)	-	(263,838)
<b>Total comprehensive income</b>	-	-	-	172,460	-	-	(436,298)	38,218,540	37,518,404	1,125,288	38,643,692
Increase of share capital from reserves	26,756,123	-	-	-	-	-	-	(26,756,123)	-	-	-
Set-up of legal reserve	-	-	-	-	580,410	-	-	(580,410)	-	-	-
Loss on the sale of own shares	-	-	-	-	-	265,750	-	(265,750)	-	-	-
Benefits granted to employees in the form of financial instruments	-	-	-	-	-	1,207,036,53	-	-	1,207,037	-	1,207,037
Dividends paid	-	-	-	-	-	-	-	-	-	(837,166)	(837,166)
Other equity elements increases /(reductions)	-	(1,472,925)	-	-	-	-	-	55,596	(981,031)	-	(981,031)
<b>Balance at December 31, 2019</b>	133,780,650	-	27,384,726	17,871,015	16,096,574	(139)	(436,298)	79,198,288	273,894,816	2,253,580	276,148,396

**TERAPLAST SA**  
**SIMPLIFIED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	<b>7,451,791</b>	<b>3,311,241</b>
Losses on the sale of assets (fixed assets) and scrapping	152,435	306,067
Amortisation/depreciation and impairment of non-current assets	8,742,373	7,242,415
Provisions for risks and charges, net	3,178	-
Impairment of doubtful customers	151,760	164,476
Impairment of inventories	(225,383)	(741,071)
Interest expenses	2,238,265	2,051,867
Net expenses with FX differences on loans	66,316	-
<b>Operating profit before changes in working capital</b>	<b>18,580,735</b>	<b>12,334,995</b>
Increases of trade and other receivables	(14,488,013)	(6,873,059)
Increases of inventories	(27,262,695)	(7,870,608)
Increase /(Decrease) of trade and other liabilities	13,526,915	(1,399,899)
Income tax paid	(164,678)	(592,240)
Interest paid, net	(2,238,265)	(2,051,867)
Income from subsidies	(478,638)	(186,375)
<b>Cash generated by operating activities</b>	<b>(12,524,639)</b>	<b>(6,639,053)</b>
<b>Cash flows used in investing activities :</b>		
Payments to purchase tangible and intangible assets, other non-current receivables	(19,685,188)	(16,128,152)
Payments to purchase shares in Wetterbest	(4,758,600)	-
Proceeds from the sale of tangible assets	275,454	652,331
<b>Cash used in investing activities</b>	<b>(24,168,334)</b>	<b>(15,475,821)</b>
<b>Cash flows from financing activities:</b>		
Payment of finance lease liabilities	183,574	151,785
Dividends paid	-	(210,526)
Loan drawdowns, net	29,095,960	18,182,724
<b>Net cash flows generated by financing activities</b>	<b>29,279,534</b>	<b>18,123,983</b>
Net decrease of cash and cash equivalents	(7,413,439)	(3,990,891)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>29,472,744</b>	<b>22,817,571</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>22,059,307</b>	<b>18,826,679</b>

These simplified consolidated interim financial statements were approved on April 22, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

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**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](http://www.teraplast.ro)).

- Terasteel Romania and Terasteel Serbia (manufacturers of sandwich panels and coated metal structures),
- Wetterbest (manufacturer of complete roof systems),
- Teraglass (manufacturer of PVC windows and doors),
- Teraplast Recycling (operating since April 2019 as a company specialised in recycling following the separation of the recycling line from Teraplast,
- Teraplast Hungary (distributor),
- Politub – without activity, to be voluntarily liquidated through the merger with TeraPlast Recycling

**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, 2019.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

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**3. BUSINESS CONTINUITY IN THE CONTEXT OF THE CORONAVIRUS**

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.

At March 31, 2020, the Group's current assets exceed its current liabilities by RON 72,237,389 (December 31, 2019: RON 39,939,253). In January – March 2020, the Group registered a profit of RON 6,139,743 (January – March 2020: RON 3,314,757). The Group relies on the support of financing banks.

In the context of the events related to the Coronavirus pandemic at the beginning of 2020, the TeraPlast Group and, implicitly, all its companies, adopted a proactive attitude in the management of potential risks.

Following the evolution of the number of cases, the spread of the virus worldwide and, subsequently, the declaration of a state of emergency in Europe and Romania, the management of the TeraPlast Group proactively and progressively applied the necessary measures both on the recommendation of the authorities and following the internal analyses. The implemented measures cover all areas of activity of the Group, are monitored and adjusted if the situation requires it, by the Analysis Commission, which meets daily at Group level.

Given that the first effects in Europe and Romania have been visible since March, the current situation is constantly evolving and has a high degree of uncertainty, at this time the management of the TeraPlast Group considers it is impossible to provide a firm estimate of the impact of the pandemic on the Group.

At the TeraPlast Group level, ten scenarios were created depending on the possible evolutions of the current context. These scenarios follow the following parameters:

- potential negative developments in turnover, generated by the evolution of the epidemic, but also by a subsequent economic crisis, going as far as simulating the suspension of activity, if a provision of the authorities would have required it
- impact of customer defaults on cash flows
- ability to bear debt service
- adjusting fixed costs to minimize the impact on profitability in scenarios of declining sales

The scenarios have associated action plans that are gradually implemented in each company, as the existing situation has an impact on each activity.

So far, among the measures implemented, we mention:

- ensuring increased hygiene measures, in accordance with the recommendations in force, for employees
- limiting interaction with external staff and business travel, as well as the use of electronic means of interaction
- implementation of telework, by rotation, where possible
- reduction of temporary staff costs in sectors where production has been reduced as a result of declining orders
- at the level of the Group's management, salaries were temporarily reduced between 25% and 50%
- measures to reduce the work schedule have also been applied to TESA staff with the corresponding decrease in pay
- negotiation with trade unions to make the provisions of the collective employment contract flexible in this period, in order to reduce possible non-recurring costs in case of redundancies
- renegotiation of contracts with suppliers and identification of alternative suppliers to ensure the availability of raw materials
- reducing stocks of raw materials and finished products to reduce working capital requirements
- renegotiation of lease contracts for at least 3 months

The potential impact will be included in the adjustments for impairment and expected losses related to the credit risk at Group level and company level in 2020.

Despite the difficult context, the Group maintained a balanced profit margin and even significantly exceeded the profitability in Q1 2019 in the Installations and Compounds lines of business. The Group's plants are operational and there are no problems in the supply of raw materials. It is premature at this time to estimate the impact that the next economic crisis will have on the business, but the advance we register after the first quarter indicates a possible closing of 2020 at a level similar to that of 2019.



**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

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**4. OPERATING INCOME AND SEGMENTS**

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

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Income from own production	185,837,957	143,892,081
Income from resale of merchandise	23,837,811	29,107,974
Income from other activities	1,446,361	3,625,131
Trade discounts granted	(2,175,264)	(1,981,762)
<b>Total</b>	<b>208,946,865</b>	<b>174,643,424</b>
Sales on domestic market (Romania)	157,138,233	124,643,605
Sales on foreign market	51,808,944	49,999,819

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 THREE-MONTH PERIOD ENDED MARCH 31, 2020**

*(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 – March 2020**

	<b>Thermal insulating panels</b>	<b>Metal tiles</b>	<b>Installations</b>	<b>Window profiles</b>	<b>Compounds</b>	<b>Window works</b>	<b>Total</b>
<b>Turnover</b>	<b>68,992,473</b>	<b>45,373,253</b>	<b>59,361,360</b>	<b>12,212,237</b>	<b>16,700,762</b>	<b>6,306,781</b>	<b>208,946,866</b>
Operating income	69,075,547	45,417,934	59,422,443	12,170,541	16,742,457	6,315,344	209,144,266
Sales, overheads and administrative expenses	(64,658,169)	(47,776,551)	(54,469,692)	(11,839,951)	(14,597,861)	(6,822,499)	(200,164,723)
<b>Operating result</b>	<b>4,417,377</b>	<b>(2,358,61)</b>	<b>4,952,751</b>	<b>330,590</b>	<b>2,144,596</b>	<b>(507,155)</b>	<b>8,979,543</b>
Depreciation, impairment of assets and impairment allowances	(1,573,749)	(1,594,224)	(3,657,057)	(1,174,286)	(440,595)	(458,076)	(8,897,986)
Subsidies	108,371	90,719	77,222	-	15,444	186,883	478,638
<b>EBITDA</b>	<b>5,882,755</b>	<b>(855,111)</b>	<b>8,532,587</b>	<b>1,504,875</b>	<b>2,569,747</b>	<b>(235,962)</b>	<b>17,398,891</b>

**January – March 2019**

	<b>Thermal insulating panels</b>	<b>Metal tiles</b>	<b>Installations</b>	<b>Window profiles</b>	<b>Compounds</b>	<b>Window works</b>	<b>Total</b>
<b>Turnover</b>	<b>55,766,955</b>	<b>44,083,194</b>	<b>43,834,500</b>	<b>10,119,794</b>	<b>14,881,240</b>	<b>5,957,741</b>	<b>174,643,424</b>
Operating income	55,906,533	44,159,230	43,898,450	10,119,794	14,881,240	5,962,470	174,927,717
Sales, overheads and administrative expenses	(51,420,038)	(44,355,958)	(43,151,743)	(10,437,873)	(13,688,735)	(5,625,999)	(168,680,347)
<b>Operating result</b>	<b>4,486,495</b>	<b>(196,728)</b>	<b>746,707</b>	<b>(318,079)</b>	<b>1,192,505</b>	<b>336,471</b>	<b>6,247,370</b>
Depreciation, impairment of assets and impairment allowances	(1,224,538)	(1,462,353)	(2,635,446)	(1,081,480)	(334,400)	(183,096)	(6,921,313)
<b>EBITDA</b>	<b>5,711,033</b>	<b>1,265,625</b>	<b>3,382,153</b>	<b>763,401</b>	<b>1,526,905</b>	<b>519,567</b>	<b>13,168,684</b>

Wetterbest and TeraGlass were the most affected by the lockdown caused by the medical crisis, since the complete roof systems, windows and doors are products addressed to end users. The profitability of the two companies was also eroded by the additional expenses with the implementation of the investments completed last year. Moreover, the staff structure was sized so as to support the growth budgeted for 2020. Under the current circumstances, both companies took measures to resize staff costs.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

**5. SUNDRY INCOME**

**Financial income / expenses**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Expenses with FX differences, net	697,589	(882,335)
Expenses with interest	(2,239,161)	(2,052,110)
Interest income	896	243
Other financial expenses	(1,509)	(3,628)
Other financial income	14,433	1,701
<b>Net financial loss</b>	<b>(1,527,752)</b>	<b>(2,936,129)</b>

**Other operating income**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Compensation, fines and penalties	116,234	49,686
Other income	81,167	49,921
Income from subsidies	478,638	184,686
<b>Total</b>	<b>676,039</b>	<b>284,293</b>

**6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Expenses with raw materials	131,521,987	103,617,348
Expenses with consumables	7,281,750	6,124,881
Expenses with merchandise	18,559,467	24,020,457
Packaging used	656,681	752,469
<b>Total</b>	<b>158,019,885</b>	<b>134,515,155</b>

**7. OTHER GAINS AND LOSSES**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Income from the disposal of tangible and intangible assets	275,454	652,331
Expenses with the disposal of tangible and intangible assets	(427,889)	(346,264)
<b>Net result from the disposal of tangible and intangible assets</b>	<b>(152,435)</b>	<b>306,067</b>
Income from the disposal of assets held for sale	-	1,880,594
Expenses with the disposal of assets held for sale	-	(1,865,560)
<b>Net result from the disposal of assets held for sale</b>	<b>-</b>	<b>15,034</b>

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2020**

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

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

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Expenses with impairment of non-current assets	(755,397)	-
Income from reversal of impairments of non-current assets	417,697	131,790
Expenses with amortisation and depreciation	(8,404,673)	(7,374,205)
<b>Net impairment of non-current assets</b>	<b>(8,742,373)</b>	<b>(7,242,415)</b>
Expenses with impairment of inventories	(520,074)	(971,695)
Income from reversal of impairments of inventories	745,457	1,712,766
<b>Net impairment of inventories</b>	<b>225,383</b>	<b>741,071</b>
Expenses with impairment of current assets	(471,781)	(396,900)
Income from reversal of impairments of current assets	346,639	252,078
Current receivables registered as expenses	(26,618)	(19,654)
<b>Net impairment of current receivables</b>	<b>(151,760)</b>	<b>(164,476)</b>
Expenses with provisions	(3,178)	-
Income from reversal/write-off of provisions	-	-
<b>Net adjustments for provisions</b>	<b>(3,178)</b>	<b>-</b>

**9. EXPENSES WITH EMPLOYEES' BENEFITS**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Salaries	23,255,926	16,651,558
Contributions to the State social insurance fund	782,238	546,631
Meal tickets	908,520	723,868
<b>Total</b>	<b>24,946,684</b>	<b>17,922,057</b>

**10. OTHER EXPENSES**

	<b>Period ended March 31, 2020</b>	<b>Period ended March 31, 2019</b>
Transport	8,664,159	6,837,502
Utilities and green certificates	4,277,144	2,898,254
Third party services	3,968,656	3,668,714
Damages, fines and penalties	4,550	22,076
Protocol, advertising and publicity	1,769,921	1,165,180
Other general expenses	915,487	703,478
Taxes and levies	723,057	463,886
Repairs	965,342	753,860
Travel	376,240	402,066
Rentals	490,302	1,059,629
Postage fees and telecommunications	160,259	146,862
Insurance premiums	482,806	474,159
<b>Total</b>	<b>22,797,923</b>	<b>18,595,666</b>

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**11. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
<b>COST</b>						
<b>Balance at January 1, 2019</b>	<b>13,832,218</b>	<b>98,040,028</b>	<b>242,216,342</b>	<b>2,677,936</b>	<b>14,393,983</b>	<b>371,160,507</b>
Increase from acquisitions	319,885	387,931	13,029,097	209,565	80,245,320	94,191,799
Increases from internal production of non-current assets					1,578,283	1,578,283
Transfers to / from non-current assets in progress		24,199,335	59,644,743	394,668	(83,904,414)	334,332
Transfers to right-of-use assets under leases			(3,624,654)			(3,624,654)
Transfers from right-of-use assets under leases			1,479,160			1,479,160
Disposals and other write-downs	(24,539)		(2,678,205)	(18,317)	(455,217)	(3,176,278)
FX effect		530,937	400,172		102,719	1,033,827
<b>Balance at December 31, 2019</b>	<b>14,127,564</b>	<b>123,158,231</b>	<b>310,466,655</b>	<b>3,263,853</b>	<b>11,960,673</b>	<b>462,976,976</b>
<b>Balance at January 1, 2020</b>	<b>14,127,564</b>	<b>123,158,231</b>	<b>310,466,655</b>	<b>3,263,853</b>	<b>11,960,673</b>	<b>462,976,976</b>
Increase from acquisitions	205,838	1,189,204	2,549,135	356,591	12,520,286	16,821,054
Increases from internal production of non-current assets					262,612	
Transfers to / from non-current assets in progress		42,892	1,222,549	53,142	(1,318,583)	-
Transfers to right-of-use assets under leases						
Transfers from right-of-use assets under leases			259,095			
Disposals and other write-downs		(20,091)	(2,852,046)	(9,784)	(48,803)	(2,930,723)
<b>Balance at March 31, 2020</b>	<b>14,333,402</b>	<b>124,370,236</b>	<b>311,645,388</b>	<b>3,663,802</b>	<b>23,376,185</b>	<b>477,126,402</b>

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance at January 1, 2019</b>	<b>692</b>	<b>7,377,247</b>	<b>146,820,594</b>	<b>1,262,604</b>	<b>1,504,490</b>	<b>156,965,627</b>
Depreciation during the year	346	4,571,166	21,381,054	378,623		26,331,188
Disposals and reductions	23,615		(2,117,390)	(11,410)		(2,105,185)
Impairment		(31,979)	760,816		(200,512)	528,325
Transfers to right-of-use assets under leases			1,296,004			1,296,004
Transfers from right-of-use assets under leases			(1,031,023)			(1,031,023)
FX effect		40,616	136,272			176,888
<b>Balance at December 31, 2019</b>	<b>24,652</b>	<b>11,957,050</b>	<b>167,246,327</b>	<b>1,629,817</b>	<b>1,303,978</b>	<b>182,161,824</b>
<b>Balance at January 1, 2020</b>	<b>24,652</b>	<b>11,957,050</b>	<b>167,246,327</b>	<b>1,629,817</b>	<b>1,303,978</b>	<b>182,161,824</b>
Depreciation during the year	5,990	1,395,220	6,540,685	110,135		8,052,030
Disposals and reductions		(20,091)	(2,282,394)	(7,869)		(407,934)
Impairment		(5,152)	(353,979)		(48,803)	(407,934)
Transfers to right-of-use assets under leases			142,502			
Transfers from right-of-use assets under leases						
<b>Balance at March 31, 2020</b>	<b>30,643</b>	<b>13,327,026</b>	<b>171,293,142</b>	<b>1,732,083</b>	<b>1,255,175</b>	<b>187,638,069</b>
<b>NET BOOK VALUE</b>						
<b>Net book value at January 1, 2020</b>	<b>14,102,912</b>	<b>111,201,182</b>	<b>143,220,328</b>	<b>1,634,035</b>	<b>10,656,696</b>	<b>280,815,152</b>
<b>Net book value at March 31, 2020</b>	<b>14,302,759</b>	<b>111,043,210</b>	<b>140,352,246</b>	<b>1,931,719</b>	<b>22,121,010</b>	<b>289,750,945</b>

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**11. PROPERTY, PLANT AND EQUIPMENT (continued)**

At March 31, 2019, the Group registered non-current assets and investment property pledged to financial institutions at a net book value of RON 143,215,662 (December 31, 2019: RON 146,324,388).

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, 2019 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 March 31, 2020, the Group recorded specific impairment allowances of property, plant and equipment in amount of RON 2,746,010 (December 31, 2019: RON 3,153,945).

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**12. INTANGIBLE ASSETS**

	Goodwill	Licence and other intangible assets	Intangible assets in progress	Total
<b>Cost</b>				
<b>Balance at January 1, 2019</b>	<b>35,230,839</b>	<b>43,489,085</b>	<b>404,897</b>	<b>79,124,821</b>
Increases, of which:		428,624	1,263,578	1,692,202
Transfers to / from non-current assets in progress		1,168,494	(1,502,826)	(334,332)
Effect of FX changes		16,566		<b>16,566</b>
<b>Balance at December 31, 2019</b>	<b>35,230,839</b>	<b>45,102,769</b>	<b>165,649</b>	<b>80,499,257</b>
<b>Balance at January 1, 2020</b>	<b>35,230,839</b>	<b>45,102,769</b>	<b>165,649</b>	<b>80,499,257</b>
Increases by acquisitions		284,254	4,301	288,556
Transfers to / from non-current assets in progress				
Disposals and other write-downs		(34,556)	(3,320)	(37,876)
<b>Balance at March 31, 2020</b>	<b>35,230,839</b>	<b>45,352,467</b>	<b>166,630</b>	<b>80,749,936</b>
<b>Accumulated amortisation</b>				
<b>Balance at January 1, 2019</b>	-	<b>8,110,874</b>	-	<b>8,110,874</b>
Amortisation		2,969,498		<b>2,969,498</b>
Acquisition of Wetterbest				
Impairment	25,204,000	256,347		<b>25,460,347</b>
Effect of FX changes		5,027		
<b>Balance at December 31, 2019</b>	<b>25,204,000</b>	<b>11,341,747</b>	-	<b>36,545,747</b>
<b>Balance at January 1, 2020</b>	<b>25,204,000</b>	<b>11,341,747</b>	-	<b>36,545,747</b>
Amortisation		337,669		
Disposals and other write-downs		(34,556)		(34,556)
Impairment		(9,763)		(9,763)
<b>Balance at March 31, 2020</b>	<b>25,204,000</b>	<b>11,635,097</b>	-	<b>36,839,097</b>
<b>Net book value at January 1, 2020</b>	<b>10,026,839</b>	<b>33,761,022</b>	<b>165,649</b>	<b>43,953,510</b>
<b>Net book value at March 31, 2020</b>	<b>10,026,839</b>	<b>33,717,370</b>	<b>166,630</b>	<b>43,910,839</b>

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.

In the consolidated financial statements at March 31, 2020, the intangible assets recognised further to the acquisition of Wetterbest SRL are classified as other intangible assets.

**13. INVESTMENT PROPERTY**

Investment property at March 31, 2020 and December 31, 2019 consists of land of 36 thousand sqm located in Bistrita, held for value appreciation.

	Period ended March 31, 2020	Period ended December 31, 2019
<b>Opening balance at 1 January</b>	<b>6,913,460</b>	<b>8,324,389</b>
Additions / (Disposals)	-	(1,410,929)
Net changes in the valuation of investment property at fair value	-	-
<b>Closing balance at 31 March/December</b>	<b>6,913,460</b>	<b>6,913,460</b>



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**14. SUBSIDIARIES AND FINANCIAL ASSETS**

At March 31, 2020 and December 31, 2019, the parent holds investments as follows:

<b>Subsidiary</b>	<b>Place of establishment and venue of operations</b>	<b>Core activity</b>	<b>Ownership percentage at March 31, 2020 (%)</b>	<b>Ownership percentage at December 31, 2019 (%)</b>
Terasteel S.A. 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	Hungary	Distributor	100.00	100.00
Terasteel DOO Serbia	Serbia	Manufacturing of thermal insulating pan	100.00	100.00
Wetterbest SA	Romania	Manufacturing of metal tiles	99.00	99.00
Cortina WTB SRL	Romania	Manufacturing of metal tiles	100.00	51.00

**Acquisition of Wetterbest SA**

The Group fully owns Wetterbest: Teraplast owns 99% and TeraSteel owns 1% based on the agreements concluded in January 2020.

The consideration consists of:

- acquisition price paid for the 67% ownership in amount of EUR 12,350 thousand
- acquisition price for the additional 32% ownership, which is EUR 5,000 thousand, according to the sale-purchase contract concluded in May 2019.
- The acquisition price for the ownership of 1% by TeraSteel was EUR 200 thousand

In September 2019, Wetterbest increased its ownership in Cortina from 51% to 100%. The ownership was registered at the Trade Registry in 2020, after obtaining the approval of the Competition Council.

**Merger between subsidiaries Teraplast Recycling SA and Politub SA, through the absorption of Politub SA by Teraplast Recycling SA**

Further to the merger, absorbed company Politub SA will be dissolved without liquidation, and will be de-registered and its assets will be transferred entirely to absorbing company Teraplast Recycling SA, in exchange for granting new shares to the shareholders of Politub SA, issued by Teraplast Recycling SA. Teraplast Recycling SA will continue to operate in its present legal form, will keep its present office and core object of activity. Teraplast Recycling SA will acquire all of the rights of the absorbed company and will be bound by the obligations of the absorbed company.

The merger file was settled by the Trade Registry Office. The ruling of the Bistrita Tribunal is pending.

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

<b>Name of investment</b>	<b>Country</b>	<b>Ownership</b>	<b>March 31, 2020</b>	<b>Ownership</b>	<b>December 31, 2019</b>
		<b>%</b>	<b>RON</b>	<b>%</b>	<b>RON</b>
CERTIND SA	Romania	7,5%	14.400	7,5%	14.400
Parteneriat pentru dezvoltarea durabila	Romania	7,14%	1.000	7,14%	1.000
Tera Tools SRL	Romania	24%	72	24%	72
Asociatia Producatorilor de Panouri Metalice	Romania	11,11	1.000	11,11	1.000
		-	<b>16.472</b>	-	<b>16.472</b>

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.

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**15. INVENTORIES**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Finished products	56,205,008	41,392,276
Raw materials	124,858,720	117,168,073
Merchandise	13,981,851	13,626,441
Consumables	5,390,993	3,886,442
Items of inventory	387,385	312,482
Semi-finished goods	7,899,375	8,251,520
Residual products	442,453	470,187
Goods pending supply	4,080,147	845,314
Packaging	2,298,454	2,048,296
<b>Inventories – gross value</b>	<b>215,544,386</b>	<b>188,001,031</b>
	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Impairment of raw materials and consumables	(2,521,318)	(2,600,884)
Impairment of finished products	(2,397,373)	(2,751,569)
Impairment of merchandise	(1,260,533)	(1,052,154)
<b>Total impairment</b>	<b>(6,179,224)</b>	<b>(6,404,607)</b>
<b>Total inventories – net value</b>	<b>209,365,162</b>	<b>181,596,424</b>

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**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Trade receivables	129,497,537	109,600,270
Commercial papers not payable	29,876,726	36,018,240
Advances paid to suppliers of non-current assets	3,357,518	4,482,479
Advances paid to suppliers of inventories and services	3,756,629	4,490,544
Other receivables	12,044,345	10,242,580
Impairment of trade receivables	(26,164,003)	(26,038,861)
<b>Total</b>	<b>152,368,752</b>	<b>138,795,252</b>

At March 31, 2020, the *Other receivables* line includes the RON 9,955,868 (December 31, 2019 : RON 8,496,794) representing VAT recoverable (Teraglass Bistrita SRL, Terasteel Doo Serbia, Teraplast Recycling SA, Politub SA).

**Changes in impairment allowances for doubtful customers**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Balance at the beginning of the year</b>	<b>(26,038,861)</b>	<b>(25,096,230)</b>
Receivables transferred to expenses during the period	26,618	1,770,945
(Increase)/Reduction of impairment	(151,760)	(2,713,576)
<b>Balance at the end of the period</b>	<b>(26,164,003)</b>	<b>(26,038,861)</b>

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.

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**17. SHARE CAPITAL**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Share capital subscribed and fully paid in	133,780,651	133,780,651

**18. LEGAL RESERVES**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Opening balance	16,096,574	15,516,164
Increases for the period	-	580,410
<b>Total</b>	<b>16,096,574</b>	<b>16,096,574</b>

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.

**19. NON-CONTROLLING INTERESTS**

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
<b>Balance at the beginning of the year</b>	<b>2,253,580</b>	<b>1,965,458</b>
Profit or loss for the year	445,972	1,125,288
Dividends granted	-	(837,166)
Other elements	(1,920,893)	-
<b>Balance at the end of the year</b>	<b>778,659</b>	<b>2,253,580</b>

At March 31, 2020 and December 31, 2019, non-controlling interests are ownerships of 2.05% in Terasteel SA (December 31, 2019: 2.05% in Terasteel SA, 1.00% in Wetterbest SRL and 49.00% in Cortina WTB SRL).

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**20. BORROWINGS**

Bank loans are as follows:

	Short-term		Long-term	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Teraplast SA	62,713,859	81,721,328	58,292,565	57,682,317
Terasteel SA	12,801,826	8,939,856	-	-
Teraglass Bistrita SRL	5,728,016	11,282,796	3,675,289	3,794,734
Wetterbest SA	50,835,241	37,849,339	19,064,800	1,323,281
Terasteel Doo Serbia	9,665,701	9,572,054	21,742,907	-
Cortina WTB SRL	-	69,527	-	129,841
<b>Total</b>	<b>141,744,643</b>	<b>149,434,900</b>	<b>102,775,560</b>	<b>62,930,173</b>

	Short-term		Long-term	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Transilvania Bank	60,938,629	73,074,586	58,600,898	61,477,051
Raiffeisen Bank	35,194,690	28,076,297	-	-
Exim Bank	40,204,932	41,605,958	3,366,956	-
BCR Bank	5,406,392	5,294,972	-	-
UniCredit Bank	-	1,383,090	-	1,453,122
BERD	-	-	40,807,707	-
<b>Total</b>	<b>141,744,643</b>	<b>149,434,903</b>	<b>102,775,560</b>	<b>62,930,173</b>

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

Currency	March 31, 2020	December 31, 2019
EUR	60,201,890	21,543,331
RON	184,318,313	190,821,745
<b>Total</b>	<b>244,520,203</b>	<b>212,365,076</b>

At March 31, 2020, the Group registers non-current assets and investment property pledged to financial institutions in net book amount of RON 143,215,662 (December 31, 2019: RON 146,324,388).

The Group's inventories are pledged to financing banks.

The Group's receivables are fully pledged to financing banks.

The Group's cash and cash equivalents are fully pledged to financing banks.

At March 31, 2020 and December 31, 2019 the finance lease payables are as follows:

	Short-term		Long-term	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Teraplast SA	489,315	482,815	1,358,115	1,482,910
Terasteel SA	104,255	103,118	231,708	258,716
Teraglass Bistrita SRL	42,551	41,978	147,628	158,483
Wetterbest SA	170,408	62,396	41,941	163,203
Terasteel Doo Serbia	191,575	73,750	56,009	189,711
<b>Total</b>	<b>998,105</b>	<b>764,057</b>	<b>1,835,400</b>	<b>2,253,023</b>

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**21. 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 2019. Future salary increases are estimated on the long-term, i.e. 1.1% in the first year, 1.4% in the second year, 1.6% in the third year and 1.37% in the following years.

	Short term		Long term	
	March 31, 2020	December 31, 2019	March 31, 2020	December 31, 2019
Employees' benefits	-	-	1,639,934	1,636,529
Provisions for risks and charges	1,050,884	1,050,884	-	-
<b>Total</b>	<b>1,050,884</b>	<b>1,050,884</b>	<b>1,639,934</b>	<b>1,636,529</b>

For Group companies resident in Romania, the most recent actuarial valuations were performed on December 31, 2019 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	March 31, 2020	December 31, 2019
Opening balance	1,636,529	724,849
Changes	3,405	911,680
<b>Closing balance</b>	<b>1,639,934</b>	<b>1,636,529</b>

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.

**22. TRADE AND OTHER PAYABLES**

	March 31, 2020	December 31, 2019
Trade payables	116,090,096	117,526,712
Commercial papers payable	778,158	1,027,752
Liabilities with purchase of non-current assets	4,156,644	1,779,442
Other current payables (note 24)	31,140,704	26,913,678
Advances on account of orders	12,381,184	9,522,313
<b>Total</b>	<b>164,546,786</b>	<b>156,769,897</b>

**23. OTHER CURRENT PAYABLES**

	March 31, 2020	December 31, 2019
Payroll liabilities and social security liabilities	12,987,507	8,581,177
VAT payable	8,469,109	6,912,167
Employees' rights not claimed	93,138	93,138
Sundry creditors	7,030,330	9,590,785
Trade guarantees received	1,251,877	386,027
Other taxes payable	926,048	967,689
Dividends payable	382,695	382,695
<b>Total</b>	<b>31,140,704</b>	<b>26,913,678</b>

Of the total amount in line "Sundry creditors", RON 4,758,600 (December 31, 2019: RON 9,517,200) represents the short-term liability in relation to the minority shareholders of Wetterbest SA according to the firm contract concluded in April 2019 for the acquisition of additional 32% ownership in Wetterbest.

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**24. 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 20, 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.

The Group's gearing ratio at March 31, 2020 and December 31, 2019 was as follows:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Total loans (note 21)	252,711,234	221,310,135
Less cash and cash equivalents	(22,059,307)	(29,472,744)
<b>Net debt</b>	<b>230,651,927</b>	<b>191,837,391</b>
<b>Total equity</b>	<b>282,291,694</b>	<b>276,148,399</b>
<b>Total equity and net debt</b>	<b>512,943,621</b>	<b>467,985,790</b>
<b>Gearing ratio</b>	<b>45%</b>	<b>41%</b>

**(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.

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**24. FINANCIAL INSTRUMENTS (continued)**

**(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.

**(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.

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**24. FINANCIAL INSTRUMENTS (continued)**

**(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.

**25. RELATED PARTY TRANSACTIONS**

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

**March 31, 2020 and December 31, 2019**

**Susidiaries**

Teraglass Bistrita SRL  
Terasteel SA  
Politub SA  
Teraplast Recycling SA  
Teraplast Hungaria Kft  
Wetterbest SA  
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.



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**26. 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:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Cash at banks	16,177,190	26,710,537
Commercial papers receivable	379,994	192,795
Petty cash	285,187	244,817
Cash equivalents	5,216,936	2,324,595
<b>Total</b>	<b>22,059,307</b>	<b>29,472,744</b>

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

The amount of RON 5,216,936 (December 31, 2019: RON 2,324,595) comprises letters of credit issued by Terasteel Doo to suppliers of raw materials worth RON 5,110,029 (December 31, 2019: RON 2,219,328 issued by Wetterbest).

**27. 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.

Within this threshold, Teraplast SA issued in favour of ROMPETROL DOWNSTREAM a bank letter of guarantee worth RON 100,000 valid from June 30, 2019 to June 28, 2020.

At March 31, 2020, tangible assets and investment property with a net book value of RON 78,160,114 (December 31, 2019: RON 79,694,686) 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 16,315,400 (December 31, 2019: RON 31,168,950), which Terasteel has contracted from Banca Transilvania

At March 31, 2020, the Company has unused credit facilities of RON 22,497,259 (December 31, 2019: RON 17,190,916.37) and unused investment loans of RON 4,428,011).

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 March 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 four requests for reimbursement (in June, August and September 2019) and received, until March 31, 2020, the amount of RON 5.42 million; RON 9.03 million is the amount that the Company will collect on account of the last request submitted.

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.

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

**Terasteel SA**

At March 31, 2020, the Company registers unused credit facilities, amounting to RON 7,188,174 (December 31, 2019: RON 23,560,144).

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 March 31, 2020, the Company registers a ceiling of letters of credit of EUR 1,000,000 which expires on 07.08.2020. Within this ceiling, at March 31, 2020, 2 letters of credit amounting to EUR 439,750 are issued to a steel supplier.

In 2017, the Company granted to Banca Transilvania a guarantee for joint liability with Teraplast SA for repayment of loans in amount of RON 69,269,279 (December 31, 2019: RON 103,630,305), which Teraplast SA has contracted from Banca Transilvania.

At March 31, 2020, the Company registers a ceiling of letters of guarantee of RON 1,500,000 which expires on 07.08.2020. Within this ceiling, at March 31, 2020, letters of credit amounting to RON 314,443 are issued.

At March 31, 2020, property, plant and equipment and investment property at a net book value of RON 16,885,663 (December 31, 2019: RON 17,245,439) represent security for loans and credit lines. For Company secured the bank loans with all present and future cash, all present and future stocks and has assigned the present and future claim rights and accessories arising from present and future contracts with its clients, which act as assigned debtors. Also, the Company has assigned the rights arising under the insurance policies issued for the real estate and movable assets brought as collateral.

**Teraglass Bistrita SRL**

At March 31, 2020, the Company registers unused credit facilities amounting to RON 962,588 (December 31, 2019: RON 1,998,738).

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.

At the date of these financial statements, the Company submitted a request for reimbursement (September 2019) and, at March 31, 2020, it received RON 6.63 million; RON 1.03 million is the amount the Company will receive on account of the last request for reimbursement.

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.

At March 31, 2020, property, plant and equipment and investment property at a net book value of RON 15,650,120 (December 31, 2019: RON 16,286,484) represent security for loans and credit lines. For Company secured the bank loans with all present and future cash, all present and future stocks and has assigned the present and future claim rights and accessories arising from present and future contracts with its clients, which act as assigned debtors. Also, the Company has assigned the rights arising under the insurance policies issued for the real estate and movable assets brought as collateral.

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**27. COMMITMENTS AND CONTINGENCIES (continued)**

**Wetterbest SA**

At March 31, 2020, the Company registers granted credit facilities amounting to RON 58,125,000, out of which RON 7,289,758.71 not used (December 31, 2019: credit facilities of RON 48,125,000, out of which RON 11,589,223 not used).

At March 31, 2020, tangible assets with a net book value of RON 10,088,965 (December 31, 2019: RON 10,587,893) are collateral for loans and credit lines, and finance leases for property, plant and equipment (cars) are in amount of RON 251,703.

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.

At March 31, 2020 the Company draw EUR 4,000,000 from the EBRD loan.

At September 30, 2019, the Company submitted a request for reimbursement in amount of RON 2.05 million, paid on December 23, 2019.

At March 31, 2020 Cortina WTB SRL does not register credit facilities.

**Terasteel Doo Serbia**

At March 31, 2020, property, plant and equipment at a net book value of RON 22,179,097 (December 31, 2019: RON 24,871,711) is collateral for loans and credit lines.

Out of the ceiling of letters of credit of EUR 2 million non-cash (granted on 11.12.2019; expiring on 31.12.2020) contracted from Raiffeisen Bank Beograd, at March 31, 2020 the Company used EUR 1,982,594 in favour of raw materials suppliers.

Out of the ceiling of letters of credit of EUR 1.5 million with collateral cash (granted on 02.03.2020; expiring on 20.07.2022) contracted from Raiffeisen Bank Beograd, at March 31, 2020 the Company used EUR 1,057,100 in favour of raw materials suppliers.

**28. SUBSEQUENT EVENTS**

In April 2020, the Group paid the RON 9.65 million instalment under the agreement for the acquisition of 32% shares in Wetterbest. Such instalment was paid by the land the buildings from the former location of Wetterbest. The new Wetterbest plant was inaugurated and the relocation was completed.

After the payment of such instalment, the Group wrote off assets at a net book value of RON 9.65 million while reducing the debt to the former minority shareholders of Wetterbest.

At the date of these financial statements, the Group has one more debt of RON 4.8 million to former shareholders, which will be paid in June 2020.

These simplified consolidated interim financial statements were approved on April 22, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO