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INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Teraplast S.A.

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the standalone financial statements of Teraplast S.A. (the Company), with registered office in Saratel, Șieu-Măgheruș, DN 15A km 45+500, Bistrița-Năsăud county, identified by the unique tax registration code 3094980, which comprise the statement of financial position as at December 31, 2019, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.

2. The standalone financial statements as at December 31, 2019 are identified as follows:

   - Net assets/ Equity RON 219.958.543
   - Net profit for the financial year RON 9.669.152

3. In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU with subsequent amendments.

Basis for Opinion

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

Key Audit Matters

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

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Key Audit Matter	How our audit addressed the key audit matter
The treatment of the acquisition of Wetterbest SA – the restatement of the investment in subsidiary	
On November 2017 between Teraplast S.A. and Wetterbest S.A.'s minor shareholders (previously called "DEPACO S.R.L.") a bilateral sale-purchase promise was signed for the acquisition of 32% of the company's shares, for the amount of 10 million EUR. On January 2018, Teraplast S.A. obtained control over Wetterbest S.A. and became a major shareholder of the subsidiary. From an accounting perspective, on 31 December 2018, the company recorded this transaction in Teraplast S.A.'s individual financial statements as an increase in the value of the investment in the Wetterbest S.A. subsidiary at the fair value of the promise for the 32% of the shares from the previous shareholders, evaluated at 10 million EUR. In April 2019, the promise for sale-purchase was annulled, at the moment of the signing of the sale-purchase contract for 5 million EUR. The decrease is due to the negotiations which took place between the parties. At this moment, the Company reconsidered the classification of the sale-purchase promise in the financial statements as of 31 December 2018 and realized that it actually represents a forward contract. As a result, the Company restated the presentation of this financial instrument, from investments in subsidiaries to financial instruments, in the stand-alone financial statements. Considering the specificity of this type transaction and the associated risk, we identified this element of the financial statements as a key audit matter. This restatement is presented in Note 30 to the Company's financial statements.	Our audit procedures focused on the accounting of the sale-purchase promise as of December 31, 2018 and on the subsequent accounting treatment of this transaction, resulted from the transactions realized in the financial year 2019. Our audit procedures regarding the Wetterbest S.A. include, amongst other, the following: - We read the bilateral sale-purchase promise and the sale-purchase contract as well as other documents related to this acquisition in order to evaluate the Company's decisions as of December 31, 2018; - We involved our IFRS specialists in order to evaluate the compliance with the international accounting standards, among which: IFRS 3, IFRS 9, IFRS 19 and IAS 39; - We evaluated the necessity for restatement of the opening balances in order to correctly reflect the accounting treatment at 31 December 2018.
Recoverability of the investment in Wetterbest S.A.	
As presented in Note 17 to the financial statements, starting with 2018, the Company has control over Wetterbest S.A. (previously named "Depaco S.R.L."), an entity in which the Company recorded a change of the value of the investment. The accounting value of the investment cost at 31 December 2019 is 81 million RON, which represents 18% of total assets. The depreciation test over the accounting value of the investment in Wetterbest S.A. is significant for our audit because the evaluation process is complex, it needs significant estimates and judgement and it is based on hypotheses related to the future evolution of this subsidiary.	In order to address this key audit matter, we have performed the following audit procedures: - We evaluated the key estimates of the company used to determine the update rate, cash flows, increase rates, the return on sales and capital expenditure. - We evaluated the historical accuracy of the budgets and forecasts performed by management by comparing them with the real performances. - We evaluated the presentation related to the depreciation in the individual financial statements.

Emphasis of Matter

6. We draw attention to Note 30 to the stand-alone financial statements, which presents the fact that the corresponding figures for 2018 have been restated in order to correct misstatements. Our opinion is not modified with respect to this matter.

Other Matters

7. The financial statements of Teraplast Company for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements on March 27, 2019.

Other information – Administrator's Report

8. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator' report but does not include the separate financial statements and our auditors report thereon.

   Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements for the year ended December, 31, 2019, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrator's report, we read and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU with subsequent amendments.

   On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

   a) the information included in the administrators' report for the financial year for which the financial statements have been prepared are consistent, in all material respects, with these financial statements;

   b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

   Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the standalone financial statements prepared as at December 31, 2019, we are required to report if we have identified a material misstatement of this Administrator's report. We have nothing to report in this regard.

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

9. Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

16. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

17. We have been appointed by the General Assembly of Shareholders on September 2, 2019 to audit the financial statements of Teraplast S.A. for the financial year ended December 31, 2019. The uninterrupted total duration of our commitment was 1 year, covering the financial year ended December 31, 2019.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Alina Ioana Mirea.

Alina Mirea, Audit Partner

For signature, please refer to the original Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. AF 1504

On behalf of:

DELOITTE AUDIT SRL

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under no. FA 25

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
April 28, 2020

TERAPLAST SA

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,
as of and for the year ended
31 DECEMBER 2019

Contents **PAGE**

TERAPLAST SA
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the financial years ended 31 December 2019
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Description	Note	Financial year 2019	Financial year 2018
Revenues total –out of which:	**4**	**371,113,282**	**301,466,783**
Revenues from sale of finished products		324,107,838	263,858,865
Revenues from the sale of merchandise		46,574,399	36,382,958
Revenues from service rendering		431,045	1,224,960
Other operating income (including rent)	5	2,004,428	645,262
Changes in inventories of finished goods and work in progress		(469,965)	6,239,075
Raw materials, consumables used and merchandise	6	(258,372,802)	(219,046,622)
Employee benefit expenses	9	(39,154,707)	(30,530,294)
Expenses with impairment adjustments and amortization	8	(18,213,381)	(17,729,088)
Impairment of trade receivable, net	8	(734,803)	(190,517)
Impairment of trade inventory, net	8	1,627,842	(363,081)
Provisions, net	23, 24	(1,052,686)	(140,383)
Losses on disposal of tangible and intangible assets	7	(190,023)	(52,258)
Gains from sale of assets held for sale	16	15,034	185,891
Gains/(Losses) from the fair value measurement of investment properties	16	205,310	(90,224)
Loss at disposal of investment properties	16	(133,370)	-
Other expenses	11	(40,250,227)	(38,023,825)
Operating result		**16,178,346**	**2,370,720**
Interest expense, net	10	(5,784,967)	(5,211,894)
Other financial income/ (expense), net	10	118,005	(443,140)
Dividends received	10	88,742	32,888,859
Profit before tax		**10,600,126**	**29,604,545**
Income tax expense	12	(930,974)	429,884
Profit for the year		**9,669,152**	**30,034,429**
Other comprehensive income			
Other comprehensive income not reclassified to profit or loss in subsequent periods (net of tax)		-	-
Revaluation of fixed assets		-	(856,051)
Impact of deferred tax		-	136,968
Other comprehensive income, net, not reclassified to profit or loss in subsequent periods		**-**	**(719,083)**
Total comprehensive income		**9,669,152**	**29,315,346**
Average number of shares		1,114,838,813	868,046,555
Basic and diluted net earnings per share		**0,0263**	**0,0346**

The separate financial statements were approved by the Board of Directors and authorized for issue according to the Directors' Decision of 28 April 2020.

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
STATEMENT OF FINANCIAL POSITION
for the financial years ended 31 December 2019
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		Financial year ended	
ASSETS	**Note**	**31 December 2019**	**31 December 2018**
Non-current assets			**(Restated)***
Property, plant and equipment	13	131,170,896	118,250,709
Investment properties	16	16,700,934	17,906,553
Intangible assets	14	903,442	1,232,493
Right of use of the leased assets	15	5,855,668	-
Investments in subsidiaries	17	111,834,865	79,331,275
Other equity investments	17	15,472	15,472
Long-term receivables	19	18,679,424	23,429,315
Total non-current assets		**285,160,702**	**240,165,817**
Current assets			
Inventories	18	54,409,831	65,849,277
Trade and other receivables	19	101,006,306	102,185,102
Prepayments		557,602	532,577
Tax on profit to be recovered		439,999	-
Cash and cash equivalents	**28**	5,669,112	9,774,157
Total current assets		**162,082,849**	**178,341,113**
Assets classified as held for sale	16	-	1,865,560
Total assets		**447,243,551**	**420,372,490**
EQUITY AND LIABILITIES			
Equity			
Share capital	**20**	133,780,651	107,024,527
Share premium		27,384,726	27,384,726
Treasury shares	20	(139)	(1,472,925)
Revaluation reserves		13,671,771	13,671,772
Legal reserve		10,481,647	9,919,037
Retained earnings		34,639,887	52,555,218
Total equity		**219,958,543**	**209,082,355**
Non-current liabilities			
Loans from banks	**21**	57,682,317	67,218,258
Lease liabilities	22	3,960,439	764,442
Employee benefit liabilities	23	1,453,762	630,767
Investment subsidies – long-term portion		4,902,235	-
Deferred tax liabilities	12	3,402,166	2,471,192
Total non-current liabilities		**71,400,920**	**71,084,658**
Current liabilities			
Trade and other payables	25	71,318,498	80,572,300
Deferred income		-	8,926
Loans from banks	21	81,889,947	58,948,895
Lease liabilities	22	1,652,788	265,121
Investment subsidies - current portion		382,932	-
Provisions	24	639,925	410,234
Total current liabilities		**155,884,090**	**140,205,477**
Total liabilities		**227,285,009**	**211,290,135**
Total equity and liabilities		**447,243,552**	**420,372,490**

*The comparative information have been restated as discussed in Note 30.

Alexandru Stanean
CEO

Ioana Birta
CFO

2019

	Issued capital	Share premium	Treasury shares (Note 23)	Revaluation reserves	Legal reserve	Retained earnings	Total
Balance as at 1 January 2019	**107,024,527**	**27,384,726**	**(1,472,925)**	**13,671,772**	**9,919,037**	**52,555,218**	**209,082,355**
Net result for the period	-	-	-	-	-	9,669,152	9,669,152
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**9,669,152**	**9,669,152**
Set up of legal reserve (Note 24)	-	-	-	-	562,610	(562,610)	-
Share capital increase from retained earnings (Note 23)	26,756,123	-	-	-	-	(26,756,123)	-
Dividends granted	-	-	-	-	-	-	-
Losses related to own shares sale	-	-	-	-	-	(265,750)	(265,750)
Own shares redemption (Note 23)	-	-	1,472,786	-	-	-	1,472,786
Balance as at 31 December 2019	**133,780,650**	**27,384,726**	**(139)**	**13,671,772**	**10,481,647**	**34,639,887**	**219,958,544**

As of 31 December 2018 and 31 December 2019, the revaluation reserves include amounts representing the unrealized revaluation surplus related to land and buildings.

TeraPlast did not grant dividends in 2019, not did it propose dividends in 2020, from the profit of 2019 (2018: dividends granted 10,069,404, the equivalent of a dividend of RON 0.0116 per share).

Alexandru Stanean
CEO

Ioana Birta
CFO

2018

	Issued capital	Share premium	Treasury shares (Note 23)	Revaluation reserves	Legal reserve	Retained earnings	Total
Balance as at 1 January 2018	**85,691,097**	**27,384,726**	**(663,396)**	**15,631,288**	**8,399,015**	**54,203,265**	**190,645,995**
Net result for the period	-	-	-	-	-	30,034,429	**30,034,429**
Other comprehensive income (Note 13, 15)	-	-	-	(719,083)	-	-	**(719,083)**
Total comprehensive income	**-**	**-**	**-**	**(719,083)**	**-**	**30,034,429**	**29,315,346**
Set up of legal reserve (Note 24)	-	-	-	-	1,520,022	(1,520,022)	**-**
Share capital increase from retained earnings (Note 23)	21,333,430	-	-	-	-	(21,333,430)	**-**
Dividends granted	-	-	-	-	-	(10,069,404)	**(10,069,404)**
Losses related to own shares sale	-	-	-	-	-	(53)	**(53)**
Own shares redemption (Note 23)	-	-	(809,529)	-	-	-	**(809,529)**
Realized revaluation reserve (Note 15)	-	-	-	(1,240,343)	-	1,240,343	**-**
Balance as at 31 December 2018	**107,024,527**	**27,384,726**	**(1,472,925)**	**13,671,772**	**9,919,037**	**52,555,218**	**209,082,355**

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
SEPARATE CASH FLOW STATEMENT
for the financial years ended 31 December 2019
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		2019	2018
Cash flows from operating activities			
Profit before tax		10,600,127	29,604,545
Interest expense		6,670,959	6,496,993
Interest income		(885,991)	(1,285,099)
Loss from the sale or disposal of fixed assets		308,359	52,258
Trade receivables impairment		734,803	190,517
Inventories impairment		(1,627,842)	363,081
Amortization and depreciation of long-term assets		17,174,798	17,179,141
Adjustment of the value for non-current assets		1,038,583	549,947
Provisions, net		229,691	(231,477)
Loss /(gains) from the measurement of investment property		(205,310)	90,224
Expense with the provisions for the retirement benefits obligations		822,995	371,860
Investment income		(88,742)	(32,888,859)
Adjustments related to liabilities concerning long-term financial investments		-	494,662
Profit before adjustments to working capital		**34,772,429**	**20,987,791**
Movements in working capital			
Increase in gross trade and other receivables (before impairment allowance)		(4,558,107)	(17,182,254)
(Increase) Decrease in gross inventories (before impairment allowance)		14,932,848	(6,396,165)
(Decrease)/increase of trade and other payables		(23,103,394)	19,079,667
Interest paid		(6,659,349)	(5,391,835)
Income tax paid		(439,999)	(50,781)
Net cash generated by operating activities		**14,944,428**	**11,046,423**
Net cash generated from investment			
Interest received		14,447	124
Dividends received		12,243,903	20,574,756
Payments for acquisition of tangible and intangible assets		(44,652,120)	(19,653,360)
Payments for financial assets, net of purchased cash		(4,867,560)	(7,215,405)
Receipts under State Aid		5,285,168	
Receipts from the sale of tangible assets		203,076	1,436,064
Redemption of own shares, net of option exercising		-	(809,529)
Losses related to SOP		(265,750)	-
Net cash used in investment		**(31,940,625)**	**(5,667,351)**
Cash flows from financing activities			
Receipts from loans		21,059,566	10,956,236
Loans (reimbursement)		(20,946,938)	(12,951,499)
Lease payments		(502,348)	(692,902)
Net drawings from credit line		13,280,875	12,587,741
Dividends paid		-	(10,069,404)
Net cash generated from /(used in) finance activities		**12,891,154**	**(169,827)**
Net variation of cash		**(4,105,045)**	**5,209,245**
Cash and cash equivalents at the beginning of the financial year	**28**	**9,774,157**	**4,564,912**
Cash and cash equivalents at the end of the financial year	**28**	**5,669,112**	**9,774,157**

Alexandru Stanean
CEO

Ioana Birta
CFO

1. GENERAL INFORMATION

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

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

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

As at 31 December 2019, TeraPlast SA has the following subsidiaries:

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

The Company, operates in five locations and eight factories: Sărățel (Bistrița-Năsăud), Bistrița (Bistrița Năsăud), Băicoi (Prahova), Podari (Dolj) and Leskovac (Serbia).

The Company is preparing consolidated financial statements for Teraplast SA starting with 2007. These financial statements are available on the company's website (www.teraplast.ro).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The Company's financial statements have been prepared in accordance with the provisions of Order no. 2844/2016 approving the Accounting regulations compliant with the International Financial Reporting Standards applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended and clarified ("OMFP 28422/2016"). These provisions are compliant with the provisions of the International Financial Reporting Standards adopted by the European Union ("EU IFRS").

2.2. Basis of accounting

The financial statements have been prepared on a going concern basis, according to the historical cost convention, as modified below:

- adjusted to the effects of hyperinflation until 31 December 2003 for fixed assets, share capital and reserves,
- measurement at fair value of certain items of fixed assets and investment property, as presented in the Notes.

The accounting policies set out below have been applied consistently to all years presented in these financial statements, unless otherwise stated.

2.3. Going concern

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

As of 31 December 2019, the Company's current assets exceed its current liabilities by RON 15,715,960 (2018: RON 41,291,763). In 2019, the Company recorded profit RON 9,669,152 (2018: RON 30,034,429) and cash flows from operating activities (before changes in working capital) RON 34,772,429 (2018: RON 20,987,791).

The Company relies on the financing banks, as also described in Note 25.

The budget prepared by the Company management and approved by the Board of Directors for 2020 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Company to fulfill its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity in the ordinary course of business, as a going concern.

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

The rapid development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please see Note 31 for the management assessment of the impact of COVID-19 over the activity of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2019.

Initial application of new amendments to the existing standards effective for the current reporting period

The following new standards, amendments to the existing standards and new interpretation issued by the International Accounting Standards Board (IASB) and adopted by the EU are effective for the current reporting period:

- **IFRS 16 "Leases"** – adopted by the EU on 31 October 2017 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IFRS 9 "Financial Instruments"** - Prepayment Features with Negative Compensation – adopted by the EU on 22 March 2018 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 19 "Employee Benefits"** - Plan Amendment, Curtailment or Settlement – adopted by the EU on 13 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to IAS 28 "Investments in Associates and Joint Ventures"** - Long-term Interests in Associates and Joint Ventures – adopted by the EU on 8 February 2019 (effective for annual periods beginning on or after 1 January 2019),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2015 -2017)"** resulting from the annual improvement project of IFRS (IFRS 3, IFRS 11, IAS 12 and IAS 23) primarily with a view to removing inconsistencies and clarifying wording – adopted by the EU on 14 March 2019 (effective for annual periods beginning on or after 1 January 2019),
- **IFRIC 23 "Uncertainty over Income Tax Treatments"** – adopted by the EU on 23 October 2018 (effective for annual periods beginning on or after 1 January 2019).

The adoption of these new standards, amendments to the existing standards and interpretation has not led to any material changes in the Company's financial statements, except for IFRS 16, as presented below.

First time adoption of new or revised standards

Impact of initial application of IFRS 16 Leases

In the current year, the Company has applied IFRS 16 Leases (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.
IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. Details of these new requirements are described in Note 3. The impact of the adoption of IFRS 16 on the Company's financial statements is described below.

The Company adopted IFRS 16 initially on 1 January 2019, using the modified retrospective approach.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Standards, amendments and new interpretations of the standards (continued)

(a) Impact of the new definition of a lease

The Company elected to apply the standard to contracts that were previously identified as leases applying IAS 17 and IFRIC 4. The Company did not therefore apply the standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.
The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

(b) Impact on Lessee Accounting
(i) Former operating leases

IFRS 16 changed how the Company accounted for leases previously classified as operating leases under IAS 17, which were off balance sheet.
Applying IFRS 16 for the first time as at January 1, 2019, for all leases (except as noted below), the Company:
a) Recognises right-of-use assets and lease liabilities in the separate financial statements, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with IFRS 16 C8(b)(ii).
b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;
c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.
For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in profit or loss.

The Company has used the following practical measures, when accounting for leases under IFRS 16:

- The Company has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Company relied on its assessment of whether leases are onerous applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets immediately before the date of initial application as an alternative to performing an impairment review. As there was no onerous contract provision recognized at December 31, 2018 consequently no impairment allowance was recognized at January 1, 2019.

- The Company has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

- The Company has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Company has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Standards, amendments and new interpretations of the standards (continued)

(ii) Former finance leases

For leases that were classified as finance leases applying IAS 17, the carrying amount of the leased assets and obligations under finance leases measured applying IAS 17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying IFRS 16 from 1 January 2019.

(c) Impact on Lessor Accounting

IFRS 16 does not change substantially how a lessor accounts for leases. Under IFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. As of December 31, 2019 the Company had no significant financial leases where it acts as a lessor.

(d) Financial impact of initial application of IFRS 16

The weighted average lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 is 4.4%.

Finance lease liabilities recognised under IAS 17 at 31 December 2018 were of RON 1,029,563, presented under Lease liabilities in the SOFP.

Operating lease commitments 31 December 2018	6,444,879
Short-term leases and leases of low value	(608,245)
Impact of discounting the above amounts	(787,507)
Finance lease liabilities	1,029,563
Lease liabilities as of 1 January 2019	**6,078,690**

The Company has recognised RON 6,291,100 of right-of-use assets and RON 6,078,690 of lease liabilities upon transition to IFRS 16. Those right of use assets include previously recognised assets under finance lease that were transferred from PPE, in amount of RON 1,241,973. Those lease liabilities include previous finance lease liabilities, in amount of RON 1,029,563. Consequently, the new assets recognized on previous operating leases amount to RON 5,049,127.

The Company has adopted IFRS 9 Financial Instruments, and IFRS 15 Revenue from Contracts with Customers (including the clarifications) for the first time starting with 1 January 2018.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, the following amendments to the existing standards were issued by IASB and adopted by the EU and which are not yet effective:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),

- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)
2.4. Standards, amendments and new interpretations of the standards (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the date of publication of financial statements (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 17 "Insurance Contracts"** (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).

The Company anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the Company in the period of initial application.

Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company's estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39: "Financial Instruments: Recognition and Measurement"** would not significantly impact the financial statements, if applied as at the balance sheet date.

2.5. Summary of accounting and valuation principles

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

Cash

Cash and cash equivalents include liquid assets and other equivalent values, comprising cash at bank, petty cash.

Revenue recognition

Revenues from contracts with customers

Teraplast SA produces and sells PVC pipes and profiles, plasticized and rigid compounds, polypropylene and polyethylene pipes, fittings, and the trading of cables and, polyethylene pipes, steel parts.

Revenue is measured based on the consideration to which the Company is entitled in contracts with customers. The point of recognition arises when the Company satisfies a performance obligation by transferring control of a promised good or service that is distinct to the customer, which is at a point in time for finished goods and merchandise and over time for services provided.

Revenues from the sale of **goods and merchandise** are recognized at a certain point in time, when the products are delivered to the customers or readily available for the buyer. The payment terms are – in general – between 30 and 90 days from the date of issuing the invoice and delivering the goods. The contracts with the customers for sales of finished goods and merchandise imply one obligation: to deliver the goods at the agreed location (under the agreed incoterms). In rare cases, when the Company's distributers request, the Company enters into bill-and-hold arrangement, for which revenue is recognized when the goods are invoiced and the specific instructions from the clients to store the goods on their behalf for a certain period are received.

If the consideration promised in a contract includes a variable component, the Company estimates the value of the consideration it would be entitled to, in exchange for the transfer of the goods or services promised to a customer. The value of a consideration may vary as a result of discounts.
The Company grants volume discounts to certain customers, depending on the objectives set through the contract, which decrease the amount owed by the customer. The Company applies consistently a single method during the contract, when it estimates the effect of an uncertainty over a value of the variable consideration, using the method of the most likely value – the single most likely value in a range of possible values of the consideration (namely, the single most likely result of the contract). This is an adequate estimate of the value of the variable consideration if the contract has two possible results (such as, a customer either obtains a volume / turnover rebate or not).

As a practical solution, if the Company receives short-term advances from customers, it does not adjust the received amounts for the effects of a significant financing components, because – at the beginning of the contract – it foresees that the period between the transfer of the assets and their receipt will be below 1 year.

For certain products, the Company offers the warranties which are required by the law to protect the customers from the risk of acquiring malfunctioning products. The Company assessed that these do not represent a separate performance obligation and are accounted in accordance with IAS 37 (warranty provisions). Furthermore, a law that requires an entity to pay a compensation if its products cause damage or injuries does not represent a performance obligation for the Company either.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets and liabilities related to the contract

When the Company carries out its obligations by transferring goods or services to a client, prior to it paying a consideration or prior to the maturity of the payment, the Company recognises the contract as an asset related to the contract, excluding any amounts presented as receivables.

Upon receiving an advance payment from a customer, the Company recognizes a liability related to the contract at the value of the advance payment for its obligation to execute, transfer or be ready to transfer goods or services in the future. Subsequently, that liability related to the contract (corroborated with the recognition of revenues) is derecognized when the respective goods or services are transferred and, consequently, the Company fulfils its execution obligation.

Dividend and interest income

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

The interest income presented on the face of the Statement of Comprehensive Income is similar to interest income and is included in finance income in the statement of profit or loss.

Lease

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term. The Company leases warehouses and property that is uses for show rooms and vehicles.
The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise the fixed lease payments and the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, in case of vehicles.
The lease liability is presented under the line "Lease liabilities" in the statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.
The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

• A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and plus any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. As of December 31, 2019, the Company analyzed the terms of the leases where the Company is a lessor and concluded that all are operating leases, as the lease terms do not transfer substantially all the risks and rewards of ownership to the lessee.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. There was no such case for the year ended December 31, 2019.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component.

The Company rents some of its property to the subsidiary, TeraGlass under operating lease. Rent is of a fixed amount, at market price, as determined by an independent valuator.

Policies applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as a lessee
Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.
Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.
In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Company as a lessor
Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign currency transactions
The Company is operating in Romania and its functional currency is Romanian leu (RON).
For the preparation of the Company's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

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

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

	31 December 2019	31 December 2018
EUR 1	4.7793	4.6639
USD 1	4.2608	4.0736
CHF 1	4.4033	4.1404

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

Costs related to long-term borrowings

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the asset until they are ready for its intended use or for sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Government grants

Government grants are not recognized until there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Company.
The Government grants the main condition of which is that the Company acquire, build or obtain otherwise long-term assets are recognized as deferred income in the statement of financial position and presented as 'investment subsidies'. The deferred income is amortized in the profit and loss statement systematically and reasonably over the useful life of the related assets or at the time the assets acquired from the subsidy are retired or disposed of.

Costs related to retirement rights and other long-term employee benefits

Based on the collective labor contract, the Company is under the obligation to pay retirement benefits to its employees depending on their seniority within the Company, amounting to 2 - 3.5 salaries. The Company also grants jubilee bonuses as a fixed amount on work anniversaries.
The Company uses an external actuary to compute the value of the retirement benefits and jubilees related liability and reviews the value of this liability each year depending on the employees' seniority within the Company. The value of the retirement benefits and jubilees is recognized as a provision in the statement of financial position.

For defined benefit retirement benefit plans, the cost of providing benefits is determined as mentioned above, with actuarial valuations being carried out at the end of each annual reporting period.
Remeasurements comprising actuarial gains and losses, and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in profit or loss when the plan amendment or curtailment occurs, or when the Company recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

The retirement benefit obligation recognised in the statement of financial position represents the deficit or surplus in the Company's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

The adjustments resulting from the annually review of the jubilee provisions are recognized in the profit and loss statement.
The retirement benefits provision is reversed in the profit and loss statement when the Company settles the obligation.

Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service. Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized over the difference between the carrying amount of assets and liabilities in the financial statements and the corresponding fiscal bases used in the computation of taxable income and it is determined by using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, while deferred tax assets are recognized for deductible temporary differences as well as tax losses and credits carried forward in the extent in which it is likely to have taxable income over which to use those temporary deductible differences. Such assets and liabilities are not recognized if the temporary difference arises from initial recognition (other than from a business combination) of other assets and liabilities in a transaction that affects neither the taxable income, nor the accounting income (and this is assumed as applicable for example in case of initial recognition of a lease contract by a lessee). In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries, except for the cases in which the Company is able to control the reversal of the temporary difference and it is likely for the temporary difference not to be reversed in the foreseeable future. The deferred tax assets resulted from deductible temporary differences associated with such investments and interests are recognized only in the extent in which it is likely for sufficient taxable income to exist on which to use the benefits related to temporary differences and it is estimated that they will be reversed in the foreseeable future.
The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Tangible assets

Tangible assets, except for land and buildings, are stated at cost, net of accumulated depreciation and / or accumulated impairment losses, if any.

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

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

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

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

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

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

Constructions in progress for production or administrative purposes is registered at historical cost, less impairment. The depreciation of these assets starts when the assets are ready to be used.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

For the year ended December 31, 2018, the assets held in finance lease were depreciated over the useful life, similarly to assets held or, if the lease period is shorter, during the respective lease contract. For the policy applicable starting with 1 January 2019, please see Lease policy, as presented above.

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

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

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

Investment properties

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

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

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

Intangible assets

Intangible assets purchased separately are reported at cost minus accumulated amortization/impairment losses. Intangible assets acquired as part of a business combination are capitalized at fair value as at the date of acquisition.

Following initial recognition, intangible assets, which have finite useful lives, are carried at cost or initial fair value less accumulated amortisation and accumulated impairment losses.

Amortization is computed through the straight line basis over the useful life. The estimated useful lives, the residual values and the amortization method are reviewed at the end of each year, and adjusted as necessary, having as effect changes in future accounting estimates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

	Years
Licenses	1 – 5

Impairment of tangible and intangible assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the Company assets are also allocated to other separate cash generating units or to the smallest Company of cash generating units for which a consistent allocation basis can be identified.
Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

The inventories are registered at the lowest value between cost and the net realizable value. The net realizable value is the selling price estimated for the inventories minus all estimated costs for completion and the costs related to the sale. Costs, including a portion related to fixed and variable indirect costs are allocated to inventories held through the method most appropriate for the respective class of inventories.

Raw materials are valued at the purchase price including transport, handling costs and net of trade discounts.

Work in progress, semi-finished goods and finished goods are carried at actual cost consisting of direct materials, direct labour and directly attributable production overheads and other costs incurred in bringing them to their existing location and condition using the standard cost method. Standard costs take into account normal levels of consumption of materials and supplies, labour, efficiency and capacity utilisation. They are regularly reviewed and, if necessary, revised in the light of current conditions.

For the following classes of inventories, the average weighted cost method is used: the raw material for pipes / piping, merchandise, inventory items / small tools, packaging materials, consumables.

Impairment is reconized, where necessary, in all inventory categories for obsolete, slow moving and defective items.

Investments in subsidiaries

Investments in subsidiaries represent shares owned in these entities.

These investments are initially recognized as purchase price and subsequently at purchase cost less accumulated impairment losses. TeraPlast continues to assess the interests held in subsidiaries and associates at cost minus any impairment losses according to IAS 27.

At each financial statements date, the Company assesses whether there are indications of impairment of the investments in subsidiaries. These indications refer to important changes that occurred in the economic environment in which the respective entities operate or to important changes in the evolution of the financial position or, respectively, of the financial performance of the entities in which the Company holds interests.

If there are any indications of impairment, the Company carries out an impairment test and it computes the value of the impairment losses as difference between the recoverable value and the net book value.

Except for the assets the value of which will be recovered through a sale transaction rather than by use, for all the impairment tests carried out, the recoverable value was based on the value of use. Its measurement requires different estimates and hypothesis, depending on the nature of the activity, such as the discount rates, the increase rates, the gross margins.

The impairment loss resulted from the impairment tests represents an expense of the current year and it is recognized in profit and loss.

Acquisition of activities from controlled entities
When the Company acquires activities / lines of business from controlled entities, it records the assets and liabilities undertaken at the carrying amount in the Company financial statements, and the difference between the value of the net assets undertaken and the price agreed between the parties for the transfer is charged directly in Equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share capital

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

Dividends

Dividends related to ordinary shares are recognized as liability to the shareholders in the financial statements in the period in which they are approved by the Company shareholders. Interim dividends on ordinary shares are recognized when they are paid.

Provisions

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

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

Segment reporting

The Company's accounting policy for identifying segments is based on internal management reporting information that is routinely reviewed by the Board of Directors and management. The measurement policies used for the segment reporting under IFRS 8 are the same as those used in the financial statements. Segment results that are reported to the directors and management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Company has determined that it has three operating segments: Installations (systems for sewage, water and gas), Joinery Profiles and Compounds.
The Company also does corporate centre activities for its subsidiaries.

Each segment includes similar products, with similar production processes, with similar distribution and supply channels.

Installations and Profles are both produced through extrusion of plastic, but the sales channels and process is different. Installations for infrastructure projects are sold to contractors and installations for residential buildings are sold through a distribution network. Joinery profiles are sold to PVC windows and doors producers.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

The Company's financial assets include cash and cash equivalents, trade receivables and long-term investments.

A financial asset is classified as measured at amortized cost or fair value with any movement being reflected through other comprehensive income or through profit and loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.5.2 Revenues from contracts with customers.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by-investment basis.

Subsequent measurement
For purposes of subsequent measurement, the Company's financial assets are classified in three categories:

- Financial assets at amortized cost (debt instruments). The Company's financial assets at amortized cost includes trade receivables and long term receivable.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through profit or loss

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).
The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition.

Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts and trade and other payables.

Two measurement categories continue to exist, fair value through the income statement and amortized cost. Financial liabilities held for trading are measured at fair value through the income statement, and all other financial liabilities are measured at amortized cost unless the fair value option is applied.

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

Impairment of financial assets
The Company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.
For trade receivables, a simplified approach is adopted in which impairment losses are recognized based on lifetime expected credit losses at each reporting date. If there are loan insurances or guarantees for the outstanding balances, the computation of expected losses from receivables is based on the probability of default related to the insurer / guarantor for the insured / guaranteed portion of the outstanding balance, while the amount remaining not covered will have the counterparty's probability of

default. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk

Clients' credit risk is updated constantly. In assessing the IFRS 9 allowance, the Company uses the risk of a default occurring on the financial instrument at the reporting date.
In making the credit risk assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.
In particular, the following information is taken into account when assessing the credit risk deterioration of debtors:
• an actual or expected significant deterioration in the financial instrument's external (KeysFin and Coface) or internal credit rating;
• existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
• an actual or expected significant deterioration in the operating results of the debtor;
• an evaluation of the main projects and clients of the debtor and the sources of financing those projects.

For trade receivables the Company is using the simplified model allowed by IFRS 9 which does not differentiate between Stage 1 and Stage 2. Credit losses are measured based on provision matrix.

A financial instrument is determined to have low credit risk if:
1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:
• when there is a payment incident reported; or
• information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).
Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Any recoveries made to doubtful receivables are recognised in profit or loss, together with the reversal of the allowance.

Write-off policy

The Company writes off a financial asset when bankruptcy was finalized, as at this point the VAT on these receivables can be recovered. Financial assets written off may no longer be subject to enforcement activities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on the risk rating of each client obtained from independent parties, adjusted, if the case with forward-looking information as described above.
As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.
The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance accounts.

Derecognition of assets and liabilities

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

The Company derecognizes financial liabilities only if the Company's liabilities have been significantly modified, paid, cancelled or they have expired.
The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in profit or loss as the modification gain or loss within other gains and losses.

Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 29 i).
The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.
The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.
The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

There has been no change to the valuation technique during the year for none of the above mentioned classes of assets. There were no transfers between Level 1, Level 2 or Level 3 during the year.

For all of the above, the level in which fair value measurement is categorised is Level 2.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

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

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

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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.

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 to sell and its value in use, which will be generated by the intangible and tangible assets of the cash generating units over the remaining useful life. The recoverable amount used by the Company for each cash generating unit for impairment measuring purposes was represented by its value in use.

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 goodwill related to the roof tiles business. When reviewing for indicators of impairment, the Company considers, among other factors:

- The relationship between its market capitalization and its book value
- The operating performance, for which the Company used EBITDA as KPI, improved to 9,5% compared to 6,7% in the prior year, while revenue increased on all business lines, through organic growth
- Utilization of production capacity increased on all CGUs

As a result, the Company decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36. Therefore, an allowance for asset impairment proved not to be necessary.

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 the 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.

The Company measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive income.

Investment property 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. As of 31 December 2019, based on internal assessment and opinion of the external valuation expert, management concluded that the accounting value of land and buildings approximates their market value and therefore a revaluation was deemed unnecessary.

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Company revenues from contracts with customers is detailed below:

	Year ended 31 December 2019	Year ended 31 December 2018
Sales from own production	328,095,213	267,429,927
Income from sale of goods	46,574,399	36,382,958
Revenues from other activities	431,045	20,262
Rent income	-	1,204,698
Commercial discounts granted	(3,987,375)	(3,571,061)
Total	**371,113,282**	**301,466,783**

As of December 31, 2018 the Rent income has been presented in the Revenues line. As of December 31, 2019 the Rental income is presented in the Other operating income line – please see Note 5.

Geographical analysis

	Year ended 31 December 2019	Year ended 31 December 2018
Sales on the internal market (Romania)	344,669,663	276,503,435
Sales on the foreign market	26,443,619	24,963,348
Total	**371,113,282**	**301,466,783**

The information on the operational policy as reported to those responsible for the operating policy from the perspective of resource allocation and segment performance analysis is classified according to the type of products delivered. The reporting segments of the Company have been determined according to:

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

The product portfolio of the TeraPlast is structured on three business lines: **Installations, PVC joinery profiles and Compounds.**

On the construction materials market, the seasonality influences the monthly evolution of the sales. Therefore, the peak in our activity consists of approximately 6 months (May – October).
The Company's distribution policy targets specialised clients in the constructions sector through the following channels:
• Distributors and resellers (domestic and exports)
• Specialised networks (DIY stores – domestic and exports)
• Contractors and builders (infrastructure projects auctions)
• Producers (domestic and exports)

4. REVENUE AND OPERATING SEGMENTS (continued)

Installations

The Installations business line includes the interior and exterior sewage systems, water & gas distribution systems, rain and wastewater management systems, telecommunications, electric networks, individual utilities branches.
TeraPlast is the leader of the PVC pipes market and the second player on the installations market in Romania.
From its local top-producer position the company has an advantage in contracting the infrastructure works in Romania compared to the foreign competitors.
According to the sustainable development strategy "Romania 2025", the total value of the investments needed for the rehabilitation of the public services of water and sewage infrastructure is EUR 12,5 billion, while the annual medium of the necessary investments is EUR 625 million. As for the population connected to the water and sewage systems, in 2017 in Romania only 50,8% of the residents were connected to a sewage system, while 49,4% were connected to sewage systems with treatment stations.
EUR 11 billion were allotted for the Large Infrastructure Operational Program between 2014 and 2020.

So far, EUR 2,3 billion in payments and EUR 9,7 billion in signed contracts were used.
Taking this into consideration, an increase of the demand during the next 2 years, due to the execution phase of these projects.

PVC joinery Profiles

TeraPlast, through its PVC joinery profiles business line, offers systems with 4, 6 and 7 insulating chambers. The PVC joinery profiles portfolio are constantly improved to meet the domestic and international clients' needs.
The joinery profiles business line serves over 200 clients, producers of insulated openings. On the domestic market, the best-seller is the 4 insulating chambers system, while on the international markets the demand targets the 6 and 7 insulating chambers systems.

Compounds

With an over 34% market share, TeraPlast is the leader of the compounds market in Romania and the main supplier of PVC compounds for the cable industry in Romania. The compounds portfolio includes flexible and rigid compounds with appliance in the extrusion and injection manufacturing industry.

4. REVENUE AND OPERATING SEGMENTS (continued)

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

Year ended 31 December 2019	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Total revenues	**250,896,980**	**55,991,364**	**64,224,938**	**-**	**371,113,282**
Sales, general and administrative expenses	(238,363,143)	(58,092,397)	(58,479,396)	-	(354,934,936)
Operating result	**12,533,837**	**(2,101,033)**	**5,745,542**	**-**	**16,178,346**
Financial result	(3,756,330)	(917,753)	(904,137)	-	(5,578,220)
Profit before tax	**8,777,506**	**(3,018,786)**	**4,841,405**	**-**	**10,600,126**
Operating assets	**194,720,182**	**49,895,510**	**51,224,979**	**151,402,881**	**447,243,551**
Non-current assets	89,283,547	21,572,403	22,901,871	151,402,881	285,160,702
Current assets	105,436,635	28,323,107	28,323,107	-	162,082,849
Operating liabilities	**103,916,901**	**25,208,697**	**24,163,750**	**73,995,661**	**227,285,009**
Long-term liabilities	17,617,586	2,116,154	3,776,023	47,891,156	71,400,920
Current liabilities	86,299,315	23,092,543	20,387,726	26,104,505	155,884,090
Fixed assets additions	31,134,953	4,206,018	7,783,519		44,962,764

Year ended 31 December 2018	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Total revenues	**185,686,076**	**52,554,144**	**63,226,562**	**-**	**301,466,783**
Sales, general and administrative expenses	(187,773,645)	(53,820,465)	(57,501,953)	-	**(299,096,063)**
Operating result	**(2,087,569)**	**(1,266,321)**	**5,724,609**	**-**	**2,370,720**
Financial result	(1,733,703)	(876,027)	(674,584)	32,888,859	29,604,545
(Loss)/ Profit before tax	**(3,821,272)**	**(2,142,348)**	**5,050,025**	**32,888,859**	**31,975,265**
Operating assets	**193,684,601**	**66,217,200**	**19,389,230**	**171,078,469**	**469,695,771**
Non-current assets	70,258,447	34,066,794	15,155,042	169,212,909	**288,693,192**
Current assets	123,426,155	32,150,406	23,560,459	-	**179,137,019**
Non-current assets	-	-	-	1,865,560	**1,865,560**
Operating liabilities	**103,791,342**	**31,028,762**	**19,389,230**	**106,404,081**	**260,613,415**
Long-term liabilities	13,847,674	8,369,876	2,581,214	96,103,835	**120,902,599**
Current liabilities	89,943,668	22,658,886	16,808,015	10,300,246	**139,710,815**

The non-allocated non-current assets relate to investment properties, investments in subsidiaries and other financial assets, which include the long-term portion of the loan granted by Teraplast to Terasteel Serbia. The non-allocated current assets relate to the short-term portion of the loan granted by Teraplast to Terasteel Serbia and the short-term loan granted by Teraplast to Teraplast Hungaria Kft. The non-allocated liabilities relate to the bank loans contracted by Teraplast for the shareholdings in Wetterbest and Politub and the financing of Terasteel Doo.

The unallocated finance income of RON 32,888,859 is the income from dividends.

5. OTHER OPERATING INCOME

The Group as a lessor

Disclosure required by IFRS 16

Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms of between 1 to 7 years, with one year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which is located in a location with a constant value over the last years. The Company did not identify any indications that this situation will change.

Property rental income earned during the year 2019 was 1,582,696 RON.

Rental income:	**Year ended 31 December 2019**
Operating lease rental income	1,582,696
- Investment property	1,582,696
- Contingent rental income	-

Maturity analysis of operating lease receipts:

	Year ended 31 December 2019 RON
Year 1	1,238,403
Year 2	1,212,595
Year 3	1,212,595
Year 4	1,212,595
Year 5	972,815
Year 6 and onwards	1,132,694
Total	**6,981,695**

Disclosure required by IAS 17

As set out in Note 5, property rental income earned during the year 2018 was 1,204,698 RON.

All of the properties held have committed tenants for the next 7 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

At the reporting date, the Group had contracted with tenants for the following future minimum lease receipts:

	Year ended 31 December 2018
Within one year	820,765
In the second to fifth years inclusive	3,182,320
After five years	683,931

As at 31.12.2018, the rental contracts with Teraplast Logistics and Terasteel SA, amounting to RON528,018, had been finalized.

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2019	**Year ended 31 December 2018**
Raw material expenses	(207,214,699)	(176,017,728)

Consumable expenses	(14,208,183)	(12,375,129)
Commodity expenses	(35,976,523)	(29,748,013)
Consumed packaging	(973,397)	(905,752)
Total	**(258,372,802**	**(219,046,622)**

7. GAINS AND LOSSES FROM THE DERECOGNITION OF ASSETS

	Year ended 31 December 2019	Year ended 31 December 2018
Income from the sale of assets	25,177,077	1,436,064
Net book value of derecognized assets (Note 15)	(25,367,100)	(1,488,322)
Total	**(190,023)**	**(52,258)**

In 2019, TeraPlast SA transferred the equipment used for production of recycled PVC to its subsidiary, TeraPlast Recycling. The assets were sold at the fair value determined by an independent valuator.

8. IMPAIRMENT AND AMORTIZATION

	Year ended 31 December 2019	Year ended 31 December 2018
Receivables impairment		
Receivables charged to expenses (IFRS 9)	782,233	590,814
Expenses with allowance for doubtful debts (IFRS 9)	823,657	731,246
Income from impairment reversal (IFRS 9)	(871,087)	(1,131,542)
Net adjustments for doubtful debts	**734,803**	**190,517**
Allowance for inventories		
Inventory impairment expenses (IAS 36)	3,855,111	4,462,779
Income from inventory impairment reversal (IAS 36)	(5,482,953)	(4,099,699)
Net adjustments for inventory impairment	**(1,627,842)**	**363,081**
Expenses with non-current assets impairment (IAS 36)	(1,038,583)	(549,947)
Amortization and depreciation expenses (Notes 12 and 13) (IAS 36)	(17,174,798)	(17,179,141)
Net adjustments for non-current assets impairment	**(18,213,381)**	**(17,729,088)**

Impairment of non-current assets
The Company sets up impairment allowances for equipment that will no longer be used because it is damaged or obsolete. When this equipment is scrapped, recycled or sold, the impairment allowance is reversed.

Most of the allowance refers equipment that is part of the extrusion production lines for joinery profiles and installations. Given the nature of the production process of these 2 segments, some parts become damaged before the end of their economic useful life.

Inventory impairment
Allowance are set up for inventory that was not used or sold during the last 12 months, finished goods for which the demand is decreasing, that are damaged or have quality issues. The cost of finished goods on stock as at quarter end is also compared to the expected selling price and an allowance is set up, if necessary, to adjust the cost to the lower net realizable value.
The net reversal is because the Company obtained a value higher than expected for the finished goods that remained on stock from product Company that were discontinued in prior 2017 – 2018, namely window seals, PVC decoration elements and PVC rainwater system elements.

9. EMPLOYEE BENEFIT EXPENSES AND REMUNERATION OF THE BOARD OF DIRECTORS

	Year ended 31 December 2019	Year ended 31 December 2018
	RON	RON
Wages	(35,986,056)	(28,089,279)
Contributions to the public social security fund	(873,166)	(629,996)
Social aid within the limit of 5% of the salary fund	(552,185)	(369,079)
Meal tickets	(1,743,300)	(1,441,940)
Total, as presented on line "Employee benefit expenses"	**(39,154,707)**	**(30,530,294)**

In 2019, the employees and managers of the Company that were awarded free shares of TeraPlast SA, were transferred the property of these shares. As a result, treasury shares of 1,472,925 lei were derecognized.
The cost of the shares was expensed in 2017 and 2018 under Wages, as these were the periods in which the respective employees were granted the bonus in shares.

Remuneration of the Board of Directors
The Chairman and the Members of the Board have a monthly gross salary of RON 8,443. The total remuneration in 2019 and 2018 was of RON 506,580 per year.
They do not receive any other benefits.

10. FINANCIAL COSTS AND INCOME

	Year ended 31 December	Year ended 31 December

	2019	2018
Financial costs		
Interest expense	(6,670,959)	(6,496,993)
Expenses with exchange rate differences	(1,432,142)	(1,115,946)
Other financial expenses	(27,477)	(494,662)
Total	**(8,130,578)**	**(8,107,601)**

Other financial expenses represent the discounting, by applying a specific index, of the liability Teraplast committed to pay to the minor shareholders of Wetterbest within the bilateral Promise in November 2017. As disclosed in Note 30, the underlying liability was restated. No restatement performed on P&L.

	Year ended 31 December 2019	Year ended 31 December 2018
Financial Income		
Interest Income	885,991	1,285,099
Income from exchange rate differences	1,576,865	1,115,366
Dividend income	88,742	32,888,859
Other	760	52,101
Total	**2,552,358**	**35,341,426**
Financial result	**(5,578,220)**	**27,233,825**

Dividend income include dividends received from Terasteel amounting to RON nil (2018: RON 32,813,658) and from CERTIND in amount RON 88,742 (2018: RON 75,200).

Out of the dividends received from TeraSteel in 2018, the receipt of RON 12,243,903 was in 2019.

11. OTHER OPERATING EXPENSES

	Year ended 31 December 2019	Year ended 31 December 2018
Transport costs	15,232,874	13,173,735
Expenses with utilities	10,435,290	8,040,177
Expenses with third party services	7,034,397	8,422,523
Expenses with compensations, fines and penalties	8,663	1,788
Entertainment, promotion and advertising expenses	1,448,384	1,635,253
Expenses with other taxes and duties	1,015,353	1,163,105
Repair expenses	1,916,566	1,399,238
Travelling expenses	683,470	437,198
Rent expenses	352,421	1,303,513
Mail and telecommunication expenses	340,013	331,447
Insurance premium expenses	1,128,856	1,023,790
Expenses with sponsorship, donations	215,585	386,052
Other general expenses	438,355	706,006
Total	**40,250,227**	**38,023,825**

12. INCOME TAX

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

	2019	2018
Profit before tax	**10,600,126**	**29,604,544**
Income tax calculated (16%))	1,696,020	4,736,727
Deduction for dividends income not taxable	(14,199)	(5,262,217)
Non-deductible expenses	45,059	95,606
Credit from tax loss used	(795,906)	-
Total income tax	**930,974**	**(429,884)**
Deferred income tax – expense/ (benefit)	**930,974**	**(429,884)**

The components of the net deferred tax liabilities

2019	Opening balance	Recorded in the income statement	Closing balance
Tangible and intangible assets and investment properties	(3,059,036)	518,211	(2,540,825)
Reserve from Politub business transfer	(464,453)		(464,453)
Fiscal loss	795,906	(1,583,043)	(787,137)
Deferred tax liabilities recognized	**(2,727,583)**	**(1,064,832)**	**(3,792,415)**
Employee benefit liabilities	100,923	131,679	232,602
Trade and similar payables	155,468	2,179	157,647
Deferred tax assets recognized	**256,391**	**133,858**	**390,249**
Net liabilities with deferred tax recognized	**(2,471,192)**	**(930,974)**	**(3,402,166)**

2018	Opening balance	Recorded in the income statement	Registered in other comprehensive income	Closing balance
Tangible and intangible assets and investment properties	(2,931,357)	(127,679)	136,968	**(3,059,036)**
Reserve from Politub business transfer	(464,453)			**(464,453)**
Deferred tax liabilities recognized	**(3,395,810)**	**(127,679)**	**136,968**	**(3,523,489)**
Investments in subsidiaries	392,000	(392,000)		**0**
Employee benefit liabilities	41,425	59,498		**100,923**
Trade and similar payables	61,309	94,159		**155,468**
Fiscal loss		795,906		**795,906**
Deferred tax assets recognized	**494,734**	**557,563**		**1,052,297**
Net liabilities with deferred tax recognized	**(2,901,076)**	**429,884**	**136,968**	**(2,471,192)**

13. PROPERTY AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2019	**6,939,873**	**52,912,333**	**171,593,584**	**1,366,339**	**8,636,490**	**241,448,889**
Increases	319,356	-	3,355,370	-	41,288,038	44,962,764
Out of which:						
Increases from the internal production of non-current assets	-	-	-	-	1,549,229	**1,549,229**
Transfers in/from non-current assets in progress	-	4,165,154	38,215,070	394,668	(42,440,560)	**334,332**
Transfers IFRS 16 right of use	-	-	(2,834,253)	-	-	**(2,834,253)**
Transfers to Teraplast Recycling	-	(671,502)	(12,879,463)	(23,247)	(1,938,629)	**(15,512,841)**
Disposals and other decreases	-	-	(1,336,521)	(11,604)	-	**(1,348,124)**
Balance as at 31 December 2019	**7,259,229**	**56,405,984**	**196,114,586**	**1,726,156**	**5,545,340**	**267,051,295**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2019	**691**	**4,322,421**	**116,735,866**	**947,951**	**1,191,250**	**123,198,180**
Depreciation recorded during the year (Note 9)	346	2,455,022	12,569,318	128,703	-	**15,153,388**
Transfers to Teraplast Recycling	-	(35,058)	(1,829,447)	(3,632)	-	**(1,868,137)**
Transfers IFRS 16 right of use	-	-	(559,764)	-	-	**(559,764)**
Disposals and other decreases	-	-	(814,621)	(11,410)	-	**(826,031)**
Impairment (Note 9)	-	(31,997)	750,307	-	63,926	**782,235**
Balance as at 31 December 2019	**1,037**	**6,710,916**	**126,851,659**	**1,061,611**	**1,255,176**	**135,880,399**
Net carrying amount as at 1 January 2019	**6,939,181**	**48,589,911**	**54,857,988**	**418,388**	**7,445,240**	**118,250,709**
Net carrying amount as at 31 December 2019	**7,258,192**	**49,695,068**	**69,262,927**	**664,545**	**4,290,164**	**131,170,896**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2018	**8,599,553**	**54,778,961**	**173,486,479**	**1,387,372**	**4,506,536**	**242,758,902**
Increases	-	-	987,529	-	13,935,314	**14,922,842**
Out of which: Increases from the internal production of non-current assets	-	-	-	-	1,018,220	**1,018,220**
Transfers in/from non-current assets in progress	-	770,670	8,896,598	127,408	(9,805,360)	**(10,684)**
Transfers in/from other fixed assets classes	-	-	-	-	-	**-**
Transfers from inventory items	-	-	49,884	-	-	**49,884**
Valuation decrease prior to the classification as assets held for sale, with an impact in reserves	(522,189)	(333,862)	-	-	-	**(856,051)**
Transfers from investment property (Note 16)	599,425	622,201	-	-	-	**1,221,626**
Transfers to assets held for sale (Note 17)	(1,137,491)	(826,853)	-	-	-	**(1,964,344)**
Disposals and other decreases (Note 8)	(599,425)	(2,098,785)	(11,826,635)	(148,441)	-	**(14,673,286)**
Balance as at 31 December 2018	**6,940,401**	**52,912,333**	**171,593,584**	**1,366,339**	**8,636,490**	**241,448,889**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2018	**346**	**3,426,060**	**113,881,489**	**918,273**	**964,893**	**119,191,062**
Depreciation recorded during the year (Note 9)	346	2,589,887	13,966,780	134,022	-	**16,691,035**
Transfers from inventory items	-	-	49,884	-	-	**49,884**
Disposals and other decreases (Note 8)	-	(1,441,218)	(11,639,401)	(104,344)	-	**(13,184,964)**
Impairment (Note 9)	-	(153,253)	477,114	-	226,357	**549,947**
Balance as at 31 December 2018	**691**	**4,322,421**	**116,735,866**	**947,951**	**1,191,250**	**123,198,180**
Net carrying amount as at 1 January 2018	**8,599,208**	**51,352,901**	**59,604,989**	**469,099**	**3,541,643**	**123,567,840**
Net carrying amount as at 31 December 2018	**6,939,181**	**48,589,911**	**54,857,988**	**418,388**	**7,445,240**	**118,250,709**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2019, the Company had pledged in favor of financial institutions non-current assets and investment properties with a net carrying amount RON 77,420,197 (31 December 2018: RON 56,463,119).

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

As at 31 December 2018 and 2019, the management analyzed, with the assistance of an authorizer valuator, whether a new revaluation of land and buildings was necessary. Because the differences between the fair value and the carrying amount would be insignificant, the management decided not to perform a new revaluation of the Company land and buildings.

Land and buildings were revalued as of 31 December 2016. Company management has determined that they are only one class of assets for fair value revaluation purposes according to IFRS 13. This analysis took into account the associated characteristics and risks of the revalued properties.

Presentation of the historical cost values that would have been recorded in connection with these assets, in the event that they would have been recognized had the assets been carried under the cost model, is not possible due to technical limitations of the accounting system. The company considers that the costs that would be incurred with obtaining this information exceed the expected benefits to users of the financial statements. Thus, the presentation of the historical cost values is not presented.

14. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2019	**5,296,256**	**290,507**	**5,586,762**
Increases, out of which	217,138	597,954	815,092
Transfers	391,800	(726,132)	(334,332)
Disposals and other decreases	-	-	
Balance as at 31 December 2019	**5,905,194**	**162,328**	**6,067,523**
Accumulated amortization			
Balance as at 1 January 2019	**4,354,270**	**-**	**4,354,270**
Amortization expense	553,464	-	553,464
Impairment expense	256,347	-	256,347
Balance as at 31 December 2019	**5,164,081**		**5,164,081**
Net carrying amount as at 1 January 2019	**941,986**	**290,507**	**1,232,493**
Net carrying amount as at 31 December 2019	**741,114**	**162,328**	**903,442**

	Licenses	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2018	**4,979,745**	**-**	**4,979,745**
Increases	296,431	309,134	605,566
Transfers	29,312	(18,628)	10,684
Disposals and other decreases	(9,232)	-	(9,232)
Balance as at 31 December 2018	**5,296,256**	**290,507**	**5,586,762**
Accumulated amortization			
Balance as at 1 January 2018	**3,875,339**	**-**	**3,875,339**
Amortization expense	488,106	-	340,623
Decreases	(9,232)	-	(9,232)
Corrections	56	-	56
Balance as at 31 December 2018	**4,354,270**	**-**	**4,354,270**
Net carrying amount as at 1 January 2018	**1,104,406**	**-**	**1,104,406**
Net carrying amount as at 31 December 2018	**941,986**	**290,507**	**1,232,493**

15. RIGHT OF USE ASSETS

The Company has right of use assets from rented buildings, warehouses and showrooms. The Company finances through lease agreements vehicles.

The total cash outflow for leases amount to 352,421 RON (for low value assets and short term contracts as presented below) and 1,206,100 RON representing payment of lease liabilities.

Please see maturity analysis of lease liabilities in note 27.

	Buildings	Vehicles from previous finance leases	Total
Cost			
Balance as of 1 January 2019	5,049,127	2,014,851	7,063,978
Additions		1,684,455	1,684,455
Transfer to equipment on exercise of the purchase option		(865,053)	
Balance as of 31 December 2019	**5,049,127**	**2,834,253**	**7,883,380**
Accumulated depreciation			
Balance as of 1 January 2019	-	772,878	772,878
Depreciation expense	1,467,947	416,810	1,884,757
Depreciation of equipment transferred to PPE		(629,923)	(629,923)
Balance as of 31 December 2019	**1,467,947**	**559,765**	**2,027,711**
Carrying amount 01 January 2019	**5,049,127**	**1,241,973**	**6,291,100**
Carrying amount 31 December 2019	**3,581,180**	**2,274,488**	**5,855,668**

The amount recognized to profit and loss in respect of the right of use assets were:

	Buildings	Equipment	**Total**
Depreciation expense	1,467,947	416,810	**1,884,757**
Interest expense on lease liabilities	173,099	-	**173,099**

In 2019, the Company expensed the lease for low value assets and short term contracts:

Rent expense	**352,421**
short-term	307,482
low value	44,939

16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

Investment properties

The Company holds assets which were classified to investment property, as follows:

- The Company owns 36 thousand sqm of land in Bistrita for appreciation, classified as investment property. The production facility of TeraPlast was on this land, before the company relocated in the TeraPlast Industrial Park.

- As of 31 December 2018, the Company owned land and buildings (previously used as warehouses), in Constanta. The final destination of land and buildings would be as held for appreciation followed by subsequent sale. In July 2019, the property was sold, registering a net loss of RON 133 thousand.

- Starting 31 March 2015, the buildings and land located in Bistrita, which are rented to Teraglass Bistrita SRL, are classified as 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. Investment properties were revalued as at 31 December 2019 by an external independent valuator. The valuation method used was the market comparison.

	31 December 2019	31 December 2018
Opening balance at 1 January	**17,906,553**	**19,218,403**
Reductions	(1,410,929)	(1,221,626)
Net loss from valuation of investment properties at fair value	205,310	(90,224)
Closing balance at 31 December	**16,700,934**	**17,906,553**

In July 2019, the warehouse in Constanta was sold, generating a reduction of the Company's investment property by RON 1,411 thousand. The warehouse was classified as Investment property because it was vacated and kept for value appreciation.

Assets held for sales

	31 December 2019	31 December 2018
Opening balance as of 1 January	**1,865,560**	**653,215**
Inflows by transfer from tangible assets	-	1,865,560
Outflows by sale	(1,865,560)	653,215
Closing balance as of 31 December	**-**	**1,865,560**

In 2017, the Company reclassified its warehouse in Galati (land and building) with a net book value of RON 653,215 from tangible assets into assets held for sale and it was measured at the reclassification date at the lowest of its net book value and the fair value minus the costs generated by the sale. The warehouse was sold in 2018, generating a profit of RON 185,891.

In 2018, the Company reclassified its warehouse in Otopeni (land and buildings) to assets held for sale; they were valued at the date of reclassification at the lower of net book value and fair value less costs to sell, namely RON 1,865,560. The warehouse was sold in January 2019, generating a profit of RON 15,034.
The profit from the sale of these assets is classified in the Income Statement under "Gains from the disposal of assets held for sale"

The sale of these warehouses were the result of the Company's strategy to divest from noncore assets. The warehouses were used to service Installations clients

17. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

As at 31 December 2019 and 31 December 2018, the Company holds the following investments:

Subsidiary	Country	Investment share	31 December 2019	Investment share	31 December 2018
		%	RON	%	RON
Terasteel S.A. Bistrita	Romania	97.95	10,960,083	97.95	10,960,083
Teraglass Bistrita SRL	Romania	100	50,000	100	50,000
Politub SA	Romania	99.99	11,677,250	99.99	11,677,250
Teraplast Recycling SA (former TRP Logistic SRL)	Romania	99	89,100	99	990
Teraplast Hungaria KFT	Hungary	100	43,167	100	43,167
Wetterbest SA (former Depaco SRL)	Romania	99	80,822,897	67	56,554,457
Terasteel DOO Serbia	Serbia	100	8,192,369	100	45,271
		-	**111,834,865**	**-**	**79,331,275**

During 2017, Teraplast has concluded a contract with the shareholders of Wetterbest SA to purchase 67% of its capital shares. Following the approval from the Competition Council for the sole control over Wetterbest, in January 2018, the 67% shareholding in Wetterbest was recorded with the Trade Register.

Also during 2017, Teraplast has concluded a sale-purchase promise with the minority shareholders of Wetterbest, for the rest of their investment up to 99% of the company. The transaction is be carried out within 4 years at most, for a price correlated with Wetterbest's results in the following years.

As described in Note 30, of 31 December 2018, the Company recognized, under the "Investments in subsidiaries and jointly controlled entities" balance sheet item the equivalent value of the capital shares it is entitled to according to the Promise concluded in 2017 and in the "Long-term liabilities" balance sheet item the discounted value of the liability the Company undertook to pay according to this long-term agreement.

As at 31 December 2019, comparatives were restated to reflect the 67% shareholding in Wetterbest, as registered in the Companies Register in Romania. For details please see Note 30 – Prior period error

In 2019, the Company acquired and registered the additional 32% shareholding

Other long-term equity investments

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

Investment description	Country	Share-part	31 December 2019	Share-part	31 December 2018
		%	RON	%	RON
CERTIND SA	Romania	7.50	14,400	7.5	14,400
Sustainable development partnership	Romania	7.14	1,000	7.14	1,000
Tera Tools SRL	Romania	24	72	24	72
		-	**15,472**	**-**	**15,472**

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

The Company has undertaken no obligation and has made no payment on behalf of the entities in which it holds securities as investments in associates.

18. INVENTORIES

	31 December 2019	31 December 2018
Finished goods	25,598,154	33,944,576
Raw materials	20,290,416	19,563,702
Commodities	7,992,078	8,365,253
Consumables	2,318,696	2,323,890
Inventory items	115,007	86,253
Semi-finished goods	1,163,078	2,561,593
Residual products	457,159	894,626
Goods to be purchased	52,337	3,539,791
Packaging	1,239,320	1,013,849
Inventories – gross value	**59,226,244**	**72,293,532**
Value adjustments on raw materials and materials	(1,645,056)	(1,557,006)
Value adjustments for finished products	(2,201,295)	(4,022,478)
Value adjustments for commodities	(970,062)	(864,771)
Total	**54,409,831**	**65,849,277**

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

The Company's inventories are pledged in favour of financing banks. As of December 31, 2019 the total closing balance is pledged.

19. TRADE AND OTHER RECEIVABLES

	31 December 2019	liquidity term below 1 year	liquidity term above 1 year
Trade receivables	91,840,023	91,840,023	-
Advances paid to suppliers of non-current assets	2,197,258	2,197,258	-
Advances paid to suppliers of inventories and services	528,730	528,730	-
Loans granted to subsidiaries (Note 27)	25,192,587	9,415,683	15,776,904
Other receivables from affiliates (Note 27)	10,647,683	7,745,162	2,902,521
Other receivables	943,471	943,471	-
Adjustments for trade and other receivables impairment	(11,664,022)	(11,664,022)	-
Total	**119,685,730**	**101,006,306**	**18,679,424**

	31 December 2018	liquidity term below 1 year	liquidity term above 1 year
Trade receivables	77,308,377	77,308,377	-
Advances paid to suppliers of non-current assets	6,306,541	6,306,541	-
Advances paid to suppliers of inventories and services	738,596	738,596	-
Loans granted to subsidiaries (Note 27)	31,983,744	11,162,418	20,820,982
Other receivables from affiliates (Note 27)	18,888,061	16,855,058	2,033,003
Other receivables	1,700,549	1,125,219	575,330
Adjustments for trade and other receivables impairment	(11,711,451)	(11,711,451)	-
Total	**125,614,417**	**102,185,102**	**23,429,315**

When determining the recoverability of a receivable, the Company takes into consideration any change in the crediting quality of the concerned receivable starting with the credit granting date until the reporting date. The concentration of the credit risk is limited taking into consideration that the client base is large and they are not related to each other.

An allowance for impairment is recorded for the full amount of trade receivables overdue for more than 90 days.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on the risk rating of each client obtained from independent parties, adjusted, if the case with forward-looking information as described above.
As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

The Company's receivables are pledged in full in favour of the financing banks.

20. SHARE CAPITAL AND RESERVES

	31 December 2019	31 December 2018
Share capital called-up and paid in full	133,780,651	107,024,527
Total	**133,780,651**	**107,024,527**

As at 31 December 2019, the value of the share capital called-up and paid up of the Company included 1,337,806,508 (2018: 1,070,245,274) authorized shares, issued and paid in full, at a value RON 0.1 and having a total nominal value of RON 1,337,806,508 (2018: RON 107,024,527). Common shares bear a vote each and give the right to dividends.

On September 18, 2019, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 26,756,123.40, through the issuance of 267,561,234 new shares, at a nominal value of RON 0.1 /share.

On 12 December 2018, the Financial Supervisory Authority has issued the Security Registration Certificate related to the share capital increase with the amount of RON 21,333,483, through the issuance of 213,334,304 new shares, having a nominal value of RON 0.1 / share.

Shareholding structure

	31 December 2019		31 December 2018	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	626,496,322	46.83	501,197,059	46.83
Viciu Emanoil	33,677,814	2.52	39,447,752	3.69
Marley Magyarorszag (Gemencplast Szekszard)	106,073,412	7.93	84,858,730	7.93
KJK BALKAN HOLDING S.a.r.l.	134,413,359	10.05	107,530,688	10.05
KJK Fund II Sicav-SIF	-	-	-	-
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	89,131,396	6.66	71,305,117	6.66
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIIANZ PP	57,218,659	4.28	-	-
LCS IMOBILIAR SA	48,274,105	3.61	38,619,285	3.61
Other natural persons and legal entities	242,521,441	18.12	227,286,643	21.24
Total	**1,337,806,508**	**100**	**1,070,245,274**	**100**

Treasury shares

As of 31 December 2018, the Company had RON 1,480,308 worth of treasury shares for a stock compensation plan.

In December 2017, Terasteel registered a provision amounting to RON 920,000.
In December 2018, Teraplast registered RON 552,925 representing benefits granted to the employees in the form of own shares in Teraplast SA, which will be settled at a subsequent date.

On September 27, 2019, the Central Depository registered in the Shareholders' Registry of Teraplast SA the transfer of shares to its own employees, as laid down in the program begun in September 2017.

21. LOANS FROM BANKS

Bank loans as of 31 December 2019 and, respectively, 31 December 2018 are the following:

Financing bank	Financing type	Date granted	Balance as of 31 December 2018	Balance as of 31 December 2019	Short-term as of 31 December 2019	Long-term as of 31 December 2019	Period
Transilvania Bank	Working capital	07.06.2017	28,059,730	37,244,594	37,244,594	-	12 MONTHS
Transilvania Bank	Investments	20.04.2017	15,035,639	12,266,144	2,725,810	9,540,334	84 MONTHS
Transilvania Bank	Investments	07.06.2017	28,200,000	23,500,000	4,700,000	18,800,000	84 MONTHS
Transilvania Bank	Investments	19.07.2017	14,411,254	11,747,950	2,610,656	9,137,295	84 MONTHS
Transilvania Bank	Investments	24.07.2017	3,824,857	2,723,529	1,089,412	1,634,118	60 MONTHS
Transilvania Bank	Investments	31.07.2017	8,345,754	5,942,682	2,377,073	3,565,609	60 MONTHS
Transilvania Bank	Investments	07.11.2017	7,820,000	4,500,000	1,500,000	3,000,000	60 MONTHS
Transilvania Bank	Investments	04.04.2018	6,230,303	5,172,953	1,034,591	4,138,362	72 MONTHS
Raiffeisen Bank	Working capital	01.07.2017	14,239,615	18,504,243	18,504,243	6,871,016	12 MONTHS
Transilvania Bank	Investments	07.03.2019	-	8,834,164	1,963,148	995,583	60 MONTHS
Transilvania Bank	Investments	05.12.2019	-	1,194,700	199,117	-	60 MONTHS
Transilvania Bank	Investments	18.03.2019	-	7,941,303	7,941,303	-	12 MONTHS
TOTAL			**126,167,153**	**139,572,262**	**81,889,947**	**57,682,317**	

22. LEASE LIABILITIES

Lease contracts – accounting treatment according to IAS 17

Finance leases

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

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

	Present value of minimum lease payments	
		31 December 2018
Amounts payable under finance leases:		
Amounts payable in one year		309,143
More than one year but less than five years		829,902
Total lease liabilities		**1,139,045**
Less: future financial charges		109,483
Present value of lease obligations		1,029,562

As of 31 December 2018, the present value of financial lease liabilities was in amount of RON 1,029,562. The finance lease liabilities are for vehicles.

Operating leases

Total operating lease commitments as of 31 December 2018 were of RON 6,444,879.

Lease contracts – accounting treatment according to IFRS 16Maturity analysis of lease liabilities as of 31 December 2019:

Year 1	1,880,792
Year 2	1,624,662
Year 3	1,563,393
Year 4	825,645
Year 5	218,314
Onwards	5,150
Total	**6,117,955**
Non-current	4,237,163
Current	1,880,792

23. EMPLOYEE BENEFIT LIABILITIES

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 discount rate is the interest rate curve of the RON interest, without adjustments, as provided by EIOPA in December 2019. Future salary increases are estimated on the long term at 1,1% in the first year, 1,4% in the second year, 1,6% in the third year and, at 1,37% for the remainder.

The latest actuarial valuations were performed on 31 December 2019 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.

During the financial year 2019, the Company set up a long term liability amounting to RON 822,995 (2018: RON 371,860) related to the rights to compensate employees, based on the actuarial calculation, for the amounts granted to the employees on retirement; these amounts are provided under the collective labor agreement. The expense is included in SOCI under "Provisions, net".

Employee benefits	**31 December 2019**	**31 December 2018**
Opening balance	630,767	258,907
(Decreases) / increases	822,995	371,860
Closing balance	**1,453,762**	**630,767**

The liability is included in the SOFP under "Employee benefit liabilities".

24. PROVISIONS

		Movements			
	1 January 2019	**Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2019**
Provisions for environmental expenses	395,354	(168,719)	-	14,978	241,613
Provisions for litigation	-	-	-	-	-
Other provisions	14,880	-	-	383,432	398,312
Closing balance	**410,234**	**(168,719)**		**398,410**	**639,925**

		Movements			
	1 January 2018	**Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2018**
Provisions for environmental expenses	359,867		-	35,487	395,354
Provisions for litigation	10,000	(10,000)	-	-	-
Other provisions	271,844	(256,964)	-	-	14,880
Closing balance	**641,711**	**(266,964)**	**-**	**35,487**	**410,234**

Teraplast SA has set provisions for sundry expenses related to environmental protection and for tax liabilities, being probable certain obligations generated by prior events of the entity.

25. TRADE AND SIMILAR LIABILITIES

	31 December 2019	**31 December 2018**
Trade payables	40,689,579	49,646,145
Trade notes payable	178,452	237,279
Liabilities from the purchase of long-term assets	(620,079)	1,429,820
Contractual liabilities	881,553	697,527
Other payables	30,188,992	28,561,529
Total	**71,318,498**	**80,572,300**

Contractual liabilities reflect the Company's obligation to transfer goods or services to a customer from whom it received the equivalent value of the goods/services or from whom the amount receivable is due.

25. TRADE AND SIMILAR LIABILITIES (continued)

Other payables	31 December 2017	31 December 2018
Salary-related payables to employees and social security payables	4,696,067	3,906,484
VAT payable	5,507,069	743,890
Unclaimed employee rights	87,706	87,706
Sundry creditors	19,343,536	23,428,089
Dividends	382,695	235,149
Commercial guarantees received	104,707	106,579
Other taxes payable	67,213	53,632
Total	**30,188,993**	**28,561,529**

The net increase of approximately RON 2 million in Other payables at year end 2019 results mainly from the increase with RON 4,8 million in VAT payable for the sale of assets to Teraplast Recycling, and on the other hand from the decrease with RON 2,4 million in Sundry creditor due to payments performed to the former minority shareholders of Wetterbest.

26. FINANCIAL INSTRUMENTS

In the normal course of business, the Company has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and credit risk, market risk, geographic risk, but also operating risks and legal risks. The Company's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Company's performance. Meetings are held on a regular basis to review the result of the risk assessment, approve recommended risk management strategies and monitor the effectiveness of such policies.

The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

The Company measures trade receivable and other financial assets at amortized cost.

Financial assets	At amortized cost 31 December 2019	At amortized cost 31 December 2018
Non-current		
Long term receivable	18,679,424	23,429,315
Other financial instruments measured at amortized cost	15,472	15,472
Current		
Trade receivable	101,006,306	102,185,102
Cash	5,669,112	9,774,157
Prepayment	557,602	532,577

(a) Capital risks management

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

The structure of the Company capital consists in debts, which include the loans detailed in Note 23, the cash and cash equivalents and the equity attributable to equity holders of the parent Company. Equity includes the 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 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.

26. FINANCIAL INSTRUMENTS (continued)

The gearing ratio as at 31 December 2019 and 2018 was as follows:

	2019	2018
Total loans	145,185,491	127,196,715
Cash	(5,669,112)	(9,774,157)
Net debt	139,516,379	117,422,558
Total equities	**219,491,113**	**209,082,355**
Total equity and net debt	**359,007,492**	**326,999,575**
Gearing ratio	**38.9%**	**36%**

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

The treasury department 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.

d) Market risk

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

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.

(e) Foreign currency risk management

There are two types of foreign currency risk to which the Company is exposed, namely transaction risk and translation risk. The objective of the Company's foreign currency risk management strategy is to manage and control market risk exposures within acceptable parameters.

26. FINANCIAL INSTRUMENTS (continued)

Transaction risk

This arises because operating units have input costs or sales in currencies other than their functional currencies. In addition, where operating entities carry monetary assets and liabilities at year end denominated other than in their functional currency, their translation at the year-end rates of exchange into their functional currency will give rise to foreign currency gains and losses. The exposures to the exchange rate are managed according to the approved policies.

The Company is mainly exposed to the EUR-RON exchange rate.

Currency	EUR	HUF	USD	RON	TOTAL
Trade receivable - RON equivalent	6,848,579	295,940	218,079	93,643,707	101,006,306
Trade and other payable - RON equivalent	27,193,714			44,124,783	71,318,498

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

Sensitivity analysis for primary currency risk

	31 December 2019		31 December 2018	
	RON	RON	RON	RON
Profit or (loss)	1,246,852	(1,246,852)	3,976,917	(3,976,917)

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

26. FINANCIAL INSTRUMENTS (continued)

(f) 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 due to fluctuation of ROBOR for the other loans with variable interest rate.

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 the Company entities borrow funds both at fixed, and at floating interest rates. The risk is managed by the Company by maintaining a optimal balance between fixed rate and floating rate interest loans.

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

As at 31 December 2019 and, respectively 31 December 201, in the case of a CU 100pb increase / decrease of the interest rate on loans, with all the other variables held constant, the net profit for the period
would fluctuate as follows, mainly as a result of the higher/lower interest expenses on floating interest loans.

Sensitivity analysis for interest rate risk

	31 December 2019		31 December 2018	
	RON	RON	RON	RON
Profit or (loss)	823,562	(823,562)	1,270,397	(1,270,397)

(g) Other price risks

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

26. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

Credit risk encompasses the risk of financial loss to the Company of counterparty default in relation to any of its financial assets.

The Company has adopted a policy of performing transactions with trustworthy parties, parties that have been assessed in respect of the credit quality, taking into account its financial position, past experience and other factors, and additionally, obtaining guarantees or advance payments, 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.

Company's maximum exposure to credit risk is represented by the carrying value of each financial asset: The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Company.

Trade receivables are from 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 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 Company of similar counterparties by analyzing the receivables individually and making impairment adjustments. The Company had more than four thousand clients in 2019, with the highest exposure on one client not exceeding 3%.

(i) Liquidity risk management

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. Each Company company prepares annual and short term cash flows (weekly, monthly and quarterly). Financing needs for working capital are determined and contracted based on the budgeted cash flows. Investments projects are approved only with a concrete financing plan.

26. FINANCIAL INSTRUMENTS (continued)

(j) Fair value of financial instruments

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

Financial liabilities are at their carrying amount which is an approximation to their fair value, due to the fact that the liabilities are at variable interest rates and there are no material initial fees and charges amortized over time.

Tables on liquidity and interest rate risks

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

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

Non-interest bearing	**less than 1 month**	**1-3 months**	**3 months - 1 year**	**1-3 years**	**3-5 years**	**more than 5 years**	**TOTAL**
Trade payables and other liabilities	(19,328,612)	(24,948,553)	(8,006,931)	(9,517,200)	0	0	(61,801,297)
Interest-bearing instruments							
Short and long-term loans	(63,729,399)	(2,770,563)	(15,872,804)	(35,648,709)	(23,312,247)	(204,267)	(141,537,989)
Future interest on loans	(304,080)	(1,129,054)	(3,984,850)	(3,501,947)	(873,850)	(4,007)	(9,797,788)
Non-interest bearing							
Cash	5,668,548						5,668,548
Receivable	62,695,830	34,629,968	2,760,087	891,762	20,784	7,874	101,006,305
Net cash outflow	(14,997,713)	5,781,798	(25,104,498)	(47,776,095)	(24,165,313)	(200,400)	(106,462,221)

Within the net cash outflows presented for less than a month the Company has presented the credit lines, which are, by nature, short term. However, the credit lines are daily revolving and have been renewed from year to year. The Company is under no constrain regarding the repayment of the credit lines within a month, and is confident that they will be continued to be used. Thus, the Company is confident that it will remain solvent and to pay their liabilities

within term. RON 50 million out of it refers to credit lines and excluding these the position is RON 35 million.

26. FINANCIAL INSTRUMENTS (continued)

(j) Fair value of financial instruments

2018	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Over 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(25,168,669)	(30,844,540)	(24,061,511)	(49,022,037)	-	-	**(129,099,676)**
Interest-bearing instruments							
Short and long-term loans	(48,036)	(2,427,158)	(56,577,780)	(47,757,747)	(19,543,459)	-	**(127,196,715)**
Future interest	(354,430)	(1,009,405)	(2,604,516)	(5,788,127)	(987,280)	-	**(10,743,760)**
Non-interest bearing							
Cash and cash equivalents	9,774,157	-	-	-	-	-	**9,774,157**
Receivables	48,111,080	34,967,837	19,106,186	-	-	-	**102,185,102**
Net cash outflow	32,314,102	686,734	(64,137,621)	(102,567,911)	(20,530,739)	-	(55,080,892)

27. RELATED-PARTY TRANSACTIONS

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

31 December 2019

Subsidiaries

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

Related entities (shareholding/joint decision-maker)

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 Company 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.

31 December 2018

Subsidiaries

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

27. RELATED-PARTY TRANSACTIONS (continued)

Related entities (shareholding/joint decision-maker)

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

Transactions and balances with other related parties	31 December 2019	31 December 2018
Sales of goods and services	868,860	22,084
Purchases of goods and services	150,467	136,033
Debit balances	123,625	20,900
Credit balances	137	15,572

Transactions and balances with subsidiaries	31 December 2019	31 December 2018
	RON	RON
Sales of goods and services	12,964,877	9,984,905
Re-invoice	3,242,475	994,347
Purchases of goods and services	23,315,019	18,264,011
Purchases of fixed assets	217,440	339,322
Debit balances current activity	11,735,517	3,425,634
Debit balances from the insulation joinery line	2,822,668	3,742,170
Debit balances – polyethylene pipes business line transfer	901,988	2,901,988
Debit balances related to dividends receivable	-	12,243,903
Debtor balance from sale assets to Teraplast Recycling	6,843,175	-
Credit balances current activity	3,834,659	262,973
Credit balances from the polyethylene pipes business line transfer	263,895	22,888,013
Affiliates borrowing balance	25,192,587	31,983,744

During 2019 and 2018, the Company did not have transactions with key management personnel or shareholders.

27. RELATED-PARTY TRANSACTIONS (continued)

Loans granted to affiliates

During 2019, loan contracts granted by the Company to the below subsidiaries were in force:

a) Terasteel Doo: a loan of EUR 6.25 million, the due date being December 2024; during 2019 EUR 1.7 million were incorporated in the share capital of Terasteel Doo. The remaining amount was fully reimbursed in April 2020
b) Teraplast Hungaria: loan amounting to EUR 0.2 million, due on 21 February 2019, date at which its term was extended for another year.

28. NOTES TO THE CASH FLOW STATEMENT

Cash

For cash flow statement purposes, the cash include cash on hand and in current bank accounts. The carrying amount of these assets is approximately equal to their fair value.
Cash and cash equivalents at financial year end, as disclosed on the cash flow statement, may be reconciled with the items related to the accounting balance sheet, as follows:

	31 December 2019	31 December 2018
Cash in bank	5,536,014	9,680,354
Cash on hand	69,745	54,307
Cash equivalents	63,353	39,496
Total cash and cash equivalents	**5,669,112**	**9,774,157**

The Company's cash and cash equivalents are pledged in favor of the financing banks.

Non-cash transactions

The tangible assets financed through new leases as follows:

	31 December 2019	31 December 2018
	RON	RON
Forklifts	1,305,365	874,662
Vehicles	379,090	367,310
Total	**1,684,455**	**1,241,972**

The liability to fixed assets suppliers of RON 620,079 as of 31 December 2019 (31 December 2018: RON 1,426,902) relates to additions acquired on payment terms of 30 to 60 days, still outstanding at year end.

Changes in liabilities arising from financing activities

The total net amount of cash used from long term investment loans and overdraft was of RON 13,393,502 in 2019 (2018: RON 10,592,478). The new debt, adjusted with the net amount of dividends paid or received, represents the movement on the Bank Loans lines from the SOFP.

29. COMMITMENTS AND CONTINGENT LIABILITIES

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, letters of credit amounting to RON 100.000 are issued.

At December 31, 2019, tangible assets and investment property with a net book value of RON 77,420,197 (December 31, 2018: 56,463,119 RON) 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 leases for which the capital rate is included in the short or long term debt, as applicable.

In 2017, the Company granted to Banca Transilvania a guarantee for joint liability with Terasteel SA for the repayment of loans in amount of RON 31,168,950 (December 31, 2018: RON 47,846,249), which Terasteel has contracted from Banca Transilvania

At December 31, 2019, the Company has unused credit facilities of RON 17,190,916 (December 31, 2018: RON 18,794,869).

29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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 three requests for reimbursement (in June, August and September 2019) and received, until December 31, 2019, the amount of RON 5.42 million.

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.

Potential tax liabilities

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

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

Environmental matters

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

Transfer pricing

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

30. PRIOR PERIOD ERROR

The acquisition of the additional investment in Wetterbest

Accounting of the transaction as of 31 December 2018

On 1 March 2017, Teraplast signed a contract with the shareholders of Wetterbest for the acquisition of 50% of its shares. The transaction was finalized after its approval by the Teraplast SA General Shareholders Meeting and receiving the approval from the Romanian Competition Council in January 2018, as mentioned below.

Also in 2017, the Company has concluded agreements for the purchase of an additional investment of 17% din Wetterbest. TeraPlast took control of Wetterbest in January 2018, after obtaining the favorable approval of the Competition Council and registering the 67% investment with the Trade Register.

Additionally, in 2017, Teraplast has concluded a sale-purchase promise with the minority shareholders of Wetterbest, for the rest of their investment up to 100% of the company (i.e. 32% of shares). The nature of the sell-purchase promise contract was similar to a forward (or a combination of a call and a put option) – it created an obligation for the future purchase of the shares of another entity.

The transaction was to be carried out within 4 years at most, for a price correlated with Wetterbest's results in the following years.

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

In 2018, the Company recognized under "Long-term liabilities" balance sheet item the fair value of the purchase price agreed with the promissory-sellers and under the "Investments in subsidiaries and jointly controlled entities" balance sheet item the equivalent value of the capital shares.

Therefore, as of 31 December 2018 the Company recognized under Investments in subsidiaries and jointly controlled entities the fair of the consideration of 99% shareholding:

The consideration transferred in exchange for the 50% investment	39,163,540
The consideration transferred in exchange for the 17% investment	17,456,625
The consideration transferred in exchange for the 32% investment	48,527,375
The fair value of the total consideration of 99%	**105,081,832**

30. PRIOR PERIOD ERROR (continued)

The acquisition of the additional investment in Wetterbest

Accounting of the transaction as of 1 January 2019

During 2019, management has reassessed accounting treatment for the forward and has corrected the accounting treatment for this financial instrument, in accordance with the provisions of IFRS 9. Following IFRS 9, the forward shall be measured at fair value through profit or loss and not at the gross liability. Consequently, the Company had to restate the comparative figures for 2018.

As per management's valuation, the equity value of Wetterbest as of 31 December 2019 is of RON 91,916,940 and based on this valuation, it determined the fair value of the sell-purchase promise contract:

32% of equity value	29,413,421
Consideration for 32%	48,527,375
Fair value of the contract on initial recognition	(19,113,954)

However, a loss on initial recognition was not expensed further from the amount of RON 494,662, based on the provisions of IFRS 7.28, as the fair value of the contract is neither evidenced by a quoted price in an active market for an identical asset or liability (i.e. a Level 1 input) nor based on a valuation technique that uses only data from observable markets.

In April 2019 the share purchase agreement for 32% was concluded for RON 24,258,340, as a result of negotiations between parties. At the date of the SPA the promise was terminated.
Moreover, as of 31 December 2018, the parties were in negotiations for concluding the share transfer at a lower price.

As the final price of the 32% shareholding is lower than the assessed equity value, recognition of a loss is no longer applicable.

The impact of the correction of this error is a restatement of the comparatives:

	31 December 2018 Restated	31 December 2018 Reported	Difference Restated vs Reported
Investments in subsidiaries and jointly controlled entities	79,331,275	127,858,650	(48,527,375)
Other long term liabilities	-	49,022,037	(49,022,037)

The amount of RON 494,662 was expensed in the P&L of 2018 as day 1 loss.

The estimation of the equity value of of RON 91,916,940 as of 31 December 2019 was based on determining the value in use by estimating the present value of the future cash flows generated by Wetterbest. The main assumptions used to determine the value in use were the average growth rates and the discount rate.

Cash flows were determined based on the forecast for 2020 and the following 5 years. The cash flows reflect past experience, the estimated evolution of the roof tiles market in Romania and development of competitors in more mature roof tile markets. The forecasted results are EBITDA and EBIT margins similar to the results of 2019.
Working capital is forecasted to decrease at an average of 11% - 12% as a result of inventory optimization.

The terminal value was set based on the cash flows forecast for 2025, using a perpetuity increase rate of 2.5% (2018: 2,5%).

The discount rate used was of 12.3%, rate corresponding to the degree of risk and capital structure of the subsidiary. This represents the current market evaluation of the risks specific to the subsidiary, taking into account the time value of money and the individual asset risks. The computation of the discount rate is

based on the specific circumstances of the subsidiaries and it results from its weighted average cost of capital.

31. BUSINESS IMPACT OF THE CORONAVIRUS OUTBREAK

The rapid development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. At this stage, management is not able to reliably estimate the impact as events are unfolding day-by-day.

In the context of the COVID-19 virus situation, the Company management constantly analyzes and evaluates the appearance of potential external risks that could disrupt the Company's activity and has prepared various reaction scenarios for a potential impact, for each of the companies within the Company. At the current moment, all the Company manufacturing units are operating within expected parameters.
Starting end of March, there were decreases in the demand of roof tiles, joinery profiles and PVC windows and doors of up to 25% compared to the average of the prior year's corresponding figures.
Sales of installations, sandwich panels and compounds remain within the budgeted levels.
Cost cutting and operational efficiency measures were implemented in the businesses in which the activity was reduced:

- contracts with suppliers were renegotiated;
- personnel costs were reduced by a temporary cut in managements' salaries of 25% - 50%, reduced work schedule for a number of employees in line with the reduction of the work load, technical temporary unemployment for the personnel working on sectors where production was reduced as a result of decreased demand.

Additional risks identified at this time are the continuity of the supply with raw materials and personnel availability. The Company is in permanent contact with its main suppliers, and is constantly receiving the same message, namely that their production is in operation and that there are no reasons for concern. As an additional assurance, the Company has alternative suppliers for all raw materials, in order to be sure that it will not experience any supply shortages.
Strict sanitary measures are in place to ensure safety of the Company's personnel. Also, part of the Company's staff is working from home, by rotation.

Moreover, the Company is in permanent contact with its customers in and outside of Romania and has no indication according to which, on the very short term (the first quarter of 2020), the demand for TeraPlast Company products could be significantly affected. All the Company companies have Business Continuity Plans, which have been updated in order to address the current situation. Furthermore, an Analysis Committee was created in order to monitor the developments and implement new measures, if required. The Committee members are representatives of the Board of Directors and the top management of the Company.
The daily agenda of the Analysis Committee includes monitoring potential issues related to staff safety, sales and sales orders backlog and forecast, availability of raw materials, the business developments of the Company's clients and potential negative impact on timely collection of receivable. Daily monitoring also has the objective of ensuring that appropriate measures are planned for all scenarios, that adverse effects are identified immediately and the required scenario is executed effectively.

The longer-term impact may also affect trading volumes, cash flows, and profitability. Nevertheless, at the date of these financial statements the companies within TeraPlast Company continue to meet their obligations as they fall due and therefore continue to apply the going concern basis of preparation.

32. SUBSEQUENT EVENTS

Changes in participations in subsidiaries

In January 2020, the Company has concluded a sale-purchase agreement for the remaining 1% minority interest in Wetterbest for the price of RON 955,960.

In September 2019, the Company has concluded a sale-purchase agreement with the minority shareholder of Cortina WTB SRL, for the remaining participation of 49%. The transaction was concluded for RON 2,397,223 and was approved by the Competition Council in January 2020. Thus, at the date of the present financial statements, Cortina WTB SRL was consolidated considering 49% minority interest.

Alexandru Stanean
CEO

Ioana Birta
CFO

Declaration of the Management

We confirm to the best of our knowledge that the preliminary and unaudited financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company as required by the applicable accounting standards and that the Financial Statements of the TeraPlast Company give a true and fair view of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

April 28, 2020
The Executive Board

Alexandru Stanean
CEO

Ioana Birta
CFO

The Board of Directors report on the stand alone financial statements of Teraplast SA for 2019

Headquarters: Saratel village, Sieu-Magherus commune, DN 15A, km 45 + 500, Bistrita-Nasaud county

Sole registration number at the Trade Register Office:3094980

Trade Register No:J06/735/1992

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

Subscribed and paid share capital: RON 133.780.650,80
Main features of securities issued by the trading company: 1.337.806.508 nominative shares with a nominal value of RON 0.1/share

The Board of Directors of Teraplast SA, appointed by the General Meeting of Shareholders, has drawn up for fiscal year 2019 this report on the balance sheet, profit and loss statement, statement of changes in shareholders' equity, cash flow statement and accounting policy, as well as explanatory notes included in the 2019 individual financial statements.

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

Equity	**RON 219,959 thousands**
Turnover	**RON 371,113 thousands**
Net result – profit	**RON 9,669 thousand**

Our company is submitting financial statements in accordance with Ordinance no. 2844/2016 for the approval of accounting Regulations compliant with the International Financial Reporting Standards, applicable to trading companies whose securities are admitted to trading on a regulated market, with any subsequent amendments and clarifications.

The Company's financial statements have been audited by the independent auditor Deloitte Romania, who issued an unqualified opinion.

Content

About TeraPlast

The history of TeraPlast started in 1896, with the ceramic tile production workshop in Bistrita. Today, in over 12 decades, the TeraPlast Company is one of the world's leading manufacturers of building materials. These achievements are the natural result of more than a century of continuous development and innovation, all done for one objective: providing efficient solutions for people and the environment.

As of 2 July 2008, TeraPlast SA – has been listed on the Bucharest Stock Exchange under the symbol TRP. TeraPlast shares are covered by BET-BK, BET-XT, BET-XT-TR si BET-Plus index range.

Today, TeraPlast is operating in TeraPlast Industrial Park, with an area of over 200,000 square meters.

The product portfolio of TeraPlast SA is structured on three business lines:
• PVC, polyethylene and polypropylene installations
• PVC joinery Profiles
• Plasticized and rigid granules

Starting 2019, the company started its activity in the recycling section of rigid PVC waste. The department has an annual processing capacity of 12,000 tons.

Installations

The Installations business line includes external sewage systems, internal sewage, water and gas transport and distribution, rainwater and domestic water management, telecommunication, electrical networks, individual utilities connections.
TeraPlast is the leader of the PVC pipe market and the second player on the Romanian market.

According to the sustainable development strategy "Romania 2025", the total investment needs for the rehabilitation of the public water supply and sewerage infrastructure are 12.5 billion euros, and the annual average of the required investments is 625 million euros per year. As regards the connection of the population to water and sewage, in 2017 in Romania, 50.8% of the resident population is connected to the sewage systems, while the percentage of connection to the resident population of the sewage systems provided with sewage treatment plants is 49.4%.

For 2014-2020, € 11 billion was earmarked under the POEM. Of this amount, payments totaled 2.3 billion euros to date and contracts worth 9.7 billion euros were signed. In this context, demand is expected to increase over the next 2 years as a result of reaching the execution stage of these projects.

TeraPlast constantly invests in developing the solutions it offers. This implies obtaining systems with functionalities that meet the needs of the clients, but also responsible development - one of the main directions of the Society in this area. In 2019, Politub PE-100RC launched the latest generation polyethylene, which provides a lifetime of up to 100 years, ease of installation and superior properties.

The Company also envisages investments in product categories that do not address the infrastructure market within the development strategy. For example, under the state aid scheme, TeraPlast is investing in a new technique for the production of polypropylene sewer pipes. These are a superior quality alternative to PVC pipes and, following the investment, the company will offer multilayer polypropylene pipes for indoor sewerage.

Joinery profiles

The joinery profiles business line serves over 200 clients producing thermal insulating joinery. On the domestic market, the best-selling system is the 4-room, while for export the demand is predominant for 6 and 7-room systems.

Starting 2019, TeraPlast offers a new range of joinery profiles with a new co-extruded gasket that offers superior thermal and sound insulation as well as new glaze variants for the existing range of systems.

Compounds

With a market share of more than 34%, TeraPlast is the leader in the granular market in Romania and the main supplier of PVC granules for the cable industry in Romania. The portfolio includes plasticized granules and rigid granules, with applications in the extrusion and injection industry.

The state aid project through which TeraPlast SA invests a total of EUR 6.2 million also targets this line of business. As a result of the investment, the company will bring an innovation on the Romanian grain market - halogen-free, fire resistant granules (HFFR).

Financial investments

As at 31 December 2019 and 31 December 2018, the Company holds the following investments:

Subsidiary	Country	Investment share	31 December 2019	Investment share	31 December 2018
		%	RON	%	RON
Terasteel S.A. Bistrita	Romania	97.95	10,960,083	97.95	10,960,083
Teraglass Bistrita SRL	Romania	100	50,000	100	50,000
Politub SA	Romania	99.99	11,677,250	99.99	11,677,250
Teraplast Recycling SA (former TRP Logistic SRL)	Romania	99	89,100	99	990
Teraplast Hungaria KFT	Hungary	100	43,167	100	43,167
Wetterbest SA (former Depaco SRL)	Romania	99	80,822,897	67	56,554,457
Terasteel DOO Serbia	Serbia	100	8,192,369	100	45,271
		-	**111,834,865**	**-**	**79,331,275**

During 2017, Teraplast has concluded a contract with the shareholders of Wetterbest SA (former Wetterbest) to purchase 67% of its capital shares. Following the approval from the Competition Council for the sole control over Wetterbest, in January 2018, the 67% shareholding in Wetterbest was recorded with the Trade Register.

Also during 2017, Teraplast has concluded a sale-purchase promise with the minority shareholders of Wetterbest, for the rest of their investment up to 99% of the company. The transaction is be carried out within 4 years at most, for a price correlated with Wetterbest's results in the following years.

As described in Note 30, of 31 December 2018, the Company recognized, under the "Investments in subsidiaries and jointly controlled entities" balance sheet item the equivalent value of the capital shares it is entitled to according to the Promise concluded in 2017 and in the "Long-term liabilities" balance sheet item the discounted value of the liability the Company undertook to pay according to this long-term agreement.

As at 31 December 2019, comparatives were restated to reflect the 67% shareholding in Wetterbest, as registered in the Companies Register in Romania.

In 2019, the Company acquired and registered the additional 32% shareholding

Company`s results

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

Year ended 31 December 2019	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Total revenues	**250,896,980**	**55,991,364**	**64,224,938**	**-**	**371,113,282**
Sales, general and administrative expenses	(238,363,143)	(58,092,397)	(58,479,396)	-	(354,934,936)
Operating result	**12,533,837**	**(2,101,033)**	**5,745,542**	**-**	**16,178,346**
Financial result	(3,756,330)	(917,753)	(904,137)	-	(5,578,220)
Profit before tax	**8,777,506**	**(3,018,786)**	**4,841,405**	**-**	**10,600,126**
Operating assets	**194,720,182**	**49,895,510**	**51,224,979**	**151,402,881**	**447,243,551**
Non-current assets	89,283,547	21,572,403	22,901,871	151,402,881	285,160,702
Current assets	105,436,635	28,323,107	28,323,107	-	162,082,849
Operating liabilities	**103,916,901**	**25,208,697**	**24,163,750**	**73,995,661**	**227,285,009**
Long-term liabilities	17,617,586	2,116,154	3,776,023	47,891,156	71,400,920
Current liabilities	86,299,315	23,092,543	20,387,726	26,104,505	155,884,090
Fixed assets additions	31,134,953	4,206,018	7,783,519		44,962,764

Year ended 31 December 2018	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Total revenues	**185,686,076**	**52,554,144**	**63,226,562**	**-**	**301,466,783**
Sales, general and administrative expenses	(187,773,645)	(53,820,465)	(57,501,953)	-	**(299,096,063)**
Operating result	**(2,087,569)**	**(1,266,321)**	**5,724,609**	**-**	**2,370,720**
Financial result	(1,733,703)	(876,027)	(674,584)	32,888,859	29,604,545
(Loss)/ Profit before tax	**(3,821,272)**	**(2,142,348)**	**5,050,025**	**32,888,859**	**31,975,265**
Operating assets	**193,684,601**	**66,217,200**	**19,389,230**	**171,078,469**	**469,695,771**
Non-current assets	70,258,447	34,066,794	15,155,042	169,212,909	**288,693,192**
Current assets	123,426,155	32,150,406	23,560,459	-	**179,137,019**
Non-current assets	-	-	-	1,865,560	**1,865,560**
Operating liabilities	**103,791,342**	**31,028,762**	**19,389,230**	**106,404,081**	**260,613,415**
Long-term liabilities	13,847,674	8,369,876	2,581,214	96,103,835	**120,902,599**
Current liabilities	89,943,668	22,658,886	16,808,015	10,300,246	**139,710,815**

The non-allocated non-current assets relate to investment properties, investments in subsidiaries and other financial assets, which include the long-term portion of the loan granted by Teraplast to Terasteel Serbia. The non-allocated current assets relate to the short-term portion of the loan granted by Teraplast to Terasteel Serbia and the short-term loan granted by Teraplast to Teraplast Hungaria Kft. The non-allocated liabilities relate to the bank loans contracted by Teraplast for the shareholdings in Wetterbest and Politub and the financing of Terasteel Doo.

The unallocated finance income of RON 32,888,859 is the income from dividends.

The Company's production capacity

The **PVC plant** has a processing capacity of 50 thousand tons / year.
• 4 dosing / mixing plants, 100% automatic;

• 6 PVC pipe extrusion lines for indoor and outdoor sewers as well as for water supply;

• 14 PVC profile extrusion lines;

• 4 granulators for the production of plasticized granules (especially for the production of electric cables) and rigid (for the production of fittings or other injected parts;

The **Polyolefine Factory** has a production capacity of 2,500 tons / year of extruded, injected and rotoformed polyethylene, polypropylene and PVC products, for internal sewage, external sewerage (fireplaces and some fittings), water supply (bins), liquid storage (tanks) as well as water treatment solutions (septic tanks, purification micro-plants) and comprises:

• 7 injection machines for the production of PP and PVC fittings

• 1 line of polypropylene pipe;

• 1 rotoforming machine;

The **Polyethylene pipe factory**, with a production capacity of 12,000 t / y, produces high density polyethylene pipes for transmission and distribution networks of water, natural gas, but also for telecommunication, sewerage or irrigation, as well as polyethylene pipes of medium and high density with structured walls.

• 5 lines of pressure pipe extrusion for water and gas feeds;

• 1 line for corrugated pipe production for sewerage and cable protection.

In November 2017, the Company set up a complex PVC recycling facility both post-industrial and post-consumer with an automatic sorting cycle, grinding washing and color separation of recycled materials with a processing capacity of over 10,000 tons / year , thus entering the top 10 rigid PVC recyclers at European level.

The Company's employees

During 2019, the employees' structure was as follows:

	2019	2018
Directors	2	2
Managers	16	15
Administrative staff	112	104
Production staff	349	280
Total	**479**	**401**

According to the applicable collective agreement, Company's minimum pay rates are above the national minimum wage. Teraplast Company aims to hire and retain the best professionals in the labor market, so as to continuously improve operations and create added value.

The HR strategy is integrated into the business strategy and aims to respond to the requirements of business objectives through actions on human resources field such as organization, recruitment and selection, performance, and development. In this respect, the Company has specific internal procedures for each of these stages.

Guidelines for policy implementation are:

- recruiting and employing staff based on competencies;

- quick integration of new employees;

- developing adequate training and improvement programs with the objectives of each organization in the Company;

- developing incentive plans designed to encourage efficient achievements with reduced costs;

- elaboration of non-financial stimulation systems;

- development of career programs and succession plans;

- the standardization of human resources policies at the TeraPlast Company level.

We aim to provide a trained and motivated workforce that contributes, by continually improving individual and team performance, to achieving the goals of the Company companies. We know that each member of the team is important and can bring added value to the Company, which is why we are trying to always have the right person in the right place.

Our values are: quality, seriousness, performance. These values have been embedded in our organizational culture and have been incorporated into the ongoing improvements of Company companies.

The Company’s employees (continued)

The human resources policy focuses on the following directions:

- ensuring the needed trained personnel in the context of competition resulting from the free movement of labor within the European Community area and achieving a balanced distribution of human resources at Company level;

- increasing the level of professional competence of the employees;

- Strengthening its own system of promoting staff with potential for performance;

- Anticipating fluctuations in staff shortages or surpluses;

- covering the operational needs of the organization through the efficient use of human resources;

- observance of the financial forecasts, respectively the sizing of the human resources at the level of the need established in the organizational chart;

The Company's responsibility towards employees means ensuring a safe and healthy work environment, offering professional and personal development opportunities, and establishing a permanent dialogue to monitor their satisfaction and expectations.

Each employee has the responsibility to maintain a safe and healthy job for all employees, following health and safety regulations and practices in work and by reporting accidents, injuries, and equipment, practices and unsafe conditions.

The main strategic directions for Occupational Health and Safety Management that TeraPlast aims and is committed to accomplish are: to continually prevent and reduce the risks of injury and occupational disease, to create the conditions necessary for the continuous improvement of the occupational health and safety performance and the involvement of all in achieving the proposed objectives.

Effective solutions for people and the environment

Responsibility towards the environment and the community in which we operate is an important part of the principles we guide our activity after. We are constantly allocating resources to identify and minimize the negative impact that our work can have on the environment and we are actively involved in the community.
Effective management of the impact that our work has on the environment means:

• Waste monitoring, recycling and keeping the percentage of waste / ton of finished product below 1%
• Maintaining under control the consumption of electricity, water and natural gas
• Monitoring environmental factors

TeraPlast has implemented and certified, at each company level, the Quality-Environment-Health and Occupational Safety Integrated Management System according to ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007.

The materialization of this responsible attitude towards sustainability is translated by the TeraPlast rigid PVC recycling unit, which has an annual processing capacity of 12,000 tons, which places us on the 1st place in Romania and in the top 10 in Europe.

Community involvement means supporting initiatives in sport, social and education areas, both locally and nationally.

Risk management

In the normal course of business, the Company has exposure to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and credit risk, market risk, geographic risk, but also operating risks and legal risks. The Company's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Company's performance. Meetings are held on a regular basis to review the result of the risk assessment, approve recommended risk management strategies and monitor the effectiveness of such policies.

The main objectives of the financial risk management activity are to determine the risk limits and then to ensure that the exposure to risks is maintained between these limits. The management of operating and legal risks is aimed at guaranteeing the good functioning of the internal policies and procedures for minimizing operating and legal risks.

The Company measures trade receivable and other financial assets at amortized cost.

Financial assets	At amortized cost 31 December 2019	At amortized cost 31 December 2018
Non-current		
Long term receivable	18,679,424	23,429,315
Other financial instruments measured at amortized cost	15,472	15,472
Current		
Trade receivable	101,006,306	102,185,102
Cash	5,669,112	9,774,157
Prepayment	557,602	532,577

(a) Capital risks management

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

The structure of the Company capital consists in debts, which include the loans detailed in Note 23, the cash and cash equivalents and the equity attributable to equity holders of the parent Company. Equity includes the 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 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.

Risk management (continued)

The gearing ratio as at 31 December 2019 and 2018 was as follows:

	2019	2018
Total loans	145,185,491	127,196,715
Cash	(5,669,112)	(9,774,157)
Net debt	139,516,379	117,422,558
Total equities	**219,491,113**	**209,082,355**
Total equity and net debt	**359,007,492**	**326,999,575**
Gearing ratio	**38.9%**	**36%**

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

The treasury department 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.

d) Market risk

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

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.

(e) Foreign currency risk management

There are two types of foreign currency risk to which the Company is exposed, namely transaction risk and translation risk. The objective of the Company's foreign currency risk management strategy is to manage and control market risk exposures within acceptable parameters.

Risk management (continued)

Transaction risk

This arises because operating units have input costs or sales in currencies other than their functional currencies. In addition, where operating entities carry monetary assets and liabilities at year end denominated other than in their functional currency, their translation at the year-end rates of exchange into their functional currency will give rise to foreign currency gains and losses. The exposures to the exchange rate are managed according to the approved policies.

The Company is mainly exposed to the EUR-RON exchange rate.

Currency	EUR	HUF	USD	RON	TOTAL
Trade receivable - RON equivalent	6,848,579	295,940	218,079	93,643,707	101,006,306
Trade and other payable - RON equivalent	27,193,714			44,124,783	71,318,498

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

Sensitivity analysis for primary currency risk

	31 December 2019		31 December 2018	
	RON	RON	RON	RON
Profit or (loss)	1,246,852	(1,246,852)	3,976,917	(3,976,917)

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

Risk management (continued)

(f) 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.

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

As at 31 December 2019 and, respectively, 31 December 2018, in the case of a 1% increase / decrease of the interest rate on loans, with all the other variables held constant, the net profit for the period would fluctuate as follows, mainly as a result of the higher/lower interest expenses on floating interest loans.

	31 December 2019		31 December 2018	
Profit or (loss)	823,562	(823,562)	1,270,397	(1,270,397)

Translation risk

This exists due to the fact that the Company has operations whose functional currency is not the RON, the Company's presentational currency. Changes in the exchange rate between the reporting currencies of these operations and the RON, have an impact on the Company's reported result. For 2019, the impact of changing currency rates versus RON compared to the average 2018 rates was negative RON 0.4m (2018: nil).

(g) Other price risks

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

Risk management (continued)

(h) Credit risk management

Credit risk encompasses the risk of financial loss to the Company of counterparty default in relation to any of its financial assets.

The Company has adopted a policy of performing transactions with trustworthy parties, parties that have been assessed in respect of the credit quality, taking into account its financial position, past experience and other factors, and additionally, obtaining guarantees or advance payments, 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.

Company's maximum exposure to credit risk is represented by the carrying value of each financial asset: The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Company.

Trade receivables are from 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 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 Company of similar counterparties by analyzing the receivables individually and making impairment adjustments. The Company had more than four thousand clients in 2019, with the highest exposure on one client not exceeding 3%.

(i) Liquidity risk management

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. Each Company company prepares annual and short term cash flows (weekly, monthly and quarterly). Financing needs for working capital are determined and contracted based on the budgeted cash flows. Investments projects are approved only with a concrete financing plan.

Risk management (continued)

(j) Fair value of financial instruments

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

Financial liabilities are at their carrying amount which is an approximation to their fair value, due to the fact that the liabilities are at variable interest rates and there are no material initial fees and charges amortized over time.

Tables on liquidity and interest rate risks

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

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

Non-interest bearing	**less than 1 month**	**1-3 months**	**3 months - 1 year**	**1-3 years**	**3-5 years**	**more than 5 years**	**TOTAL**
Trade payables and other liabilities	(19,328,612)	(24,948,553)	(8,006,931)	(9,517,200)	0	0	(61,801,297)
Interest-bearing instruments							
Short and long-term loans	(63,729,399)	(2,770,563)	(15,872,804)	(35,648,709)	(23,312,247)	(204,267)	(141,537,989)
Future interest on loans	(304,080)	(1,129,054)	(3,984,850)	(3,501,947)	(873,850)	(4,007)	(9,797,788)
Non-interest bearing							
Cash	5,668,548						5,668,548
Receivable	62,695,830	34,629,968	2,760,087	891,762	20,784	7,874	101,006,305
Net cash outflow	(14,997,713)	5,781,798	(25,104,498)	(47,776,095)	(24,165,313)	(200,400)	(106,462,221)

Within the net cash outflows presented for less than a month the Company has presented the credit lines, which are, by nature, short term. However, the credit lines are daily revolving and have been renewed from year to year. The Company is under no constrain regarding the repayment of the credit lines

within a month, and is confident that they will be continued to be used. Thus, the Company is confident that it will remain solvent and to pay their liabilities within term. RON 50 million out of it refers to credit lines and excluding these the position is RON 35 million.

Risk management (continued)

(j) Fair value of financial instruments

2018	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Over 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(25,168,669)	(30,844,540)	(24,061,511)	(49,022,037)	-	-	**(129,099,676)**
Interest-bearing instruments							
Short and long-term loans	(48,036)	(2,427,158)	(56,577,780)	(47,757,747)	(19,543,459)	-	**(127,196,715)**
Future interest	(354,430)	(1,009,405)	(2,604,516)	(5,788,127)	(987,280)	-	**(10,743,760)**
Non-interest bearing							
Cash and cash equivalents	9,774,157	-	-	-	-	-	**9,774,157**
Receivables	48,111,080	34,967,837	19,106,186	-	-	-	**102,185,102**
Net cash outflow	32,314,102	686,734	(64,137,621)	(102,567,911)	(20,530,739)	-	(55,080,892)

The budget for 2020

The likely evolution of the enterprise is included in the **Revenues and Expenses Budget for 2020**:

- Turnover: RON 453 million
- EBITDA: RON 51 million

The full Budget presentation can be seen at the following link: https://www.teraplast.ro/wp-content/uploads/2020/04/2020-Budget-TeraPlast-Group-ENG.pdf

Potential factors of influence on 2020 budget

Considering the events related to the Coronavirus outbreak worldwide at the beginning of 2020, the TeraPlast Group and its companies had a proactice attitude regarding the management of the potential risks.
The crisis led to European states, including Romania, declaring the state of emergency, and implementing various levels of lockdown.
At TeraPlast Group level, progressive and firm measures were taken in order to ensure the employees' and partners' health and security. The set of measures aim to all areas of activity, are monitored, and reviewed as needed by the Analysis Commission of the Group, regularly.

In order to ensure a fair and equal information of the stakeholders, the Group reports, in line with the regulations in place, any event that exceeds the materiality threshold and could, to some extent, influence the Group's business evolution.
Considering that
the first impact of Covid-19 was first visible in Europe and Romania at the beginning of March,
the current situation is changing rapidly and has a high level of uncertainty,
At the time of this report, the TeraPlast Group management team considers it can not provide a firm prognosis of the Covronavirus pandemic impact on the Group businesses.

10 potential action scenarios were set up depending on the possible evolution of the current crisis. These scenarios imply the following parameters:

- The potential negative influences on the revenue due to both the pandemic evolution and a potential economic crisis following it, including a total activity suspension simulation in case the authorities would impose so
- Cash flow impact due to potential clients' defaults
- The ability of managing the debt service
- Fixed costs adjustment to minimize the impact on profitability in the demand drop scenarios
- Monitoring of the cost structure to secure a sustainable long-term performance

Measures already in place

- Heightened hygiene measures in order to protect our employees' health and security at work. Highly digital close collaboration among employees and with third parties. Special procedures on production sites.
- Personnel costs were temporarily reduced in areas where the production and demand declined. For a part of the white-collar personnel the working schedule was reduced.
- Temporary income reduction in management by 25%-50%
- Renegotiated contracts with the suppliers. Alternative suppliers were identified in order to ensure the raw materials availability.
- The raw materials and finished goods stocks were diminished in order to decrease the working capital need
- The rent contracts were renegotiated for at least 3 months
- Tightened credit procedures in order to minimize credit risk
- Cash conservation policies in place

New measures are being planned and implemented.

Non-financial statement

According to the legal regulation on the disclosure of non-financial information, the Company prepares and publishes a distinctive sustainability report which includes information required by the non-financial statement and which describes our initiatives regarding sustainability. The Teraplast sustainability report for 2019 will be published by 30 June 2019.

Environmental policy

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

Integrated management system

Teraplast has implemented the ISO 14001 Environmental Management System as a component of an integrated quality-environment-occupational health and safety management system. The environmental management system has been certified for the first time in Teraplast in 2009. The activities regulated by this system are maintained and continually improved, being systematically verified by internal audit and also by the certification body. Action programs are based on internal, external audits and management reviews.

Rigorous implementation of Environmental Policy

In order to fulfill the Policy, the commitment undertaken and the achievement of the environmental objectives and targets, management programs (annual or long-term) are established, which include general and specific objectives, deadlines and means of accomplishment, responsibilities and authorities designated for the relevant functions.
In order to achieve the objectives and targets, Environmental Management Plans are established and the Environmental Officer monitors the stage of their implementation during the year, according to their evolution.
When preparing Management Programs, consideration is given to introducing new technologies and to the views of stakeholders. These programs are periodically analyzed by the responsible factors to determine the stage of their implementation or are monitored directly by the Environmental Manager and brought to the attention of top management. In the case of projects and / or developments (changes in product design, introduction of new working conditions), management programs are tailored to suit the situation and actions are set up to ensure management involvement. Changes resulting from the implementation of these projects / developments, as well as the new requirements of the applicable legal and regulatory norms, are documented so as to ensure the continued operation of the management system.

Sustainable Development

Teraplast is actively involved in the development of sustainable systems, and within the Research and Development Center, research activities are performed annually to improve the existing products and to obtain new products.
Research projects in 2017 were focused on product development aiming at obtaining higher physical and mechanical properties than existing ones and cost efficiency with raw materials. Thus, polystyrene multi-layer pipes with micronized recycled PVC were obtained from various applications. The impact of using this micronized recycled PVC is a major one, both for the environment, through its reuse in the production process and substitution of virgin PVC as well as cost optimization. Recycled PVC obtained in the form of granules was tested on the co-extruded layer of the joinery profiles.

The results obtained were positive, superior to the substituted dry-blend in which the base raw material is virgin PVC.
The research department studies recycled PVC in various compositions in order to identify new applications.
Suppliers of raw materials are also assessed from the point of view of complying with environmental requirements. We avoid the use of hazardous chemicals in the activities and in the supply chain.
All hazardous chemicals used in the activities are carefully monitored, accompanied by the Safety Data Sheet and their requirements are transposed into internal measures (allocation of special spaces, storage / handling, use, training, etc.).

Pollution prevention and control

To prevent soil contamination, all pools are properly sealed. At the same time, both the interior surfaces where the productive activities are carried out as well as part of the exterior surfaces such as the surface of the transport paths are completely concreted. The uncovered surface is partially formed of green areas. Loading and unloading of material takes place in designated areas, protected against leakage through liquid leakage or dust dispersion. In stores there are adequate quantities of absorbents suitable for controlling any accidental spillage.

Technological water is recycled to over 80% and waste water is passed through the sewage treatment plant. Wastewater quality indicators are determined quarterly.

Dangerous chemical substances and preparations are purchased in compliance with applicable legislation and only together with the safety data sheet that allows for taking all measures for environmental protection, occupational health and safety. The storage of the various dangerous chemicals and preparations is made taking into account the compatibility of the substances. The management of these substances is carried out by trained persons who know the measures to be taken in case of emergency situations.

Waste management

In the Company companies, recoverable waste (plastic waste, metal waste, paper packaging waste, cardboard, plastic packaging, wood packaging, etc.) and non-valuable waste (industrial waste, contaminated metal packaging and household waste) are generated.
The implemented environmental management system makes it necessary to minimize the quantities of waste resulting from production processes where possible. The resulting waste in the company is collected selectively and used/disposed of by authorized economic operators.
Hazardous waste sent off-site for disposal is transported only by authorized economic operators, in compliance with the legal provisions in force. Waste is transported only from the site of activity to the disposal site without adversely affecting the environment.
Waste is packaged and labeled in accordance with the laws and regulations in force for mandatory inscriptions. During collection, recovery or disposal, all waste is temporarily stored in specially designed areas and places, properly protected against dispersion in the environment. Waste is clearly labeled and separated accordingly.
The management of all categories of waste is carried out in strict compliance with the legal provisions. Waste is collected and stored temporarily by types and categories without being mixed. These are stored separately, inert and non-hazardous waste separately from the hazardous one.
Non-financial statement (continued)

The recovery of recyclable industrial waste is carried out in compliance with the provisions of Law 211/2011 and other legal provisions in force.
Reaching recycling and collection targets is done individually through contracts with authorized recycling / collection companies.

Combating corruption and bribery

Internal compliance programs in this area focus on the following directions:

- *anticompetitive practices;*
- *economic sanctions and embargoes;*
- *the fight against corruption;*
- *gift policies;*
- *conflicts of interests.*

Conflicts of interests may arise when personal interests conflict with the ability to exercise one's duties properly and efficiently. To the extent possible, relationships or activities that may affect or appear to affect the ability to make objective and fair decisions when doing business on behalf of the Company are avoided.

Sanctions and embargoes restrict transactions with certain countries, individuals and legal entities. These restrictions need to be known and analyzed before starting any transaction.
When integrating any new employee, according to the New Employee's Guide, it is clear what the Company companies are asking for the expected behaviors with respect to the issues listed above. Our employees have clearly defined limitations on the acceptance of gifts, services and benefits of any kind coming from suppliers or customers in order to facilitate commercial transactions with any of the Company's companies. They are authorized to accept or offer gifts and invitations that are appropriate in the circumstances, subject to the limitations, approvals and registration requirements defined in our internal rules. No money or equivalent gift may be offered or received.
In our business relationships with public and state institutions, our employees do not solicit or accept gifts, services, favors, invitations or any other personal benefits that may affect their impartiality in the exercise the function held. No gifts or other free gifts are given to government officials or state organ representatives, except for small-value promotional items customized with the Company's logo.

Responsible procurement policy

Procurement activity is critical to the Company's competitiveness and its ability to innovate. The main objective of the procurement activity is the complete material assurance both in terms of quantity and quality, at the time, in conditions of maximum safety and with minimal cost of material resources necessary for the development of productive activities within the Company. At the same time, the activity involves proactive management of supply chain risks in order to minimize their potential impact.

The purchasing policy within Company companies is an integral part of the overall objective of the Company, to meet customer requirements, to manage production processes efficiently and to meet the requirements of the integrated management system.

An essential role in continuously improving the quality of our products and working standards lies with our suppliers who are carefully selected for the production process.

Supplier relationships are trusted, committed to their own products, and are pursuing the development of long-term partnerships. We are constantly evaluating suppliers and applying an internal qualification and acceptance system.

Company suppliers will comply with and observe local, national and international environmental regulations. They are required to hold all the environmental permits and authorizations required to conduct the business. Suppliers will systematically manage environmental impacts, including: energy, water, waste, chemicals and air pollution.

Responsible procurement policy (continued)

Suppliers will comply with all applicable anti-corruption laws and regulations, and will have a zero tolerance policy for any form of bribery, corruption, and misappropriation. They must carry out all transactions in a transparent manner and accurately reflect them in accounting records and books.

Selecting and accepting suppliers is based on both assessing their ability to deliver products according to our requirements, as well as: quality / price ratio, certified management systems, payment options, availability on delivery, complaint handling. The evaluation process also involves auditing and visiting suppliers in terms of compliance with environmental, occupational health and safety requirements, and social responsibility.

Teraplast believes that establishing strong partnerships with suppliers ensures a positive outcome for both parties.

The Company's procurement policy is linked to the quality standards (SR EN ISO 9001), the environment (SR EN ISO 14001) and Occupational Health and Safety (SR OHSAS 18001), but it also contains specific requirements based on the Company's Code of Conduct.

This ensures the general conditions for:

- the quality of the products and services purchased
- product safety / chemicals management
- protecting the environment
- the code of conduct in the procurement activity

Supplier selection and evaluation follow their capacity for innovation, continuous improvement of processes and adaptation of environmental codes.

The procurement policy applies to all suppliers of raw materials, materials and services in the Company.

The list of approved vendors includes all procurement providers and we have ensured that they comply with legal and regulatory requirements both in Europe and in the areas in which they operate, with regard to: forced labor, child exploitation, discrimination, the environment, bribery and corruption, unfair competition, etc. Suppliers are visited before they start a collaboration, and periodically are re-evaluated to determine whether they can still meet the set requirements.

Company Management

Director`s presentation

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

DOREL GOIA

- Position: Chairman of the Board
- Background area: entrepreneurship
- First elected on the Board of Directors: 2008
- Activity: ACI Cluj SA; Parc SA; Hermes SA

LIVIU CIUPE

- Position: Independent Non-executive Director
- Background area: industrial
- First elected on the Board of Directors: 2019
- Activity: Rematinvest Group

RĂZVAN LEFTER (RSL Capital Advisors SRL)

- Position: Non-executive Director
- Background area: economy
- First elected on the Board of Directors: 2014
- Activity: RSL Capital Advisors, Conpet Ploiesti (Board of Directors), Mundus Services AD Bulgaria (Board of Directors)

MAGDA PALFI

- Position: Non-executive Director
- Background area: Banking
- First elected on the Board of Directors: 2008
- Activity: Raiffeisen Bank (Regional Corporate Director– Cluj Corporate Center), TeraSteel SA (Board of Directors)

ALEXANDRU STÂNEAN

- Position: **Executive Director**
- Background area: Business Administration
- First elected on the Board of Directors: 2007
- Activity: TeraPlast SA (Chief Executive Officer)

Members of the Board of Directors are elected at the General Meeting of Shareholders on the basis of shareholders' voting in accordance with legal requirements. Therefore, there are no agreements or understandings to report in this document.

Members of the executive team

Teraplast's executive management is appointed by the Board of Directors, and at the date of this report it is delegated to the CEO and the CFO. The CEO and CFO manage the everyday activity of the company.

The executive team is comprised of:
Alexandru Stânean – Chief Executive Officer
Year of Birth: 1982
In office: July 2018 – present
Alexandru Stânean joined the TeraPlast Team in 2007, occupying, over time, different positions within the TeraPlast Group, such as Deputy General Manager, Director of Operations, in charge of external development. In 2008, he was part of the team responsible for TeraPlast's IPO. Currently, Mr. Stânean is Chief Executive Officer of TeraPlast, in his second term.

Ioana Birta – Chief Financial Officer
Year of birth: 1983
In office: June 2017 – present

Ioana Birta has more than 10 years of experience within Big 4. She is a member of the ACCA (Association of Chartered Certified Accountants) and CAFR (Romanian Chamber of Financial Auditors).

Corporate Governance

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

Governance structures

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

Another step of the implementation process is the essential amendment of the Company's Memorandum of Association, endorsed by the General Meeting of Shareholders of September 2008, at which time provisions of the Memorandum were made to match regulatory documents specific to the Romanian stock market and also recommendations and principles included in Code of Corporate Governance of Bucharest Stock Exchange. One of the most important updates of the company's Charter is the amendment of chapter VI – Managers – pursuant to which the premises of a fundamental change of the company management are created, thus enabling the Board of Directors to delegate managing competencies not just to a sole manager, but to a larger number of directors, one of them being appointed general manager.

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

Director
Alexandru Stanean

Chief Financial Officer
Ioana Birta