

**TERAPLAST SA**

**SIMPLIFIED CONSOLIDATED  
FINANCIAL STATEMENTS**

**AT AND FOR THE SIX-MONTH PERIOD  
ENDED JUNE 30, 2020**

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

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**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

	Note	Period ended June 30, 2020	Period ended June 30, 2019
<b>Income from contracts with customers, of which:</b>	4	<b>486,645,621</b>	<b>416,338,192</b>
Income from the sale of finished goods		427,198,825	356,775,483
Income from the sale of goods		54,922,275	53,549,891
Income from provision of services		4,524,521	6,012,818
<b>Other operating income</b>	5	<b>2,462,570</b>	<b>523,551</b>
<b>Income from investment subsidies</b>		<b>1,406,284</b>	<b>369,374</b>
Changes in stocks of finished goods and work in progress		1,346,376	10,916,621
Works and services in progress		(86,156)	(5,118)
Raw materials, consumables and merchandise	6	(339,508,889)	(310,794,388)
Expenses with employees' benefits	9	(47,967,391)	(39,525,289)
Amortisation/depreciation and impairment of non-current assets, net	8	(17,518,878)	(14,127,106)
Impairment of non-current assets, net		(2,924,350)	486,801
Income / expenses from reversal of provisions, net	8	197,679	132,955
Gains / (Losses) on the write-off/measurement of tangible and intangible assets	7	(1,068,818)	356,066
Gains / (Losses) on the valuation/sale of investment property at fair value		(166,632)	-
Gains on the disposal of assets held for sale	17	-	15,034
Other operating expenses	10	(45,358,189)	(42,426,796)
Sponsorship		(281,376)	(200,010)
<b>Operating profit/loss</b>		<b>37,177,851</b>	<b>22,059,887</b>
Financial expenses		(356,782)	(2,611,227)
Interest expenses, net		(4,254,931)	(4,386,277)
Financial income		1,416,654	1,700,658
<b>Financial result, net</b>	5	<b>(3,195,059)</b>	<b>(5,296,846)</b>
<b>Profit before tax</b>		<b>33,982,792</b>	<b>16,763,041</b>
Income tax expenses		(4,438,164)	(2,095,848)
<b>Profit for the year</b>		<b>29,544,628</b>	<b>14,667,193</b>
<b>Result of the financial year</b> attributable to			
Owners of the parent		29,397,326	14,424,751
Non-controlling interests	20	147,302	242,442
<b>Profit/loss for the year</b>		<b>29,544,628</b>	<b>3,314,757</b>
<b>Comprehensive income</b>		<b>29,544,628</b>	<b>14,667,193</b>

These simplified consolidated interim financial statements were approved on July 27, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At June 30, 2020**

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

	Note	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	282,403,500	280,815,152
Investment property	13	3,686,767	6,913,460
Leased right-of-use assets		7,659,189	9,172,609
Intangible assets	12	33,703,864	33,926,670
Goodwill		11,080,574	10,026,839
Other financial assets	14	16,472	16,472
Other financial investments	14	378,911	771,748
<b>Total non-current assets</b>		<b>338,929,277</b>	<b>341,642,950</b>
<b>Current assets</b>			
Inventories	15	208,252,656	181,596,424
Work and services in progress		720,435	806,590
Trade and other receivables	16	173,499,190	138,795,252
Prepaid expenses		2,624,283	1,066,286
Cash and short-term deposits	28	29,154,381	29,472,744
<b>Total current assets</b>		<b>414,250,945</b>	<b>351,737,296</b>
<b>Total assets</b>		<b>753,180,222</b>	<b>693,380,246</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Subscribed capital	18	133,780,511	133,780,651
Share premiums		27,384,726	27,384,726
Treasury shares	18	-	(139)
Revaluation reserves	11	17,857,283	17,871,014
Legal reserves	19	16,096,574	16,096,574
FX reserves upon consolidation		(436,298)	(436,298)
Retained earnings		106,336,020	79,198,291
<b>Capital attributable to controlling interests</b>		<b>301,018,816</b>	<b>273,894,819</b>
Non-controlling interests	20	868,321	2,253,580
<b>Total equity</b>		<b>301,887,137</b>	<b>276,148,399</b>
<b>Long-term liabilities</b>			
Borrowings and finance lease liabilities	21,25	99,316,763	69,260,122
Employees' benefits	22	1,645,637	1,636,529
Deferred tax liabilities		9,483,190	9,690,589
Subsidies for investments – long-term portion		23,080,175	15,329,362
<b>Total long-term liabilities</b>		<b>133,525,765</b>	<b>95,916,602</b>
<b>Current liabilities</b>			
Trade and other payables	23,24	199,037,032	166,287,099
Borrowings and finance lease liabilities	21,25	111,854,273	152,050,013
Income tax payable		2,991,307	6,445
Subsidies for investments – current portion		2,807,572	1,920,804
Provisions	22	1,077,134	1,050,884
<b>Total current liabilities</b>		<b>317,767,318</b>	<b>321,315,245</b>
<b>Total liabilities</b>		<b>451,293,083</b>	<b>417,231,847</b>
<b>Total equity and liabilities</b>		<b>753,180,220</b>	<b>693,380,246</b>

These consolidated financial statements were approved on July 27, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury share	FX reserve upon consolidation	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
<b>Balance at January 1, 2020</b>	<b>133,780,650</b>	-	<b>27,384,726</b>	<b>17,871,015</b>	<b>16,096,574</b>	<b>(139)</b>	<b>(436,298)</b>	<b>79,198,288</b>	<b>273,894,816</b>	<b>2,253,580</b>	<b>276,148,396</b>
Profit or loss for the year	-	-	-	-	-	-	-	29,397,326	29,397,326	147,302	29,544,628
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>29,397,326</b>	<b>29,397,326</b>	<b>147,302</b>	<b>29,544,628</b>
<b>Reserves representing the revaluation surplus</b>	-	-	-	(13,732)	-	-	-	(2,259,594)	(2,273,325)	-	<b>(2,273,325)</b>
Other equity items/increases/decreases	-	-	-	-	-	-	-	-	-	-	-
Write-off of redeemed equity shares	(139)	-	-	-	-	139	-	-	-	(1,532,561)	<b>(1,532,561)</b>
<b>Balance at June 30, 2020</b>	<b>133,780,511</b>	-	<b>27,384,726</b>	<b>17,857,283</b>	<b>16,096,574</b>	-	<b>(436,298)</b>	<b>106,336,020</b>	<b>301,018,816</b>	<b>868,321</b>	<b>301,887,137</b>
	Total share capital	Other capital reserves	Share premiums	Revaluation reserves	Legal reserves	Treasury share	FX reserve upon consolidation	Accumulated retained earnings	Capital attributable to controlling interests	Non-controlling interests	Total equity
<b>Balance at January 1, 2019</b>	<b>107,024,527</b>	<b>1,472,925</b>	<b>27,384,726</b>	<b>17,698,554</b>	<b>15,516,164</b>	<b>(1,472,925)</b>	-	<b>68,526,436</b>	<b>236,150,407</b>	<b>1,965,458</b>	<b>238,115,864</b>
Profit or loss for the year	-	-	-	-	-	-	-	37,782,242	37,782,242	1,125,288	<b>38,907,530</b>
Other comprehensive income	-	-	-	172,460	-	-	(436,298)	436,298	(263,838)	-	<b>(263,838)</b>
<b>Total comprehensive income</b>	-	-	-	<b>172,460</b>	-	-	<b>(436,298)</b>	<b>38,218,540</b>	<b>37,518,404</b>	<b>1,125,288</b>	<b>38,643,692</b>
Increase of share capital from reserves	26,756,123	-	-	-	-	-	-	(26,756,123)	-	-	-
Set-up of legal reserve	-	-	-	-	580,410	-	-	(580,410)	-	-	-
Loss on the sale of own shares	-	-	-	-	-	265,750	-	(265,750)	-	-	-
Benefits granted to employees in the form of financial instruments	-	-	-	-	-	1,207,036,53	-	-	1,207,037	-	<b>1,207,037</b>
Dividends paid	-	-	-	-	-	-	-	-	-	(837,166)	<b>(837,166)</b>
Other equity elements increases /(reductions)	-	(1,472,925)	-	-	-	-	-	55,596	(981,031)	-	<b>(981,031)</b>
<b>Balance at December 31, 2019</b>	<b>133,780,650</b>	-	<b>27,384,726</b>	<b>17,871,015</b>	<b>16,096,574</b>	<b>(139)</b>	<b>(436,298)</b>	<b>79,198,288</b>	<b>273,894,816</b>	<b>2,253,580</b>	<b>276,148,396</b>

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	<b>33,982,791</b>	<b>16,763,041</b>
Losses on the sale of assets (fixed assets) and scrapping	1,068,818	356,066
Amortisation/depreciation and impairment of non-current assets	17,518,878	14,127,106
Provisions for risks and charges, net	35,358	(132,917)
Impairment of doubtful customers	2,666,075	754,607
Impairment of inventories	258,275	(1,241,408)
(Gains)/Losses on the sale of investment property	166,632	-
Interest expenses	4,254,931	4,386,277
<b>Operating profit before changes in working capital</b>	<b>59,951,758</b>	<b>35,012,772</b>
Increases of trade and other receivables	(38,535,173)	(34,751,562)
Increases of inventories	(26,828,352)	(12,240,827)
Increase of trade and other liabilities	51,248,276	33,507,681
Income tax paid	(1,479,512)	(2,044,125)
Interest paid, net	(4,254,931)	(4,386,277)
Income from subsidies	(1,406,284)	(372,073)
<b>Cash generated by operating activities</b>	<b>38,695,783</b>	<b>14,725,589</b>
<b>Cash flows used in investing activities :</b>		
Payments to purchase tangible and intangible assets, other non-current receivables	(29,617,825)	(28,956,420)
Payments to purchase shares in Wetterbest	(19,034,400)	(2,379,950)
Payments to purchase shares in Cortina	(1,397,223)	-
Proceeds from the sale of tangible assets	9,461,050	726,002
Proceeds from State aid subsidies	10,043,865	-
<b>Cash used in investing activities</b>	<b>(30,544,533)</b>	<b>(30,610,368)</b>
<b>Cash flows from financing activities:</b>		
Payment of finance lease liabilities	360,439	318,601
Dividends paid	-	(465,004)
Investment loan drawdowns/repayments, net	27,626,005	(6,557,664)
Drawdowns/repayments of credit lines, net	(36,456,061)	26,516,181
<b>Net cash flows generated by financing activities</b>	<b>(8,469,617)</b>	<b>19,812,114</b>
Net decrease of cash and cash equivalents	(318,367)	3,927,335
<b>Cash and cash equivalents at the beginning of the period</b>	<b>29,472,744</b>	<b>22,817,571</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>29,154,381</b>	<b>26,744,906</b>

These consolidated financial statements were approved on July 27, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

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## **1. GENERAL INFORMATION**

These are the simplified consolidated financial statements of Group Teraplast SA ("the Group").

Grupul TeraPlast is the largest Romanian manufacturer of construction materials and comprises seven companies with a wide range of construction materials. The Group offers a complete solution for the following market segments: installations, window profiles, PVC compounds, sandwich panels, coated steel structures, turnkey warehouses, complete roof systems, PVC windows and doors, PVC recycling.

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

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

Teraplast SA prepares consolidated financial statements since 2007. These financial statements are available on the company's website ([www.teraplast.ro](http://www.teraplast.ro)).

### **These consolidated financial statements have not been audited.**

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

- Terasteel Romania and Terasteel Serbia (manufacturers of sandwich panels and coated steel structures),
- Wetterbest (manufacturer of metal tiles),
- Teraglass (manufacturer of PVC windows and doors),
- Teraplast Recycling (company specialised in recycling following the separation of the recycling line from Teraplast,
- Teraplast Hungary (distributor),
- Politub – in May 2020, following the fulfilment of the legal requirements, Politub SA was deregistered due to the merger by absorption with Teraplast Recycling SA

The Group operates in five cities and eight plants: Sărățel (Bistrița-Năsăud), Bistrița (Bistrița Năsăud), Băicoi (Prahova), Podari (Dolj) and Leskovac (Serbia).

TeraPlast SA will sell its shares in Terasteel Romania and Serbia and Wetterbest to Kingspan Group, according to the contract concluded on July 24, 2020.

## **2. SIGNIFICANT ACCOUNTING POLICIES**

### **2.1. Statement of compliance**

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

### **2.2. Bases of preparation**

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

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

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

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

The accounting policies and measurement methods adopted in the preparation of the simplified consolidated interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements of Teraplast SA at December 31, 2019.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

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### **3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

In the course of applying the Group's accounting policies, management made the following judgments with the highest effect on the amounts recognised in the consolidated financial statements:

Estimates

#### **Non-current assets held for sale – Steel division**

On July 24, 2020, the Group concluded an agreement with Kingspan Group to sell the Steel division. The transaction encompasses the entire interest of Teraplast SA in subsidiaries TeraSteel SA, TeraSteel DOO Serbia, Wetterbest SA, Terasteel Slovakia s.r.o and Cortina WTB SRL.

The transaction will be subject to the final approval of the Extraordinary General Meeting of Shareholders of TeraPlast called for 31.08.2020 and will be completed after obtaining the approval of the competition authorities.

The total price of the transaction will be determined based on a starting price of RON 410,000,000, which will be adjusted at the final date of the transaction based on an agreed formula as follows: starting price plus actual working capital, less target working capital plus actual cash less actual indebtedness. The transaction does not include payment in shares or other financial instruments nor does it entail changes in the shareholding of TeraPlast.

At June 30, 2020, the Group does not apply IFRS 5 Non-current assets held for sale and discontinued operations.

#### **Business enterprises – Wetterbest**

TeraPlast took over control of Wetterbest SA in January 2018, after obtaining the approval of the Competition Council and registered the additional investment of 17% with the Trade Registry, obtaining an interest of 67%. In 2017, Teraplast entered into a bilateral sale undertaking with the minority shareholders of Wetterbest SA, for the rest of their investments up to 99% in the company (32% of the Company's shares worth EUR 10 million).

The nature of the sale undertaking was similar to a forward agreement (or a combination of put and call option), which, at the date of control takeover, created an obligation for the Group to deliver cash for its equity shares (for the purpose of the consolidated financial statements, the subsidiary's shares are equity instruments of the Group). According to IAS 32.23, such liability will be initially stated at the actual value of the buy-back price (a gross liability).

Consequently, in January 2018, after obtaining control of Wetterbest SA, the Group recognised under "Liabilities to be paid in more than one year" the fair value of the acquisition price agreed upon with the promissory sellers, of RON 49,022,037, which was considered to be the best estimate of the buy-back price. Such liability was treated as part of the consideration transferred to gain control (deferred consideration).

Consequently, the group consolidated Wetterbest SA as a 99% ownership since the acquisition of control in January 2018. The deferred consideration for the 32% interest was measured subsequently as per IFRS 9.

The fair value of Wetterbest SA at the acquisition date was RON 70,556,559, determined based on the revaluation report prepared by an external appraiser. The price of the 99% ownership was calculated based on such fair value, resulting in a goodwill of RON 35,230,839.

In 2019, further to the conclusion of the sale agreement for the additional 32% ownership further to the negotiation between the parties, the value of the transaction was RON 24,269,035 lower than the value of the initial agreement, which was accounted as debt write-off.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

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**4. OPERATING INCOME AND SEGMENTS**

A structure of the Group's income is presented below:

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Income from own production	433,186,333	362,277,366
Income from resale of merchandise	54,922,275	53,549,891
Income from other activities	4,524,521	6,012,818
Trade discounts granted	(5,987,508)	(5,501,883)
<b>Total</b>	<b>486,645,621</b>	<b>416,338,192</b>
Sales on domestic market (Romania)	372,271,047	312,567,488
Sales on foreign market	114,374,570	103,770,704

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

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

The product portfolio of the TeraPlast group is structured on six business lines: **Installations, PVC joinery profiles, compounds, sandwich panels, windows and doors and metal roof tiles.**

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)

**BUSINESS LINES**

**Sandwich panels**

TeraSteel is one of the largest producers of panels and coated fittings in Romania and an important exporter in Central and Eastern Europe. Starting 2015, the company offers turnkey halls – a complete building solution. The portfolio of products also includes starting 2018, self-supporting corrugated sheet. In 2018, TeraSteel Serbia grew its production capacity through an investment of over EUR 1 million and started producing self-supporting corrugated sheet and mineral wool sandwich panels.

The distribution network of TeraSteel consists of large DYI stores in Romania, contractors and partner companies in the storage industry.

TeraSteel products are available in more than 25 European countries. Exports account for over 44% of revenues, the main markets being Hungary, Slovakia, Czech Republic, Moldova and Bulgaria.

The sales of sandwich panels account for more than 85% of the segment revenues.

TeraSteel offers a complete solution for industrial buildings with light structures. The turnkey halls produced by TeraSteel are made of TeraSteel panels and structure, and the project's design and coordination are internally developed. Building works are subcontracted.

**Metal roof tiles**

Wetterbest is the second largest producer of metal roof tiles in Romania, both in terms of quantity and revenues. Wetterbest offers complete roof systems.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**

**For the six-month period ended June 30, 2020**

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

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**4. OPERATING INCOME AND SEGMENTS (continued)**

**Installations**

The Installations business line is part of TeraPlast and 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 average 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.

**Windows and doors**

Through its business line of windows and doors, TeraGlass produces windows and doors.

Over 70% of products are exported to main markets such as Germany, Hungary and Slovakia. The products of TeraGlass are available especially in DIY stores.

The performances and financial position of the Group in its reporting segments, aggregated as presented above, by main business lines, are presented below.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

**4. OPERATING INCOME AND SEGMENTS (continued)**

January – June 2020							Investment property	
	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works		Total
<b>Turnover (*)</b>	<b>155,812,657</b>	<b>116,324,232</b>	<b>138,496,494</b>	<b>25,905,065</b>	<b>34,646,459</b>	<b>15,460,716</b>	-	<b>486,645,621</b>
Operating income	156,225,475	116,533,379	138,705,910	25,914,784	34,646,459	15,474,723	-	487,500,730
Sales, overheads and administrative expenses	(143,303,107)	(113,832,005)	(123,631,580)	(25,310,056)	(29,526,541)	(16,125,875)	-	(451,729,163)
<b>Operating result</b>	<b>13,139,112</b>	<b>2,885,168</b>	<b>15,496,045</b>	<b>604,728</b>	<b>5,300,653</b>	<b>(247,855)</b>	-	<b>37,177,850</b>
Depreciation, impairment of assets and impairment allowances	(3,277,504)	(2,352,293)	(7,291,706)	(2,242,530)	(868,343)	(916,812)	-	(16,949,188)
Subsidies	216,744	183,794	421,714	-	180,735	403,297	-	1,406,284
<b>EBITDA (**)</b>	<b>16,199,872</b>	<b>5,053,667</b>	<b>22,366,037</b>	<b>2,847,258</b>	<b>5,988,261</b>	<b>265,660</b>	-	<b>52,720,755</b>
<b>June 30, 2020</b>								
<b>Total assets, of which</b>	<b>168,838,713</b>	<b>198,040,959</b>	<b>237,154,110</b>	<b>59,834,943</b>	<b>44,519,703</b>	<b>40,949,698</b>	<b>3,842,095</b>	<b>753,180,221</b>
Non-current assets	52,677,764	105,383,721	102,121,498	27,174,155	21,383,430	26,346,612	3,842,095	338,929,276
Current assets	116,160,949	92,657,237	135,032,612	32,660,788	23,136,272	14,603,087	-	414,250,945
<b>Total liabilities, of which:</b>	<b>106,866,102</b>	<b>137,843,105</b>	<b>138,780,417</b>	<b>20,757,145</b>	<b>29,489,330</b>	<b>17,556,986</b>	-	<b>451,293,085</b>
Non-current liabilities	22,282,031	51,449,456	42,677,352	2,180,932	4,237,921	10,698,073	-	133,525,765
Current liabilities	84,584,071	86,393,649	96,103,065	18,576,213	25,251,409	6,858,913	-	317,767,320

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**4. OPERATING INCOME AND SEGMENTS (continued)**

January – June 2019							Investment property		
	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works		Total	
<b>Turnover (*)</b>	<b>130,774,407</b>	<b>105,177,532</b>	<b>107,969,748</b>	<b>28,140,342</b>	<b>31,607,615</b>	<b>12,668,547</b>	-	<b>416,338,192</b>	
Operating income	131,133,189	105,187,606	108,065,476	28,157,956	31,633,252	12,674,774	-	416,852,253	
Sales, overheads and administrative expenses	(120,216,929)	(103,255,638)	(102,752,783)	(28,200,719)	(28,860,526)	(11,884,629)	-	(395,171,224)	
<b>Operating result</b>	<b>11,143,142</b>	<b>2,083,948</b>	<b>5,312,694</b>	<b>(42,763)</b>	<b>2,772,726</b>	<b>790,145</b>	-	<b>22,059,892</b>	
Depreciation, impairment of assets and impairment allowances	(2,150,368)	(3,022,201)	(5,265,371)	(2,245,437)	(618,313)	(321,361)	-	(13,623,051)	
Subsidies	226,883	151,980	-	-	-	-	-	378,863	
<b>EBITDA (**)</b>	<b>13,066,627</b>	<b>4,954,169</b>	<b>10,578,065</b>	<b>2,202,673</b>	<b>3,391,039</b>	<b>1,111,506</b>	-	<b>35,304,079</b>	
<b>December 31, 2019</b>									
<b>Total assets, of which</b>	<b>136,320,875</b>	<b>197,410,757</b>	<b>212,277,770</b>	<b>52,818,321</b>	<b>39,752,366</b>	<b>47,886,697</b>	<b>6,913,460</b>	<b>693,380,246</b>	
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	
<b>Total liabilities, of which:</b>	<b>72,532,759</b>	<b>145,344,717</b>	<b>120,851,604</b>	<b>27,065,016</b>	<b>26,768,012</b>	<b>24,669,740</b>	-	<b>417,231,847</b>	
Non-current liabilities	11,866,884	35,258,399	30,850,871	2,017,455	6,032,378	9,890,614	-	95,916,602	
Current liabilities	60,665,875	110,086,317	90,000,733	25,047,561	20,735,634	14,779,126	-	321,315,245	

(\*) The values presented are net of write-offs of inter-segment transactions.

(\*\*) EBITDA = operating result + depreciation and impairment allowances of non-current assets and provisions – income from subsidies

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**5. SUNDRY INCOME**

**Financial income / expenses**

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Expenses with FX differences, net	1,034,234	(912,995)
Expenses with interest	(4,259,596)	(4,386,756)
Interest income	4,665	479
Other financial expenses	(1,509)	(7,827)
Other financial income	27,147	10,253
<b>Net financial loss</b>	<b>(3,195,059)</b>	<b>(5,296,846)</b>

**Other operating income**

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Compensation, fines and penalties	2,166,638	387,933
Other income	1,406,284	369,374
Income from subsidies	295,932	135,618
<b>Total</b>	<b>3,868,854</b>	<b>892,925</b>

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

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Expenses with raw materials	283,855,220	246,086,772
Expenses with consumables	15,870,242	13,348,099
Expenses with merchandise	38,202,658	49,682,797
Packaging used	1,580,769	1,676,720
<b>Total</b>	<b>339,508,889</b>	<b>310,794,388</b>

**7. OTHER GAINS AND LOSSES**

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Income from the disposal of tangible and intangible assets	9,524,622	726,002
Expenses with the disposal of tangible and intangible assets	(10,593,440)	(369,936)
<b>Net result from the disposal of tangible and intangible assets</b>	<b>(1,068,818)</b>	<b>356,066</b>
Income from the disposal of assets held for sale	-	1,880,594
Expenses with the disposal of assets held for sale	-	(1,865,560)
<b>Net result from the disposal of assets held for sale</b>	<b>-</b>	<b>15,034</b>
Income from sale of investment property	3,060,060	-
Expenses with sale of investment property	(3,226,692)	-
<b>Net result from the disposal of investment property</b>	<b>(166,632)</b>	<b>-</b>

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

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Expenses with impairment of non-current assets	(1,541,766)	(1,693)
Income from reversal of impairments of non-current assets	595,151	218,767
Expenses with amortisation and depreciation	(16,572,263)	(14,344,180)
<b>Net impairment of non-current assets</b>	<b>(17,518,878)</b>	<b>(14,127,106)</b>
Expenses with impairment of inventories	(1,860,669)	(1,909,159)
Income from reversal of impairments of inventories	1,602,394	3,150,567
<b>Net impairment of inventories</b>	<b>(258,275)</b>	<b>1,241,408</b>
Expenses with impairment of current assets	(3,325,040)	(1,216,724)
Income from reversal of impairments of current assets	900,881	481,771
Current receivables registered as expenses	(241,916)	(19,654)
<b>Net impairment of current receivables</b>	<b>(2,666,075)</b>	<b>(754,607)</b>
Expenses with provisions	(35,043)	(15,135)
Income from reversal/write-off of provisions	232,722	148,090
<b>Net adjustments for provisions</b>	<b>197,679</b>	<b>132,955</b>

**9. EXPENSES WITH EMPLOYEES' BENEFITS**

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Salaries	44,657,625	36,526,933
Contributions to the State social insurance fund	1,524,793	1,354,928
Meal tickets	1,784,973	1,643,428
<b>Total</b>	<b>47,967,391</b>	<b>39,525,289</b>

**10. OTHER EXPENSES**

	<b>Period ended June 30, 2020</b>	<b>Period ended June 30, 2019</b>
Transport	19,387,880	16,450,978
Utilities and green certificates	7,389,335	6,227,383
Third party services	7,953,681	7,557,800
Damages, fines and penalties	21,675	44,406
Protocol, advertising and publicity	2,591,812	3,431,328
Other general expenses	2,100,686	1,331,739
Taxes and levies	1,419,954	956,340
Repairs	1,692,518	1,784,243
Travel	503,344	824,620
Rentals	918,821	2,358,388
Postage fees and telecommunications	308,383	329,757
Insurance premiums	1,070,100	1,129,814
<b>Total</b>	<b>45,358,189</b>	<b>42,426,796</b>

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**11. PROPERTY, PLANT AND EQUIPMENT**

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
<b>COST</b>						
<b>Balance at January 1, 2019</b>	<b>13,832,218</b>	<b>98,040,028</b>	<b>242,216,342</b>	<b>2,677,936</b>	<b>14,393,983</b>	<b>371,160,507</b>
Increase from acquisitions	319,885	387,931	13,029,097	209,565	80,245,320	94,191,799
Increases from internal production of non-current assets	-	-	-	-	1,578,283	1,578,283
Transfers to / from non-current assets in progress	-	24,199,335	59,644,743	394,668	(83,904,414)	334,332
Transfers to right-of-use assets under leases	-	-	(3,624,654)	-	-	(3,624,654)
Transfers from right-of-use assets under leases	-	-	1,479,160	-	-	1,479,160
Disposals and other write-downs	(24,539)	-	(2,678,205)	(18,317)	(455,217)	(3,176,278)
FX effect	-	530,937	400,172	-	102,719	1,033,827
<b>Balance at December 31, 2019</b>	<b>14,127,564</b>	<b>123,158,231</b>	<b>310,466,655</b>	<b>3,263,853</b>	<b>11,960,673</b>	<b>462,976,976</b>
<b>Balance at January 1, 2020</b>	<b>14,127,564</b>	<b>123,158,231</b>	<b>310,466,655</b>	<b>3,263,853</b>	<b>11,960,673</b>	<b>462,976,976</b>
Increase from acquisitions	220,339	1,395,351	4,826,499	468,179	24,249,888	31,160,257
Increases from internal production of non-current assets	-	-	-	-	556,992	556,992
Transfers to / from non-current assets in progress	-	275,759	2,653,672	53,142	(2,982,573)	-
Transfers to right-of-use assets under leases	-	-	-	-	-	259,095
Transfers from right-of-use assets under leases	-	-	259,095	-	-	-
Disposals and other write-downs	(1,837,570)	(10,473,041)	(7,981,582)	(134,270)	(48,803)	(20,475,266)
<b>Balance at June 30, 2020</b>	<b>12,510,334</b>	<b>114,356,300</b>	<b>310,224,339</b>	<b>3,650,904</b>	<b>33,736,177</b>	<b>473,921,062</b>

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

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
<b>ACCUMULATED DEPRECIATION</b>						
<b>Balance at January 1, 2019</b>	<b>692</b>	<b>7,377,247</b>	<b>146,820,594</b>	<b>1,262,604</b>	<b>1,504,490</b>	<b>156,965,627</b>
Depreciation during the year	346	4,571,166	21,381,054	378,623	-	26,331,188
Disposals and reductions	23,615	-	(2,117,390)	(11,410)	-	(2,105,185)
Impairment	-	(31,979)	760,816	-	(200,512)	528,325
Transfers to right-of-use assets under leases	-	-	1,296,004	-	-	1,296,004
Transfers from right-of-use assets under leases	-	-	(1,031,023)	-	-	(1,031,023)
FX effect	-	40,616	136,272	-	-	176,888
<b>Balance at December 31, 2019</b>	<b>24,652</b>	<b>11,957,050</b>	<b>167,246,327</b>	<b>1,629,817</b>	<b>1,303,978</b>	<b>182,161,824</b>
<b>Balance at January 1, 2020</b>	<b>24,652</b>	<b>11,957,050</b>	<b>167,246,327</b>	<b>1,629,817</b>	<b>1,303,978</b>	<b>182,161,824</b>
Depreciation during the year	6,077	2,217,345	13,851,958	235,771	-	16,311,150
Disposals and reductions	(29,519)	(2,068,526)	(3,777,103)	(90,148)	-	(5,965,296)
Impairment	-	(83,149)	(443,674)	-	(48,803)	(575,626)
Transfers to right-of-use assets under leases	-	-	-	-	-	-
Transfers from right-of-use assets under leases	-	-	142,502	-	-	142,502
<b>Balance at June 30, 2020</b>	<b>1,210</b>	<b>12,022,719</b>	<b>177,020,011</b>	<b>1,775,440</b>	<b>1,255,175</b>	<b>192,074,554</b>
<b>NET BOOK VALUE</b>						
<b>Net book value at January 1, 2020</b>	<b>14,102,912</b>	<b>111,201,182</b>	<b>143,220,328</b>	<b>1,634,035</b>	<b>10,656,696</b>	<b>280,815,152</b>
<b>Net book value at June 30, 2020</b>	<b>12,509,123</b>	<b>102,333,581</b>	<b>133,204,329</b>	<b>1,875,464</b>	<b>32,481,002</b>	<b>282,403,500</b>

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

At June 30, 2020, the Group registered non-current assets and investment property pledged to financial institutions at a net book value of RON 137,711,572 (December 31, 2019: RON 146,324,388).

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

At December 31, 2019 the management, assisted by an authorized appraiser, analyzed whether a new revaluation of land and buildings would be necessary. Due to the fact that the differences between the fair value and the accounting value would be insignificant, the management decided not to revalue the Group's land and buildings.

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

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

At June 30, 2020, the Group recorded specific impairment allowances of property, plant and equipment in amount of RON 2,813,886 (December 31, 2019: RON 3,153,945).

In April 2020, according to the provisions of the Agreement for Sale of Shares of April 2019 entered into with minority shareholders Wetterbest SA, the subsidiary sold land and buildings located in Baicoi and Lliesti to Rocavera SRL, for an amount of EUR 2,00 million. The net book value of such properties at the time of the sale was RON 9.52 million.

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**12. INTANGIBLE ASSETS**

	Goodwill	Licence and other intangible assets	Intangible assets in progress	Total
<b>Cost</b>				
<b>Balance at January 1, 2019</b>	<b>35,230,839</b>	<b>43,489,085</b>	<b>404,897</b>	<b>79,124,821</b>
Increases, of which:		428,624	1,263,578	1,692,202
Transfers to / from non-current assets in progress		1,168,494	(1,502,826)	(334,332)
Effect of FX changes		16,566		<b>16,566</b>
<b>Balance at December 31, 2019</b>	<b>35,230,839</b>	<b>45,102,769</b>	<b>165,649</b>	<b>80,499,257</b>
<b>Balance at January 1, 2020</b>	<b>35,230,839</b>	<b>45,102,769</b>	<b>165,649</b>	<b>80,499,257</b>
Increases by acquisitions	1,054,365	460,548	5,868	1,520,781
Transfers to / from non-current assets in progress	-	-	-	-
Disposals and other write-downs	-	(34,556)	(3,320)	(37,876)
<b>Balance at June 30, 2020</b>	<b>36,285,204</b>	<b>45,528,761</b>	<b>168,196</b>	<b>81,982,161</b>
<b>Accumulated amortisation</b>				
<b>Balance at January 1, 2019</b>	-	<b>8,110,874</b>	-	<b>8,110,874</b>
Amortisation		2,969,498		<b>2,969,498</b>
Acquisition of Wetterbest				
Impairment	25,204,000	256,347		<b>25,460,347</b>
Effect of FX changes		5,027		
<b>Balance at December 31, 2019</b>	<b>25,204,000</b>	<b>11,341,747</b>	-	<b>36,545,747</b>
<b>Balance at January 1, 2020</b>	<b>25,204,000</b>	<b>11,341,747</b>	-	<b>36,545,747</b>
Amortisation	-	705,427	-	<b>705,427</b>
Disposals and other write-downs	-	(34,556)	-	(34,556)
Impairment	-	(19,526)	-	(19,526)
<b>Balance at June 30, 2020</b>	<b>25,204,000</b>	<b>11,993,092</b>	-	<b>37,197,092</b>
<b>Net book value at January 1, 2020</b>	<b>10,026,839</b>	<b>33,761,022</b>	<b>165,649</b>	<b>43,953,510</b>
<b>Net book value at June 30, 2020</b>	<b>11,081,204</b>	<b>33,535,669</b>	<b>168,196</b>	<b>44,785,069</b>

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

In the consolidated financial statements at June 30, 2020, the intangible assets recognised further to the acquisition of Wetterbest SRL are classified as other intangible assets.

**13. INVESTMENT PROPERTY**

Investment property at June 30, 2020 and December 31, 2019 consists of land of 36 thousand sqm located in Bistrita, held for value appreciation.

	Period ended June 30, 2020	Period ended December 31, 2019
<b>Opening balance at 1 January</b>	<b>6,913,460</b>	<b>8,324,389</b>
Additions / (Disposals)	(3,226,692)	(1,410,929)
Net changes in the valuation of investment property at fair value	-	-
<b>Closing balance at 30 June/December</b>	<b>3,686,768</b>	<b>6,913,460</b>

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

In May 2020, the property in Bistrita, Drumul Cetatii, was sold, generating the decrease of the Group's investment property by RON 3,227 thousand.

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**14. RIGHT-OF-USE ASSETS**

The Group has a right of use over the assets located in rented buildings, storages and exhibition centers. The Group finances vehicles through leases.

<b>Cost</b>	<b>Buildings</b>	<b>Equipment</b>	<b>Total</b>
Balance at January 1, 2019	7,633,340	3,624,654	11,257,994
Inflows	-	2,390,609	2,390,609
Transfers to equipment upon exercise of the purchase option	-	(1,479,160)	(1,479,160)
<b>Balance at December 31, 2019</b>	<b>7,633,340</b>	<b>4,536,103</b>	<b>12,169,443</b>
<b>Depreciation</b>			
Balance at January 1, 2019	-	1,296,004	1,296,004
Depreciation expenses	1,973,595	758,256	2,731,851
Depreciation of equipment transferred to personal protective equipment	-	(1,031,023)	(1,031,023)
<b>Balance at December 31, 2019</b>	<b>1,973,595</b>	<b>1,023,238</b>	<b>2,996,833</b>
<b>Book value at January 1, 2019</b>	<b>7,633,340</b>	<b>2,328,649</b>	<b>9,961,990</b>
<b>Book value at December 31, 2019</b>	<b>5,659,745</b>	<b>3,512,865</b>	<b>9,172,610</b>
<b>Cost</b>			
Balance at January 1, 2020	7,633,340	4,536,103	12,169,443
Inflows	864,036	-	864,036
Transfers to equipment upon exercise of the purchase option	(934,545)	(259,095)	(1,193,640)
<b>Balance at June 30, 2020</b>	<b>7,562,831</b>	<b>4,277,008</b>	<b>11,839,839</b>
<b>Depreciation</b>			
Balance at January 1, 2020	1,973,595	1,023,238	2,996,833
Depreciation expenses	1,103,362	438,404	1,541,766
Depreciation of equipment transferred to personal protective equipment	(215,447)	(142,502)	(357,949)
<b>Balance at June 30, 2020</b>	<b>1,973,595</b>	<b>1,023,238</b>	<b>2,996,833</b>
<b>Book value at January 1, 2020</b>	<b>5,659,745</b>	<b>3,512,865</b>	<b>9,172,610</b>
<b>Book value at June 30, 2020</b>	<b>4,701,321</b>	<b>2,957,869</b>	<b>7,659,189</b>

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**15. SUBSIDIARIES AND FINANCIAL ASSETS**

At June 30, 2020 and December 31, 2019, the parent holds investments as follows:

<b>Subsidiary</b>	<b>Place of establishment and venue of operations</b>	<b>Core activity</b>	<b>Ownership percentage at June 30, 2020 (%)</b>	<b>Ownership percentage at December 31, 2019 (%)</b>
Terasteel S.A. Bistrita	Romania	Manufacturing of thermal insulating panels	97.95	97.95
Teraglass Bistrita SA	Romania	Manufacturing of thermal insulating joinery	100.00	100.00
Politub SA	Romania	Manufacturing of polyethylene pipes	99.99	99.99
Teraplast Recycling SA	Romania	Waste recycling	99.00	99.00
Teraplast Hungaria Kft	Hungary	Distributor	100.00	100.00
Terasteel DOO Serbia	Serbia	Manufacturing of thermal insulating pan	100.00	100.00
Wetterbest SA	Romania	Manufacturing of metal tiles	99.00	99.00

**Acquisition of Wetterbest SA**

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

The consideration consists of:

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

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

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

Further to the merger, absorbed company Politub SA was dissolved without liquidation, and de-registered and its assets was transferred entirely to absorbing company Teraplast Recycling SA, in exchange for granting new shares to the shareholders of Politub SA, issued by Teraplast Recycling SA.

Teraplast Recycling SA continues to operate in its present legal form, keeping its present office and core object of activity. Teraplast Recycling SA acquired all of the rights of the absorbed company and will be bound by the obligations of the absorbed company.

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

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

<b>Name of investment</b>	<b>Country</b>	<b>Ownership %</b>	<b>June 30, 2020 RON</b>	<b>Ownership %</b>	<b>December 31, 2019 RON</b>
CERTIND SA	Romania	7,5%	14.400	7,5%	14.400
Parteneriat pentru dezvoltarea durabila	Romania	7,14%	1.000	7,14%	1.000
Tera Tools SRL	Romania	24%	72	24%	72
Asociatia Producatorilor de Panouri Metalice	Romania	11,11	1.000	11,11	1.000
		-	<b>16.472</b>	-	<b>16.472</b>

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

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**16. INVENTORIES**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Finished products	43,810,624	41,392,276
Raw materials	135,023,485	117,168,073
Merchandise	14,725,545	13,626,441
Consumables	5,200,205	3,886,442
Items of inventory	500,675	312,482
Semi-finished goods	7,121,838	8,251,520
Residual products	415,424	470,187
Goods pending supply	5,882,182	845,314
Packaging	2,236,312	2,048,296
<b>Inventories – gross value</b>	<b>214,916,290</b>	<b>188,001,031</b>
	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Impairment of raw materials and consumables	(2,600,863)	(2,600,884)
Impairment of finished products	(2,803,855)	(2,751,569)
Impairment of merchandise	(1,258,916)	(1,052,154)
<b>Total impairment</b>	<b>(6,663,634)</b>	<b>(6,404,607)</b>
<b>Total inventories – net value</b>	<b>208,252,656</b>	<b>181,596,424</b>

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

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

**17. TRADE AND OTHER RECEIVABLES**

**Short-term receivables**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Trade receivables	149,819,623	109,600,270
Commercial papers not payable	41,733,536	36,018,240
Advances paid to suppliers of non-current assets	3,188,382	4,482,479
Advances paid to suppliers of inventories and services	2,537,130	4,490,544
Other receivables	4,683,537	10,242,580
Impairment of trade receivables	(28,463,018)	(26,038,861)
<b>Total</b>	<b>173,499,190</b>	<b>138,795,252</b>

At June 30, 2020, the *Other receivables* line includes the RON 3,113,112 (December 31, 2019: RON 8,496,794) representing VAT recoverable (Teraglass Bistrita SRL, Terasteel Doo Serbia, Teraplast Recycling SA).

**Changes in impairment allowances for doubtful customers**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Balance at the beginning of the year</b>	<b>(26,038,861)</b>	<b>(25,096,230)</b>
Receivables transferred to expenses during the period	164,235	1,770,945
(Increase)/Reduction of impairment	(2,588,392)	(2,713,576)
<b>Balance at the end of the period</b>	<b>(28,463,018)</b>	<b>(26,038,861)</b>

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

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

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**18. SHARE CAPITAL**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Share capital subscribed and fully paid in	133,780,511	133,780,651

**19. LEGAL RESERVES**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Opening balance	16,096,574	15,516,164
Increases for the period	-	580,410
<b>Total</b>	<b>16,096,574</b>	<b>16,096,574</b>

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

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

**20. NON-CONTROLLING INTERESTS**

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
<b>Balance at the beginning of the year</b>	<b>2,253,580</b>	<b>1,965,458</b>
Profit or loss for the year	147,302	1,125,288
Dividends granted	-	(837,166)
Other elements	(1,532,561)	-
<b>Balance at the end of the year</b>	<b>868,321</b>	<b>2,253,580</b>

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

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**21. BORROWINGS**

Bank loans are as follows:

	Short-term		Long-term	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Teraplast SA	64,250,634	81,721,328	53,436,887	57,682,317
Terasteel SA	2,663,845	8,939,856	-	-
Teraglass Bistrita SRL	3,799,831	11,282,796	4,068,207	3,794,734
Wetterbest SA	26,535,367	37,849,339	17,464,800	1,323,281
Terasteel Doo Serbia	11,483,509	9,572,054	20,000,562	-
Cortina WTB SRL	-	69,527	-	129,841
<b>Total</b>	<b>108,733,187</b>	<b>149,434,900</b>	<b>94,970,456</b>	<b>62,930,173</b>

	Short-term		Long-term	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Transilvania Bank	67,195,736	73,243,205	53,722,218	61,477,051
Raiffeisen Bank	9,689,235	28,076,297	-	-
Exim Bank	28,453,942	41,605,958	3,781,903	-
BCR Bank	-	5,294,972	-	-
UniCredit Bank	-	1,383,090	-	1,453,122
BERD	3,394,275	-	37,466,335	-
Leasing	787,864	764,057	1,868,778	2,253,023
<b>Total</b>	<b>109,521,051</b>	<b>150,367,576</b>	<b>96,839,234</b>	<b>65,183,196</b>

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

Currency	June 30, 2020	December 31, 2019
EUR	55,143,203	21,543,331
RON	151,217,080	190,821,745
<b>Total</b>	<b>206,360,283</b>	<b>212,365,076</b>

At June 30, 2020, the Group registers non-current assets and investment property pledged to financial institutions in net book amount of RON 137,711,572 (December 31, 2019: RON 146,324,388).

The Group's inventories are pledged to financing banks.

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

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

At June 30, 2020 and December 31, 2019 the finance lease payables are as follows:

	Short-term		Long-term	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Teraplast SA	495,896	482,815	1,231,648	1,482,910
Terasteel SA	105,521	103,118	204,406	258,716
Teraglass Bistrita SRL	42,675	41,978	137,081	158,483
Wetterbest SA	74,757	62,396	122,685	163,203
Terasteel Doo Serbia	69,014	73,750	172,958	189,711
<b>Total</b>	<b>787,864</b>	<b>764,057</b>	<b>1,868,778</b>	<b>2,253,023</b>

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**22. LIABILITIES REGARDING EMPLOYEES' BENEFITS AND PROVISIONS**

The Group has established a benefit plan whereby employees are entitled to receive retirement benefits based on seniority in the Group at the retirement age of 65 for men and 61 for women. There are no other post-retirement benefits for employees. The provision represents the current value of the retirement benefit obligation calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2019. Future salary increases are estimated on the long-term, i.e. 1.1% in the first year, 1.4% in the second year, 1.6% in the third year and 1.37% in the following years.

	Short term		Long term	
	June 30, 2020	December 31, 2019	June 30, 2020	December 31, 2019
Employees' benefits	-	-	1,645,637	1,636,529
Provisions for risks and charges	1,077,134	1,050,884	-	-
<b>Total</b>	<b>1,077,134</b>	<b>1,050,884</b>	<b>1,645,637</b>	<b>1,636,529</b>

For Group companies resident in Romania, the most recent actuarial valuations were performed on December 31, 2019 by an independent valuer member of the Romanian Institute of Actuaries. The current value of the obligations regarding the defined benefits and the current and past cost of the related services were measured using the projected credit unit method. The movements from January to September are recorded in Terasteel Doo, where this action is performed monthly.

Employees' benefits	June 30, 2020	December 31, 2019
Opening balance	1,636,529	724,849
Changes	9,108	911,680
<b>Closing balance</b>	<b>1,645,637</b>	<b>1,636,529</b>

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

**23. TRADE AND OTHER PAYABLES**

	June 30, 2020	December 31, 2019
Trade payables	147,070,436	117,526,714
Commercial papers payable	790,389	1,027,752
Liabilities with purchase of non-current assets	4,296,863	1,779,442
Other current payables (note 24)	34,852,614	36,430,878
Advances on account of orders	12,026,730	9,522,313
<b>Total</b>	<b>199,037,032</b>	<b>166,287,099</b>

**24. OTHER CURRENT PAYABLES**

	June 30, 2020	December 31, 2019
Payroll liabilities and social security liabilities	12,062,423	8,581,177
VAT payable	19,717,975	6,912,167
Employees' rights not claimed	93,138	93,138
Sundry creditors	77,824	19,107,985
Trade guarantees received	1,686,075	386,027
Other taxes payable	832,484	967,689
Dividends payable	382,695	382,695
<b>Total</b>	<b>34,852,614</b>	<b>36,430,878</b>

At December 31, 2019, of the total amount in line "Sundry creditors", RON 19,034,400 represents the liability in relation to the minority shareholders of Wetterbest SA according to the firm contract concluded in April 2019 for the acquisition of additional 32% ownership in Wetterbest.

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**25. FINANCIAL INSTRUMENTS**

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

**(a) Capital risk management**

The Group manages its capital to ensure that the Group entities will be able to continue their activity while maximizing shareholders' income, by optimizing the balance of liabilities and equity.

The structure of the Group's capital consists of liabilities, which include the loans presented in note 20, the cash and cash equivalents and the equity attributable to the equity holders of the parent. Equity includes the share capital, reserves and retained earnings.

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

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

The Group's gearing ratio at June 30, 2020 and December 31, 2019 was as follows:

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Total loans (note 21)	211,171,036	221,310,135
Less cash and cash equivalents	(29,154,381)	(29,472,744)
<b>Net debt</b>	<b>182,016,655</b>	<b>191,837,391</b>
<b>Total equity</b>	<b>301,887,137</b>	<b>276,148,399</b>
<b>Total equity and net debt</b>	<b>483,903,792</b>	<b>467,985,790</b>
<b>Gearing ratio</b>	<b>38%</b>	<b>41%</b>

**(b) Main accounting policies**

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

**(c) Objectives of financial risk management**

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

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

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**25. FINANCIAL INSTRUMENTS (continued)**

**(d) Market risk**

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

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

**(e) Management of currency risk**

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

**(f) Management of interest rate risk**

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

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

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

**(g) Other price risks**

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

**(h) Management of credit risk**

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

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

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

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

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

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**25. FINANCIAL INSTRUMENTS (continued)**

**(i) Management of liquidity risk**

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

**26. RELATED PARTY TRANSACTIONS**

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

**June 30, 2020 and December 31, 2019**

**Susidiaries**

Teraglass Bistrita SRL  
Terasteel SA  
Politub SA  
Teraplast Recycling SA  
Teraplast Hungaria Kft  
Wetterbest SA  
Terasteel Doo Serbia  
Cortina WTB SRL  
TERASTEEL SLOVAKIA S.R.O.

**Related parties (common shareholding/decision-makers)**

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

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

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**27. CASH AND CASH EQUIVALENTS**

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

	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Cash at banks	26,930,901	26,710,537
Commercial papers receivable	993,890	192,795
Petty cash	337,432	244,817
Cash equivalents	892,158	2,324,595
<b>Total</b>	<b>29,154,381</b>	<b>29,472,744</b>

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

The amount of RON 892,158 (December 31, 2019: RON 2,324,595) comprises letters of credit issued by Terasteel Doo to suppliers of raw materials worth RON 804,957 (December 31, 2019: RON 2,219,328 issued by Wetterbest).

**28. COMMITMENTS AND CONTINGENCIES**

**Teraplast SA**

The Company contracted from Banca Transilvania a ceiling for the issuance of multi-currency bank letters of guarantee in amount of RON 1,750,000, where it a bank letter of guarantee worth RON 100,.

At June 30, 2020, tangible assets and investment property with a net book value of RON 76,666,863 (December 31, 2019: RON 79,694,686) are collateral for loans and credit lines. For banks loans, the Company has guaranteed with all the present and future money available, with all the present and future commodity stocks and goods and has assigned the present and future debt rights, as well as the related accessories coming from the present and future contracts with its customers which are assigned debtors. Also, the Company assigned the rights resulting from the insurance policies issued for real estate and movable goods brought as guarantee.

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

At June 30, 2020, the Company has unused credit facilities of RON 13,808,598 (December 31, 2019: RON 17,190,916.37) and unused investment loans of RON 3,028,521).

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 investment aims to offer a new product in the field of PVC compounds and the expansion of the production capacity of polypropylene systems (interior sewage).

At June 30, 2020, the Company received the entire State aid of RON 14.43 million. The investment was completed in 2019.

**Terasteel SA**

At June 30, 2020, the Company registers unused credit facilities, amounting to RON 7,326,155 (December 31, 2019: RON 23,560,144).

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

At June 30, 2020, the Company registers a ceiling of letters of credit of EUR 1,000,000 within which 2 letters of credit amounting to EUR 439,750 are issued to a steel supplier.

At June 30, 2020, the Company registers a ceiling of letters of guarantee of RON 1,500,000 within which letters of credit amounting to RON 314,443 are issued.

At June 30, 2020, property, plant and equipment and investment property at a net book value of RON 12,747,058 (December 31, 2019: RON 17,245,439) represent security for loans and credit lines.

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

**Teraglass Bistrita SRL**

At June 30, 2020, the Company registers unused credit facilities amounting to RON 2,466,101 (December 31, 2019: RON 1,998,738).

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

At June 30, 2020, the Company received the entire State aid of RON 7.69 million. The investment was completed in 2019

At June 30, 2020, property, plant and equipment and investment property at a net book value of RON 15,228,979 (December 31, 2019: RON 16,286,484) represent security for loans and credit lines. For Company secured the bank loans with all present and future cash, all present and future stocks and has assigned the present and future claim rights and accessories arising from present and future contracts with its clients, which act as assigned debtors. Also, the Company has assigned the rights arising under the insurance policies issued for the real estate and movable assets brought as collateral.

**Wetterbest SA**

At June 30, 2020, the Company registers granted credit facilities amounting to RON 40,661,916, out of which RON 15,050,670 not used (December 31, 2019: credit facilities of RON 48,125,000, out of which RON 11,589,223 not used).

At June 30, 2020, tangible assets with a net book value of RON 9,493,128 (December 31, 2019: RON 10,587,893) are collateral for loans and credit lines, and finance leases for property, plant and equipment (cars) are in amount of RON 234,178.

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

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

At June 30, 2020 the Company draw EUR 4,000,000 from the EBRD loan.

At September 30, 2019, the Company submitted a request for reimbursement in amount of RON 2.05 million, paid on December 23, 2019. On May 29, 2020, the Company submitted the second reimbursement application worth RON 5.82 million, which were received on July 15, 2020.

The new plant was opened in March 2020.

**Terasteel Doo Serbia**

At June 30, 2020, property, plant and equipment at a net book value of RON 23,341,366 (December 31, 2019: RON 24,871,711) is collateral for loans and credit lines and finance leases.

Out of the ceiling of letters of credit of EUR 2 million non-cash contracted from Raiffeisen Bank Beograd, at June 30, 2020 the Company used EUR 1,964,831 in favour of raw materials suppliers.

Out of the ceiling of letters of credit of EUR 1.5 million with collateral cash (granted on 02.03.2020; expiring on 20.07.2022) contracted from Raiffeisen Bank Beograd, at June 30, 2020 the Company used EUR 166,100 in favour of raw materials suppliers.

**TERAPLAST SA**  
**NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS**  
**For the six-month period ended June 30, 2020**  
*(all amounts are expressed in RON, unless otherwise specified)*

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**29. INVESTMENT SUBSIDIES**

Investment subsidies refer to grants for investments made by Terasteel SA, Wetterbest SA, TeraPlast SA and TeraGlass SRL for production equipment and personal protective equipment. There are no covenants not met or other contingencies attached to such subsidies.

	<u>June 30, 2020</u>	<u>December 31, 2019</u>
<b>1 January</b>	<b>17,250,166</b>	<b>4,051,575</b>
Incomings during the reporting period	10,043,865	14,086,828
Transferred to income statement	(1,406,284)	(888,234)
<b>31 December</b>	<b>25,887,747</b>	<b>17,250,166</b>
Current	2,807,572	1,920,804
Non-current	23,080,175	15,329,362

At June 30, 2020, the total amount of outstanding subsidies is RON 25,887,747 (December 31, 2019: RON 17,250,166) recognised as deferred income in the balance sheet and transferred to the income statement on a systematic and reasoned basis, throughout the useful life of such assets.

**30. SUBSEQUENT EVENTS**

On July 24, 2020, the Group concluded an agreement with Kingspan Group to sell the Steel division. The transaction comprises the entire ownership of Teraplast SA in subsidiaries TeraSteel SA, TeraSteel DOO Serbia, Wetterbest SA, Terasteel Slovakia s.r.o and Cortina WTB SRL.

These simplified consolidated financial statements were approved on July 27, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO