

The Board of Directors report on the consolidated financial statements of Teraplast Group prepared in accordance with the International Financial Reporting Standards (“IFRS”)

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 policies and explanatory notes included in the 2019 consolidated financial statements of Teraplast Group.

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

Equity	RON 276,148 thousands
Turnover	RON 972,582 thousands
Net result – profit	RON 38,908 thousands

Of which, attributable to the equity holders of the parent – profit: RON 37,782 thousands

The financial statements have been drawn up in accordance with:

- (i) Accounting Law 82/1991 republished in June 2008 (“Law 82”)
- (ii) Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations in accordance with International Financial Reporting Standards

The consolidated financial statements include the financial statements of the parent company, of the subsidiaries and of the jointly controlled unit. The control is obtained when the Company has the power to control the financial and operational politics of an entity in order to obtain benefits from its activity.

Where necessary, correction is made on the financial statements of the subsidiary in order to bring its accounting policies in accordance with those of the Group.

All the intragroup transactions balance, income and expenses are eliminated from the consolidation. Non-controlling interests in assets (excluding goodwill) of the consolidated subsidiary are separately identified from the Group's equity owned in this. Non-Controlling interests are the amount of these interests at the initial combination of the companies and in the part owned by the non-controlling interests in the changes of the equity starting with the combination date.

The consolidated financial statements were audited by the independent auditor Deloitte, which issued an unqualified opinion.



Contents

1. About TeraPlast Group.....	1
1.1 GROUP STRUCTURE	1
1.2 PRODUCTION CAPACITY OF THE GROUP	2
1.3 CUSTOMERS AND MARKETS.....	3
1.4 PRODUCTS AND BUSINESS LINES	3
1.5 THE GROUP'S EMPLOYEES	6
1.6 EFFECTIVE SOLUTIONS FOR PEOPLE AND THE ENVIRONMENT	8
2. The Group's results.....	9
2.1. EVOLUTION OF THE KEY-ITEMS OF PROFIT AND LOSS.....	9
2.2. EVOLUTION OF THE KEY-ITEMS OF THE BALANCE SHEET	ERROR! BOOKMARK NOT DEFINED.
3. Risk management.....	2
4. The budget for 2020.....	1
5. Non-financial statement.....	2
6. Group Management	6
7. Corporate Governance.....	7



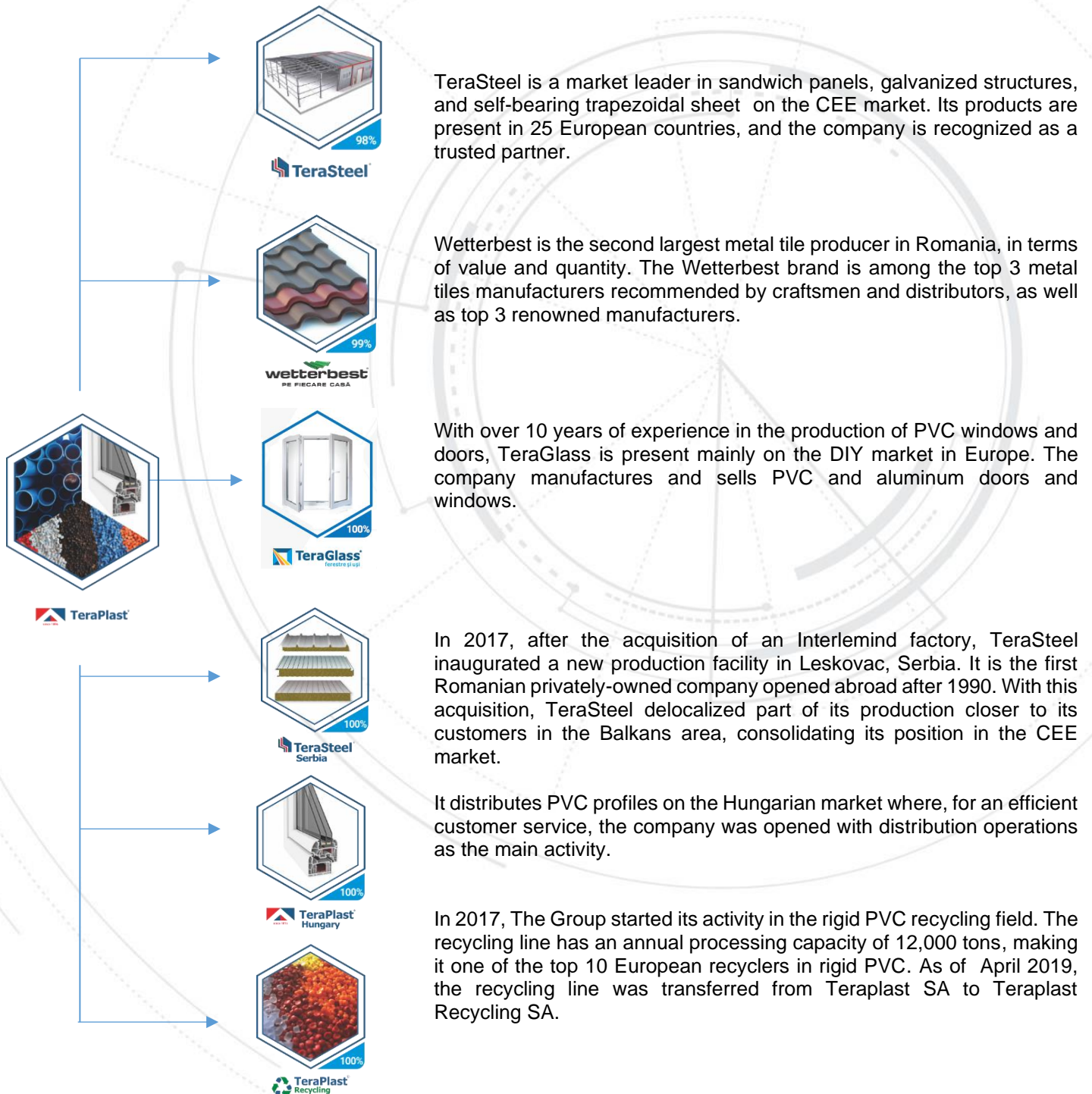
1. About TeraPlast Group

1.1 Group Structure

The history of TeraPlast started in 1896, with the ceramic tile production workshop in Bistrita. Today, almost 125 years later, the TeraPlast Group is the largest Romanian construction materials manufacturer. 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.

With over 120 years of tradition, TeraPlast SA, the parent company, is the leader of the exterior sewage market and of the compounds market in Romania. The company's product portfolio is organized on seven business lines: Installations, Window Profiles, Compounds, Thermal Insulating Panels, Windows & Doors and Roof Systems. As of July 2nd, 2008, TeraPlast SA has been listed on the Bucharest Stock Exchange under the TRP symbol. TeraPlast shares are included within BET, BET-TR, BET-BK, BET-XT, BET-XT-TR si BET-Plus index range.

The Group Companies as of December 31st, 2019 is:



1. About TeraPlast Group (continued)

1.2 Production capacity of the Group

Today, the TeraPlast Group products are made in the 11 factories located in Romania (Saratel, Bistrita, Baicoi, Podari) and outside the country (Leskovac, Serbia) with a surface area of over 300,000 square meters:

1. PVC factory, Saratel (TeraPlast)
2. Polypropylene Factory, Saratel (TeraPlast)
3. Polyethylene products factory, Saratel (TeraPlast)
4. PVC windows and doors factory, Bistrita (TeraGlass)
5. Thermal insulating panels factory, Saratel (TeraSteel)
6. Galvanized steel purlins factory, Bistrita (TeraSteel)
7. Roof systems Factory, Baicoi (Wetterbest)
8. Roof systems factory, Saratel (Wetterbest)
9. Roof systems factory, Podari (Wetterbest)
10. Thermal insulating panels factory, Leskovac (TeraSteel)
11. Rigid PVC recycling factory, Saratel (TeraPlast Recycling)

The PVC plant has a processing capacity of over 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;
- 16 PVC profile extrusion and lamination 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 3,800 to / 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:

- 8 injection machines for the production of PP and PVC fittings
- 3 line for polypropylene pipe;
- 1 rotomoulding machine;
- 1 line for thermoformed fittings;



The polyethylene pipe factory, with a production capacity of 11,500 t / y, produces high density polyethylene pipes for water and gas networks, but also for telecommunication, sewage or irrigation, as well as corrugated polyethylene pipes.

- 5 lines of pressure pipe extrusion for water, gas and irrigation;
- 1 line for corrugated pipe production for sewerage, drain and cable protection.



The PVC windows and doors factory, with a production capacity of 250,000 pieces / year, manufactures PVC and aluminum (Al) insulating joinery,

- 1 Lisec line for glass processing
- 1 automated center for cutting & machining PVC profiles
- 2 cutting centers;
- 1 cantilever cutting machine;
- 3 automatic machining centers,
- 5 welding & 5 deburring lines;
- Semi automated line for hardware & internal logistics.



1. About TeraPlast Group (continued)

The sandwich panel factory from TeraPlast Industrial Park in Saratel, Bistrita-Nasaud (RO):

- 1 Pu.Ma line for production of PUR and PIR sandwich panels, with capacity: 2.2 mil sq m and press length: 32m,
- Accessories line

Sandwich panel and corrugated sheet factory from Serbia:

- 1 Pu.Ma line for production of mineral wool, PUR and PIR sandwich panels with a capacity of 2.2 mil sqm and length of the press 32m;
- mineral wool module integrated into the panel line;
- 1 self supporting trapezoidal sheet up to 153mm;

Galvanized profile factory, Bistrita, Bistrita-Nasaud (RO), with the following equipment:

- 1 slicing line;
- 1 C, Z, U and Sigma profile production line, up to 4 mm thick with a capacity of 5,500 tons;
- 2 metal reinforcement lines for PVC joinery, with a production capacity of 4,000 tons / line;

The metal tile and sheet metal factory in Baicoi operates on 33 automatic lines: for metal tiles with different profiles, for 4-dimensional sheet metal, for the gutter and pipe system, for folded sheet metal and many other accessories.

- at present, in the factory in Podari, Dolj County, there are 4 automatic production lines of the Wetterbest metal tile;
- from the second half of 2017, an automatic metal tile production line operates in Bistrita.

The rigid PVC recycling factory is a complex PVC recycling facility for both post-industrial and post-consumer rigid PVC & electrostatic separation of recycled materials with a processing capacity of 12,000 to / year, thus being the largest rigid PVC recycler in Romania and one of the top 10 rigid PVC recyclers at European level.



1.3 Customers and markets

The TeraPlast Group exports to 25 European countries, including all of Romania's neighboring countries and as far Germany, France or Norway. The companies with the highest export activity within the group are TeraSteel and TeraGlass, with over 50% and over 80% respectively. Overall exports of the Group are 23% of the turnover.

Currently, the number of TeraPlast Group's active clients exceeds 3,000. Customer satisfaction levels increase from year to year, according to studies conducted by independent third parties.

1.4 Products and business lines

TeraPlast Group products are certified and tested by institutions such as: IFT Rosenheim, FIRES Slovakia, ZAG Slovenia, TECHNALIA Spain, INCERC Romania, ICECON Romania. In addition, the Group has its own R & D department, Quality Management: ISO 9001, 14001, 18001. The internal testing laboratory is accredited by RENAR (Romanian Association of Accreditation).

1. About TeraPlast Group (continued)

Installations

The Installations business line includes external sewage systems, internal sewage, water and gas transport and distribution, rainwater and domestic water management, irrigation, water drilling, telecommunication, electrical networks accessories, individual utilities connections.

TeraPlast is the leader of the external sewage market and the second player on the Romanian overall installation market.

According to the sustainable development strategy "Romania 2025", the total investment needs for the rehabilitation of the public water supply and sewage 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 2018 in Romania, 69,4% of the resident population is connected to the water supply systems, while the percentage of connection to the resident population of the sewage systems provided with sewage treatment plants is 52,7%. Furthermore, only 35% of Romania's dwellings are connected to a gas network.



For 2014-2020, € 11 billion was earmarked under the POIM. Of this amount, 2.75 billion euros were settled to date and contracts worth 9.8 billion euros were signed. In this context, demand is expected to increase over the next 3 years as a result of reaching the execution stage of these projects.

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

TeraPlast diversified its product portfolio outside the infrastructure market and into the residential market. For example, under the state aid scheme, TeraPlast has increased its presence into the polypropylene pipes market offering multilayered polypropylene pipes for interior sewerage.

Window profiles

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



1. About TeraPlast Group (continued)

Compounds

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

The state aid project also targeted this line of business. As a result of the investment, the company brought an innovation on the Romanian compounds market - halogen-free, fire resistant compounds (HFFR).



Metallic roof tiles

Wetterbest products are present through a wide range of dealers, 3 showrooms and in most DIY stores in Romania. The product portfolio covers a complete range of finished products and accessories for roofing:

- Metallic tiles
- Flat roofs
- Roof accessories, which include the complete range of accessories needed for the installation of roof systems
- Trapezoidal sheets
- Drainage systems
- Metallic fence slats
- Membranes and other accessories, marketed in the form of commodities, required to provide a complete roofing system.



Wetterbest invested a total of EUR 9 million, partially funded by a state aid project, aimed at opening a new manufacturing facility in Baicoi (Prahova), which, at a production capacity of more than 10 million square meters of tile, ensures optimal flow of logistics and storage, and increase operational efficiency.

Sandwich panels and galvanized steel purlins

The business line includes an extensive portfolio of products obtained in the three factories, two in Bistrita Nasaud county, Romania, respectively one in Serbia, offering the next product categories:

- PUR, PIR, MW thermal insulation panels
- Galvanized steel purlins
- Turnkey halls
- Lead by TeraSteel turnkey halls
- Self-supporting trapezoidal sheet

TeraSteel is a trusted strategic partner in the CEE area and one of the main regional producers through its two factories.

Through the network of partner companies in the refrigeration industry, the Group has provided over 50% of the panels used for refrigeration chambers in the major supermarket chains in Romania.



1. About TeraPlast Group (continued)

Windows & Doors

The production and marketing of windows and doors includes 2 product families, namely:

1) PVC windows, door and accessories, with the following product groups:

- TeraGlass Windows and Doors systems with 4,6 and 7 chambers;
- Salamander windows and door systems with 5 and 6 chambers;

2) Aluminum doors, windows and structural walls, , including M11000, M9000 and M9300 profiles, with or without thermal barrier depending on the requirements and needs of the final beneficiary.

The state aid project through which Teraglass Bistrita SRL created a new fully automated flow for the production of PVC windows and doors, a process that contributes both to the increase of production capacity and productivity, to meet the demand that is on an upward trend and to enter new market segments.



1.5 The Group's employees

During 2019, the employees' structure was as follows:

	2019	2018
Directors	14	14
Managers	48	49
Sales personnel	135	129
Administrative staff	133	127
Logistic staff	165	144
Production staff	631	574
Total	1,125	1,037

According to the applicable collective agreement, Group's minimum pay rates are above the national minimum wage. Furthermore, TeraPlast has implemented variable pay to several structures in order to keep the employees motivated.

TERAPLAST Group 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 driven by 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, development and remuneration. In this respect, the Group has specific internal procedures for each of these stages.

1. About TeraPlast Group (continued)

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 efficiency and cost cutting;
- elaboration of non-financial stimulation systems;
- development of career programs and succession plans;
- the standardization of human resources policies at the TeraPlast Group 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 Group's Companies. We know that each member of the team is important and can bring added value to the group, 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 group companies.

The human resources policy focuses on the following directions:

- ensuring the necessary 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 group level;
- increasing the level of professional competence of the employees;
- Strengthening its internal 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;
- Constantly Adjusting the manpower plan with the company's forecasted performance;

The Group'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 workplace 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 staff in achieving the proposed objectives.

1. About TeraPlast Group (continued)

1.6 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 abide by. 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 management, recycling and keeping the percentage of waste / ton of finished product below 1%
- Optimizing the consumption of electricity, water and natural gas
- Monitoring environmental factors

The TeraPlast Group 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.

TeraPlast Recycling is a statement of this responsible attitude towards sustainability. We have an annual processing capacity of 12,000 tons, which places us on the 1st place in Romania and in the top 10 in Europe.

In addition, the partnership with E.ON Energie at the end of 2018 will lead to the construction of a photovoltaic power plant, which will partially generate our own electricity, saving up to 11.45% of the total energy required today. The energy systems will be installed on the roof of the halls of TeraPlast Industrial Park and, in the long run, make it possible to reduce CO₂ emissions by up to 600,000 tons per year.

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

The Group supports local community initiatives through long-term partnerships. For example, the Wetterbest Association for the Community aims to support excellence, the chances of education and the social, economic, entrepreneurial and physical development of young people in the communities in which the company operates.

At the end of 2019, the Group launched its CSR platform *Impreuna Cladim Romania* – Building Romania Together. It is aimed to express the Group's responsibility philosophy and concentrate its CSR projects.

At the same time, within the business lines of roof systems, in the desire to bring about a visible change in the way in which the work of fitter is performed and in the quality of work execution, as well as from the effects of the lack of craft schools, in 2015 the Wetterbest School was established. The school is accredited by the Ministry of National Education, through the National Authority for Qualifications and the County Agency for Payments and Social Inspection.

Minimizing the environmental impact of your business, engaging in local communities, creating attractive working conditions, and working with responsible suppliers are the main guiding principles in our day-to-day business.

2. The Group's results

2.1. Evolution of the key-items of profit and loss

The results of TeraPlast Group for 2019 are summarized as follows:

Profit and loss account (RON thousand)	2019	2018
Net turnover	972,582	804,512
Operating result	54,947	34,722
Net profit	38,908	22,639

The increase in turnover is organic and the improvement in profitability is a result of improved operational efficiency, increased of production capacity utilization and consolidation of the client base.

77% of the Group sales are on the domestic market. The Group has a sales system that includes its own network of rented or owned storehouses, as well as partnerships with the distributors, construction companies, plasticized and rigid PVC processors, as well as with the manufacturers of doors and windows all over the country, roof carpenters.

Considering that the Group operates on construction materials market, seasonality is a major factor in the monthly evolution of sales.

In these circumstances, the peak activity covers about 6 months (May to October).

The distribution policy targets mainly specialist customers in the installation and construction fields, and the distribution channels are:

- Sales through distributors and resellers (internal market and partially exports);
- Sales by specialized networks (DIY) (internal market and exports);
- Sales to general contractors and constructors (tenders for infrastructure projects);
- Direct sales to cable manufacturers or other profiles (internal market and exports);

The Group has a maximum exposure of 7 % of the turnover for the largest client.

During 2019 and 2018, the weight of receivables for one client did not exceed 2% of the turnover.

2. The Group's results (continued)

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

2018	Sandwich panels		Metal tiles		Installations		Joinery profiles		Compounds		PVC windows and doors	Un allocated amounts	Total
Revenue from third party customers (*)	261,992,982	220,999,584	173,537,733	55,970,409	63,091,541	28,919,946	-	804,512,197					
Other operating income	827,620	330,306	287,096	293,442	73,602	9,809	-	1,821,874					
Income from subsidies	445,858	304,734	-	-	-	-	-	750,592					
Operating income, total	262,820,602	221,329,890	173,824,829	56,263,851	63,165,143	28,929,755	-	806,334,071					
Raw materials, consumables used and merchandise	(206,045,308)	(169,487,851)	(123,390,712)	(34,141,646)	(48,130,720)	(14,554,262)	-	(595,750,498)					
Employee benefits expenses	(11,716,002)	(17,295,948)	(23,067,877)	(6,475,778)	(3,942,754)	(5,907,989)	-	(68,406,348)					
Amortization and adjustments for the impairment of assets and provisions	(5,124,663)	(6,543,390)	(12,171,889)	(4,754,750)	(1,512,569)	(746,257)	-	(30,853,518)					
Adjustments for the impairment of current assets	(151,934)	(778,687)	(289,473)	(211,007)	-	(109,702)	-	(1,540,803)					
Other expenses	(18,042,052)	(18,869,311)	(17,216,379)	(11,948,741)	(3,824,170)	(5,110,020)	-	(75,010,673)					
Total expenses related to sales, indirect and administrative expenses	(241,079,961)	(212,975,186)	(176,136,330)	(57,531,922)	(57,410,213)	(26,428,230)	-	(771,561,838)					
Operating result	21,740,641	8,354,704	(2,311,500)	(1,268,071)	5,754,930	2,501,525	-	34,772,232					
EBITDA	26,419,446	14,593,359	9,860,389	3,486,679	7,267,499	3,247,782	-	64,875,155					
Assets													
Total assets, out of which	144,765,996	189,137,726	169,045,528	67,744,885	38,715,501	22,646,883	10,189,949	642,246,468					
Non-current assets	53,623,251	99,815,668	72,378,186	34,199,641	15,155,042	10,799,960	8,324,389	294,296,137					
Current assets	91,142,745	89,322,058	96,667,342	33,545,244	23,560,459	11,846,923	-	346,084,771					
Assets held for sale	-	-	-	-	-	-	1,865,560	1,865,560					
Liabilities													
Total liabilities, out of which:	96,037,732	162,835,756	109,949,339	31,174,500	19,389,230	5,581,413	-	404,130,603					
Non-current liabilities	18,111,998	92,766,044	11,375,401	8,360,680	2,581,214	602,974	-	133,798,312					
Current liabilities	77,925,734	70,069,712	77,736,572	22,813,820	16,808,015	4,978,439	-	270,332,291					

EBITDA = Operating result + amortization and the adjustments for the impairment of non-current assets and provisions – Income from subsidies

(*) The amounts disclosed are net of the inter-segment transactions elimination

2. The Group's results (continued)

2019	Sandwich panels	Metal tiles	Installations	Joinery profiles	Compounds	PVC windows and doors	Total
Revenue from third party customers	308,798,619	269,856,527	239,801,610	61,050,050	64,200,791	28,874,813	972,582,410
Other operating income	877,561	82,712	303,612	3,418	0	18,819	1,286,122
Income from subsidies	434,679	303,960	132,144	0	0	17,451	888,234
Operating income, total	310,110,859	270,243,199	240,237,366	61,053,468	64,200,791	28,911,083	974,756,766
Raw materials, consumables used and merchandise	(231,736,093)	(207,947,809)	(157,333,349)	(40,501,206)	(47,501,334)	(15,845,685)	(700,865,476)
Employee benefits expenses	(16,507,089)	(21,889,151)	(28,016,266)	(8,636,151)	(4,560,275)	(6,543,870)	(86,152,803)
Amortization and adjustments for the impairment of assets and provisions	(5,425,845)	(6,624,898)	(13,058,407)	(6,790,689)	(1,541,375)	(757,257)	(34,198,472)
Adjustments for the impairment of current assets	(843,770)	(696,812)	689,820	203,480	0	(89,687)	(736,969)
Sponsorship expenses	(690,814)	(116,818)	(115,555)	(56,484)	(53,896)	(39,087)	(1,072,654)
Other expenses	(23,065,103)	(25,086,136)	(30,230,072)	(7,975,624)	(4,504,008)	(4,987,909)	(95,848,851)
Total expenses related to sales, indirect and administrative expenses	(278,268,714)	(262,361,624)	(228,063,830)	(63,756,674)	(58,160,889)	(28,263,495)	(918,875,225)
Goodwill impairment and debt cancellation, net		(934,965)					(934,965)
Operating result	31,842,144	6,946,610	12,173,536	(2,703,205)	6,039,902	647,589	54,946,576
EBITDA	36,833,310	14,202,513	25,099,800	4,087,484	7,581,278	1,387,394	89,191,779
Financial result	(2,411,706)	(3,234,975)	(3,229,464)	(400,038)	(620,215)	(297,442)	(10,193,840)
Profit before tax	29,430,438	3,711,635	8,944,073	(3,103,243)	5,419,687	350,147	44,752,736

EBITDA = operating result + amortization and the adjustments for the impairment of non-current assets and provisions – Income from subsidies - Goodwill impairment and debt cancellation, net

Goodwill impairment and debt cancellation related to the metal tiles CGU (Notes 3 and 16) are considered one off events, not reflecting the operating performance of the Group.

The amounts disclosed above are net of the inter-segment transactions elimination

The following inter – segment transactions, made at prices that approximate market prices, were eliminated in the above segment information, to reflect third party sales which are one of the objectives of management:

- Sales of steel of RON 7,748,802 from the Roof tiles segment to the Sandwich panels segment;
- Sales of PVC joinery profiles of RON 12,964,877 to the Windows and Doors segment.

2. The Group's results (continued)

2019	Sandwich panels	Metal tiles	Installations	Joinery profiles	Compounds	PVC windows and doors	Un allocated	Total
Assets								
Total assets, out of which:	136,320,875	197,410,757	212,277,770	52,818,321	39,752,366	47,886,697	6,913,460	693,380,246
Non-current assets	53,116,775	101,293,573	101,956,914	30,037,519	21,590,023	26,734,686	6,913,460	341,642,950
Current assets	83,204,099	96,117,184	110,320,856	22,780,803	18,162,343	21,152,010		351,737,296
Assets held for sale								
Liabilities								
Total liabilities, out of which:	72,532,759	145,344,717	120,851,604	27,065,016	26,768,012	24,669,740	-	417,231,847
Non-current liabilities	11,866,884	44,775,602	30,850,871	2,017,455	6,032,378	9,890,614		105,433,805
Current liabilities	60,665,875	100,569,114	90,000,733	25,047,561	20,735,634	14,779,126		311,798,043
Additions to non current assets	3,727,587	31,778,473	32,054,090	4,206,018	7,783,519	16,334,314		95,884,001

The investment in the metal tiles business is a new production facility of 38,000 sqm in Baicoi (Prahova County). The factory and new production lines will ensure optimal logistics and an annual production capacity of over 10 million sqm of tiles.

The investment in the installations segment includes a production line for polypropylene pipes and an injection machine for fittings. These products are for sewage systems inside of buildings.

With the investment in the new compounder, TeraPlast will be the first producer in Romania of halogen-free, fire-resistant compounds used for insulation of electric cables.

The objective of the investment project of TeraGlass is a fully automated production line for windows and doors, which will also contribute to increasing production capacity and labor productivity.

In addition to these investments that will increase production capacity in 2020 and generate operating efficiencies, the Group invested in maintenance capex.

3. Risk management

In the normal course of business, the Group 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 Group's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Group'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 Group measures trade receivable at fair value through profit and loss while the other financial assets are measured at amortized cost

Financial assets	As at 31 Decemver 2019		As at 31 Decemver 2019	
	At fair value through profit and loss	At amortized cost	At fair value through profit and loss	At amortized cost
Non current				
Long term receivable		771,748		745,868
Other financial instruments measured at amortized cost		16,472		17,107
Current				
Trade receivable	138,795,252		127,460,704	
Cash		29,472,744		22,817,571
Prepayment		1,066,286		895,914

(a) Capital risks management

The Group manages its capital to ensure that the entities within the Group 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 Group 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 Group. Equity includes the share capital, reserves and retained earnings.

Managing the Group'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 Group 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 Group 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 consolidated balance sheet plus the net debt.

3. Risk management

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

	<u>2019</u> <u>RON</u>	<u>2018</u> <u>RON</u>
Total loans	221,310,135	195,065,913
Less cash and cash equivalents	(29,474,903)	(22,817,571)
Net debt	<u>191,835,232</u>	<u>172,248,340</u>
Total equity	<u>276,847,565</u>	<u>238,115,865</u>
Total equity and net debt	<u>468,682,797</u>	<u>410,364,205</u>
Gearing ratio	<u>41%</u>	<u>42%</u>

(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 Group provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyse 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 Group 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 Group management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group 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 Group exposure to the market risks or to how the Group manages and measures its risks.

(e) Foreign currency risk management

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

3. 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 Group is mainly exposed to the EUR-RON exchange rate.

<i>Currency</i>		<i>EUR</i>	<i>HUF</i>	<i>USD</i>	<i>RSD</i>	<i>RON</i>	<i>TOTAL</i>
<i>Trade receivable</i>	<i>RON equivalent</i>	21,502,476	295,940	218,079	1,150,182	115,628,574	138,795,252

<i>Currency</i>		<i>EUR</i>	<i>USD</i>	<i>RSD</i>	<i>PLN</i>	<i>RON</i>	<i>TOTAL</i>
<i>Trade and other payable</i>	<i>RON equivalent</i>	78,800,798	135,648	1,396,286	66	76,437,098	156,769,897

The table below details the Group 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 Group 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.

3. Risk management (continued)

Sensitivity analysis for primary currency risk

	31 December 2019		31 December 2018	
	RON	RON	RON	RON
Profit or (loss)	(2,283,616)	2,283,616	3,976,917	(3,976,917)

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

Translation risk

This exists due to the fact that the Group has operations whose functional currency is not the RON, the Group's presentational currency. Changes in the exchange rate between the reporting currencies of these operations and the RON, have an impact on the Group's consolidated 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).

(f) Interest rate risk management

The interest-bearing assets of the Group, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Group's interest rate risk relates to its bank loans. The loans with variable interest rate, expose the Group to the cash flow interest rate risk due to fluctuation of EURIBOR for the 2 mil EUR overdraft of TeraSteel Serbia and ROBOR for the other loans with variable interest rate. Out of the loans as at 31 December 2019, RON 108,711,849 is the balance of investment loans with fixed interest rate. The Group performed no hedging operation with a view to reducing its exposure to the interest rate risk.

The Group 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 Group 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 Group is exposed to the interest rate risk taking into account that the Group entities borrow funds both at fixed, and at floating interest rates. The risk is managed by the Group by maintaining a optimal balance between fixed rate and floating rate interest loans.

The Group'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 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)	2,155,508	(2,155,508)	1,950,659	(1,950,659)

(g) Other price risks

The Group 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 Group does not actively trade these investments.

3. Risk management (continued)

(h) Credit risk management

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

The Group 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 Group exposure and the credit ratings of third parties to contracts are monitored by the management.

Group'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 Group.

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 Group 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 Group, beyond the provisions already recorded.

The Group considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analysing the receivables individually and making impairment adjustments. The Group had more than four thousand clients in 2019, with the highest exposure on one client not exceeding 3%.

(i) Liquidity risk management

The Group 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 Group 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.

(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 Group 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.

3. Risk management (continued)

Tables on liquidity and interest rate risks

The tables below detail the dates remaining until the maturity of the Group'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 Group to be requested to pay. The table includes both the interest and the cash flows related to the capital.

2019

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	(101,341,635)	(46,329,589)	(9,077,742)	(9,538,132)	0	0	(166,287,099)
Interest-bearing instruments							
Short and long-term loans	(129,297,798)	(2,881,926)	(18,187,857)	(39,422,253)	(25,042,004)	(718,935)	(215,550,773)
Future interest on loans	(618,615)	(1,764,647)	(6,865,120)	(3,648,050)	(922,886)	(6,335)	(13,825,653)
Leases	(180,504)	(511,081)	(990,850)	(3,299,844)	(451,352)	(325,730)	(5,759,361)
Future interest on leases	(21,118)	(59,372)	(135,079)	(289,135)	(47,413)	(14,923)	(567,040)
Non-interest bearing							
Cash	29,472,745						29,472,745
Receivable	78,729,768	56,884,640	3,131,402	20,784	20,784	7,874	138,795,252

2018

	Below 1 month	1-3 months	3 months to 1 year	1-3 years	3 - 5 years	Above 5 years	Total
Non-interest bearing							
Trade payables and other liabilities	(96,723,892)	(48,253,632)	(275,099)	(49,022,037)	-	-	(194,274,661)
Interest-bearing instruments							
Short and long-term loans	(24,290,899)	(13,493,867)	(84,683,731)	(53,004,077)	(19,593,338)	-	(195,065,911)
Future interest	(515,878)	(1,597,492)	(3,706,581)	(11,086,541)	(4,479,623)	-	(21,386,116)
Non-interest bearing							
Cash	22,817,571	-	-	-	-	-	22,817,571
Receivables	78,720,055	46,253,683	2,486,967	-	-	-	127,460,704

4. The budget for 2020

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

- Turnover: RON 1.256,342 thousand
- Operating profit: RON 115,168 thousand

TeraPlast Group has planned for 2020 an investment budget of RON 31 million.

These investments can be directed towards: equipment, capital repairs and constructions.

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 proactive 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.

5. Non-Financial statement

According to the legal regulation on the disclosure of non-financial information, the Group 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 31st of December 2020.

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 2019 were focused on product development aiming at obtaining higher physical and mechanical properties than existing ones and cost efficiency with raw materials. Thus, PVC multi-layer pipes with micronized recycled PVC were obtained from various recycled rigid PVC. 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. TeraPlast has patents pending for some of these applications.

TeraSteel also introduced Leed Pannels with decreased environmental impact and increased thermal transfer properties, in partnership with Dow Chemicals. Wetterbest introduced as well new product groups, the Supreme 50 product line, with increased corrosion protection and lower carbon footprint.

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.).

5. Non-financial statement (continued)

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 constructed from concrete. The remainder of the land 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 storage there are adequate quantities of absorbents suitable for controlling any accidental spillage, in the unlikely event of such an occurrence. The rainwater from the platform is circulated through an oil separator.

Over 80% of the technological water is recirculated and wastewater is passed through the sewage treatment station. Wastewater quality indicators are determined quarterly. In 2020 we will invest in upgrading this station to accommodate the increase in staff.

Dangerous chemical substances are purchased in strict compliance with applicable legislation and their handling, use and disposal is in accordance with the safety data sheet that allows for all measures for environmental protection, occupational health and safety to be taken. The storage of the various dangerous chemicals 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 Group companies, recoverable waste (plastic waste, metal waste, paper packaging waste, cardboard, plastic packaging, wood packaging, etc.) and non-recoverable waste (industrial waste, contaminated metal packaging and household waste) are generated.

The implemented environmental management system aims 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.

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.

5. Non-financial statement (continued)

Conflicts of interests may arise when personal interests conflict with the ability to exercise one's duties properly and efficiently. In relation to relationships or activities that may affect or appear to affect the ability to make objective and fair decisions when carrying out activities on behalf of the Company, there is an internal procedure at the level of the Group with the aim of complying with the legal provisions in force, namely Law 24/2017 on Issuers of Financial Instruments and Market Operations, which states: "The managers of issuers whose securities are admitted to trading on a regulated market are obliged to report immediately any legal act concluded by the issuer with the directors, the employees, the controlling shareholders, as well as the persons with whom they act in concert, whose cumulative value represents at least the equivalent in RON of EUR 50,000. "(Art.82 (1) of Law 24/2017)

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 Group 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 Group 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 is critical to the Company's competitiveness and its ability to innovate. The main objective of the procurement activity is the complete material availability both in terms of quantity and quality, in due 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 Group companies is an integral part of the overall objective of the Group, 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.

We are building long term partnerships with our suppliers, based on trust and responsibility. We are constantly evaluating suppliers and applying an internal qualification and acceptance system. Furthermore, we are actively seeking alternative suppliers to reduce dependence on a single supplier.

Group 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.

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. Suppliers must comply to intellectual property regulations and warrant against any risks that might arise from this field.

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 as much as possible, and assessing the compliance with environmental, occupational health and safety requirements, and social responsibility.

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

5. Non-financial statement (continued)

The Group'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 Group'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 Group.

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.

Responsible sales policy

The Group's sales policy is based on a transparent procedure, tailored to a normal and fair competitive environment, designed to sustain sales growth through various economic and non-economic leverage, such as: sales price, gross margin to production cost, profit conditions, transportation conditions, cashing conditions, discount quota etc.

How to use these levers forms distinct chapters of commercial policy for each business line, customer category, or product. At the same time, the Commercial Policy is correlated with the quality standards and contains specific measures and procedures based on the Group Code of Conduct, as well as measures and procedures for the prevention of corruption acts.

The Sales Department of the Group is coordinated by the Commercial Director and follows a simple structure based on both the geographical structure of the market served by the Group and the structure of the Group's portfolio on business lines. Each business line is coordinated by a Business Line Manager, who further coordinates the Regional Managers, with Sales Agents subordinate to them. Each sales agent is assigned a territory of his own, being also informed of the Commercial Policy. All sales of the Group closely follow the Commercial Policy, subject to a hierarchical approval system and with its own elements of substantiation and action either directly on sales. Changes to the fundamental elements of the Commercial Policy, for example the sale price, are reapproved at the appropriate hierarchical level before they are exposed to the market by the sales agents.

Both our clients and our employees 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. The main documents underlying customer transactions, Sales Agreements, are also subject to an internal approval and signature procedure that minimizes the risk of unfair trading.

6. Group Management

Directors` 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 Stănean – Chief Executive Officer

Year of Birth: 1982

In office: July 2018 – present

Alexandru Stănean 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. Stănean 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).

7. 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 Organization and Operation, consistent with the CGC principles, thus ensuring the company's transparency and sustainable development. The Regulation for Organization 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 September 2019 elected 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, approved by the General Meeting of Shareholders of September 2019, 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.

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, 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 Stănean

Chief Financial Officer
Ioana Birta