

**TERAPLAST SA**

**SIMPLIFIED CONSOLIDATED  
FINANCIAL STATEMENTS**

**AT AND FOR THE NINE-MONTH PERIOD  
ENDED SEPTEMBER 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 nine-month period ended September 30, 2020  
*(all amounts are expressed in RON, unless otherwise specified)*

	Note	Period ended September 30, 2020	Period ended September 30, 2019
<b>Income from contracts with customers, of which:</b>	<b>4</b>	<b>816,235,465</b>	<b>719,136,708</b>
Income from the sale of finished goods		716,740,637	622,543,528
Income from the sale of goods		90,988,473	87,346,771
Income from provision of services		8,506,355	9,246,409
<b>Other operating income</b>		<b>2,288,342</b>	<b>647,322</b>
<b>Income from investment subsidies</b>		<b>2,589,651</b>	<b>581,922</b>
Changes in stocks of finished goods and work in progress		(4,517,043)	3,432,806
Works and services in progress		321,884	422,682
Raw materials, consumables and merchandise	6	(562,523,417)	(524,092,776)
Expenses with employees' benefits	9	(74,282,555)	(62,008,960)
Amortisation/depreciation and impairment of non-current assets, net	8	(26,368,619)	(22,298,503)
Impairment of non-current assets, net	8	(2,003,481)	110,860
Income / expenses from reversal of provisions, net	8	181,645	101,099
Gains / (Losses) on the write-off/measurement of tangible and intangible assets	7	(716,144)	378,565
Gains on the disposal of assets held for sale		-	15,034
Losses on the sale of investment property	7	(166,632)	(133,370)
Gains from penalties under investment contracts	17	1,007,688	-
Other operating expenses	10	(75,792,503)	(69,633,146)
Sponsorship		(605,508)	(304,847)
<b>Operating profit/loss</b>		<b>75,648,773</b>	<b>46,355,396</b>
Financial expenses		(1,886,557)	(3,462,696)
Interest expenses, net		(5,647,794)	(6,720,576)
Financial income		1,801,267	2,333,651
Dividend income		21,375	-
<b>Financial result, net</b>	<b>5</b>	<b>(5,711,709)</b>	<b>(7,849,621)</b>
<b>Profit before tax</b>		<b>69,937,064</b>	<b>38,505,775</b>
Income tax expenses		(9,652,711)	(4,756,252)
<b>Profit for the year</b>		<b>60,284,353</b>	<b>33,749,523</b>
<b>Result of the financial year</b>		<b>60,284,353</b>	<b>33,749,523</b>
attributable to			
Owners of the parent		60,126,326	32,857,143
Non-controlling interests	20	158,027	892,380
<b>Profit/loss for the year</b>		<b>60,284,353</b>	<b>33,749,523</b>
<b>Comprehensive income</b>		<b>60,284,353</b>	<b>33,749,523</b>

These simplified consolidated interim financial statements were approved on October 26, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At September 30, 2020**  
**(all amounts are expressed in RON, unless otherwise specified)**

	Note	September 30, 2020	September 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	286,954,892	280,815,152
Investment property	13	3,686,767	6,913,460
Leased right-of-use assets	14	8,560,337	9,172,609
Intangible assets	12	33,412,372	33,926,670
Goodwill (Wetterbest acquisition)		11,069,081	10,026,839
Other financial assets	14	16,472	16,472
Other financial investments		368,053	771,748
<b>Total non-current assets</b>		<b>344,067,974</b>	<b>341,642,950</b>
<b>Current assets</b>			
Inventories	16	202,278,520	181,596,424
Work and services in progress (turnkey warehouses)		1,128,474	806,590
Trade and other receivables	17	177,723,045	138,795,252
Prepaid expenses		1,760,859	1,066,286
Cash and short-term deposits	27	26,321,866	29,472,744
<b>Total current assets</b>		<b>409,212,764</b>	<b>351,737,296</b>
<b>Total assets</b>		<b>753,280,738</b>	<b>693,380,246</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Subscribed capital	18	174,320,048	133,780,651
Share premiums		-	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		123,190,954	79,198,291
<b>Capital attributable to controlling interests</b>		<b>331,028,561</b>	<b>273,894,819</b>
Non-controlling interests	20	764,062	2,253,580
<b>Total equity</b>		<b>331,792,623</b>	<b>276,148,399</b>
<b>Long-term liabilities</b>			
Borrowings and finance lease liabilities	21,25	99,935,294	69,260,122
Other long-term liabilities	23	9,649,794	-
Employees' benefits	22	1,648,559	1,636,529
Deferred tax liabilities		8,992,840	9,690,589
Subsidies for investments – long-term portion	29	27,082,530	15,329,362
<b>Total long-term liabilities</b>		<b>147,309,017</b>	<b>95,916,602</b>

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**At September 30, 2020**  
**(all amounts are expressed in RON, unless otherwise specified)**

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	Note	September 30, 2020	September 31, 2019
<b>Current liabilities</b>			
Trade and other payables	23,24	201,078,541	166,287,099
Borrowings and finance lease liabilities	21,25	63,361,497	152,050,013
Income tax payable		5,211,633	6,445
Subsidies for investments – current portion	29	3,437,024	1,920,804
Provisions	22	1,090,403	1,050,884
<b>Total current liabilities</b>		<b>274,179,098</b>	<b>321,315,245</b>
<b>Total liabilities</b>		<b>421,488,115</b>	<b>417,231,847</b>
<b>Total equity and liabilities</b>		<b>753,280,738</b>	<b>693,380,246</b>

These consolidated financial statements were approved on October 26, 2020.

**Alexandru Stanean**  
 CEO

**Ioana Birta**  
 CFO

**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the nine-month period ended September 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	-	-	-	-	-	-	-	60,126,326	60,126,326	158,027	60,284,353
Other comprehensive income	-	-	-	-	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	-	-	-	-	-	-	<b>60,126,326</b>	<b>60,126,326</b>	<b>158,027</b>	<b>60,284,353</b>
Increase of share capital out of reserves	40,539,537	-	(27,348,726)	-	-	-	-	(13,154,820)	(9)	-	(9)
<b>Reserves representing the revaluation surplus</b>	-	-	-	(13,732)	-	-	-	(2,259,594)	(2,273,326)	-	(2,273,326)
Other equity items/increases/decreases	-	-	-	-	-	-	-	(719,246)	(719,246)	(1,647,544)	(2,366,790)
Write-off of 1490 redeemed equity shares	(139)	-	-	-	-	139	-	-	-	-	-
<b>Balance at September 30, 2020</b>	<b>174,320,048</b>	-	-	<b>17,857,283</b>	<b>16,096,574</b>	-	<b>(436,298)</b>	<b>123,190,954</b>	<b>331,028,561</b>	<b>764,062</b>	<b>331,792,624</b>

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**TERAPLAST SA**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the nine-month period ended September 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, 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	38,907,530
Other comprehensive income	-	-	-	172,460	-	-	(436,298)	436,298	(263,838)	-	(263,838)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>172,460</b>	<b>-</b>	<b>-</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	-	-	-	-	-	1,207,036,5	3	-	1,207,037	-	1,207,037
Dividends paid	-	-	-	-	-	-	-	-	-	(837,166)	(837,166)
Other equity elements increases / (reductions)	-	(1,472,925)	-	-	-	-	-	55,596	(981,031)	-	(981,031)
<b>Balance at December 31, 2019</b>	<b>133,780,650</b>	<b>-</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>

These consolidated financial statements were approved on October 26, 2020.

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CEO

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CFO

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

	Period ended September 30, 2020	Period ended September 30, 2019
<b>Cash flows from operating activities:</b>		
<b>Profit before tax</b>	<b>69,937,064</b>	<b>38,505,776</b>
Losses /(Profit) on the sale of assets (fixed assets) and scrapping	716,144	(378,565)
Amortisation/depreciation and impairment of non-current assets	26,368,619	22,298,503
Provisions for risks and charges, net	181,645	(101,099)
Impairment of doubtful customers	1,863,772	781,238
Impairment of inventories	139,709	(892,098)
Income from dividends	(21,375)	-
Gains on the sale of investment property	166,632	133,370
Interest expenses	5,647,794	6,720,576
Net expenses with FX differences on loans	-	19,681
<b>Operating profit before changes in working capital</b>	<b>105,000,004</b>	<b>67,087,382</b>
Increases of trade receivables	(41,082,443)	(56,240,625)
Increases of inventories	(21,143,689)	(13,833,244)
Increase of trade and other liabilities	57,668,118	53,689,406
Income tax paid	(5,047,919)	(3,289,288)
Interest paid, net	(5,647,794)	(6,720,576)
Income from subsidies	(2,589,651)	(585,635)
<b>Cash generated by operating activities</b>	<b>87,156,626</b>	<b>40,107,420</b>
<b>Cash flows used in investing activities :</b>		
Payments to purchase tangible and intangible assets, other non-current receivables	(42,044,873)	(64,068,838)
Payments to purchase shares in Wetterbest	(19,034,400)	(2,379,950)
Acquisition of ownership in Cortina	(1,397,223)	-
Proceeds from the sale of tangible assets	13,338,251	731,308
Proceeds from State aid subsidies	15,859,039	-
Buy-back of equity, net of option exercise	-	(139)
Losses on the sale of equity	-	(265,750)
<b>Cash used in investing activities</b>	<b>(33,279,206)</b>	<b>(65,983,369)</b>
<b>Cash flows from financing activities:</b>		
Payment of finance lease liabilities	(551,161)	(497,902)
Dividends paid	-	(837,166)
Dividends received	21,375	-
Loan drawdowns/repayments, net	(56,498,514)	25,964,935
<b>Net cash flows generated by financing activities</b>	<b>(57,028,300)</b>	<b>24,629,867</b>
Increase/(Decrease) of cash and cash equivalents	(3,150,880)	250,278
<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>26,312,866</b>	<b>22,567,293</b>

These consolidated financial statements were approved on October 26, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

## **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
- Teramed Sante SRL (manufacturer of soap, detergents and maintenance products), where Teraplast SA owns 90% and the remainder of 10% is owned by a natural person.
- Teraplast Folii Biodegradabile SRL (manufacturer of biodegradable packaging, namely garbage bags), 100% owned by Teraplast 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.

## **2. SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

## **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 was approved by the Extraordinary General Meeting of Shareholders of TeraPlast 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 depending on the actual working capital, and the actual net liabilities at the end of the month when the transaction is concluded. The transaction does not include payment in shares or other financial instruments nor does it entail changes in the shareholding of TeraPlast.

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

#### **Potential sale of the joinery profiles business line**

TeraPlast intends to sell the Joinery Profiles business line. At the date of these financial statements, the sale is not certain, thus the equipment of this division, which would be subject to the transfer, continued to be presented in accordance with IAS 16.

#### **Business combinations – 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).

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

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.

### 4. OPERATING INCOME AND SEGMENTS

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

	<b>Period ended September 30, 2020</b>	<b>Period ended September 30, 2019</b>
Income from own production	727,886,113	632,277,190
Income from resale of merchandise	90,988,473	87,346,771
Income from other activities	8,506,355	9,246,409
Trade discounts granted	(11,145,476)	(9,733,662)
<b>Total</b>	<b>816,235,465</b>	<b>719,136,708</b>
Sales on domestic market (Romania)	639,264,536	551,815,579
Sales on foreign market	176,970,928	167,321,111

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)

#### **4. OPERATING INCOME AND SEGMENTS**

##### **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 DIY 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 55% of revenues, the main markets being Serbia, Hungary, Slovakia, Czech Republic, Bosnia-Herzegovina, 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.

###### **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

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

##### **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 67% of products are exported to main markets such as Germany, Austria, 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.

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

January – September 2020	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Total
Turnover	246,022,886	222,677,547	222,773,117	45,810,584	53,023,168	25,928,162	816,235,465
Other operating revenues	756,632	1,158,287	331,906	17,801	14,715	9,001	2,288,342
<b>Total operating revenues</b>	<b>246,779,518</b>	<b>223,835,834</b>	<b>223,105,024</b>	<b>45,828,385</b>	<b>53,037,883</b>	<b>25,937,163</b>	<b>818,523,807</b>
Income from subsidies	325,115	721,096	729,968	-	208,526	604,946	2,589,651
Raw materials, consumables used as merchandise and changes in inventories	(186,827,245)	(167,787,122)	(133,788,709)	(27,869,454)	(36,204,656)	(14,241,390)	(566,718,576)
Employee benefits expenses	(15,427,377)	(17,961,466)	(24,526,615)	(6,463,789)	(3,794,349)	(6,108,959)	(74,282,555)
Amortization, depreciation, impairment allowances and provisions	(4,970,389)	(4,096,706)	(10,738,618)	(3,555,229)	(1,326,767)	(1,374,353)	(26,062,062)
Impairment of current assets	(366,420)	(474,374)	(1,173,749)	(122,957)	25,400	108,619	(2,003,481)
Other expenses	(17,617,429)	(20,052,855)	(25,476,629)	(5,133,125)	(3,494,592)	(4,623,382)	(76,398,011)
<b>Total expenses with sales, overheads and administrative costs</b>	<b>(225,208,860)</b>	<b>(210,372,524)</b>	<b>(195,704,319)</b>	<b>(43,144,553)</b>	<b>(44,794,964)</b>	<b>(26,239,466)</b>	<b>(745,464,685)</b>
Operating result	21,895,773	14,184,407	28,130,673	2,683,832	8,451,445	302,644	75,648,773
EBITDA	26,541,047	17,560,017	38,139,322	6,239,061	9,569,686	1,072,051	99,121,183
EBITDA (%)	10,8%	7,9%	17,1%	13,6%	18,0%	4,1%	12,1%

EBITDA = operating result + amortization, depreciation, impairment allowances for non-current assets and provisions – income from subsidies

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

September 30, 2020	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Total investment property	Total
<b>Total assets, of which</b>	<b>152,206,711</b>	<b>213,463,564</b>	<b>242,504,721</b>	<b>59,111,554</b>	<b>40,039,130</b>	<b>42,268,288</b>	<b>3,686,767</b>	<b>753,280,738</b>
Non-current assets	51,347,153	104,337,441	109,696,477	27,479,404	21,516,887	26,003,845	3,686,767	344,067,974
Current assets	100,859,557	109,126,123	132,808,244	31,632,150	18,522,243	16,264,443	-	409,212,760
<b>Total liabilities, of which:</b>	<b>83,862,276</b>	<b>145,496,455</b>	<b>129,287,365</b>	<b>18,074,081</b>	<b>26,130,976</b>	<b>18,636,955</b>	<b>-</b>	<b>421,488,115</b>
Non-current liabilities	24,103,730	56,553,841	48,115,830	3,128,685	5,185,950	10,220,980	-	147,309,017
Current liabilities	59,758,546	88,942,614	81,171,535	14,945,396	20,945,025	8,415,975	-	274,179,098

The Steel division, namely the Thermal insulating panels and Metal tiles are subject to the sale transaction with Kingspan.

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

January – September 2019	Thermal insulating panels	Metal tiles	Installations	Window profiles	Compounds	Window works	Total	
Turnover	217,582,240	202,078,839	185,095,460	44,851,032	48,636,292	20,892,845	719,136,709	
Other operating revenues	411,101	12,312	158,222	24,854	33,424	7,409	647,322	
<b>Total operating revenues</b>	<b>217,993,342</b>	<b>202,091,151</b>	<b>185,253,682</b>	<b>44,875,887</b>	<b>48,669,716</b>	<b>20,900,254</b>	<b>719,784,031</b>	
Income from subsidies	326,090	227,970	27,862				581,922	
Raw materials, consumables used as merchandise and changes in inventories	(163,804,897)	(156,271,684)	(122,761,793)	(29,861,017)	(36,613,397)	(10,924,501)	(520,237,288)	
Employee benefits expenses	(11,628,861)	(15,289,925)	(20,690,011)	(6,291,512)	(3,252,728)	(4,855,922)	(62,008,960)	
Amortization, depreciation, impairment allowances and provisions	(4,088,334)	(4,578,565)	(8,268,217)	(3,493,628)	(1,019,795)	(488,635)	(21,937,175)	
Impairment of current assets	(1,383,275)	577,888	(386,657)	1,034,517	9,461	258,925	110,859	
Other expenses	(16,318,162)	(17,759,515)	(22,735,430)	(6,218,993)	(3,179,498)	(3,726,396)	(69,937,994)	
<b>Total expenses with sales, overheads and administrative costs</b>	<b>(197,223,530)</b>	<b>(193,321,801)</b>	<b>(174,842,109)</b>	<b>(44,830,633)</b>	<b>(44,055,957)</b>	<b>(19,736,528)</b>	<b>(674,010,558)</b>	
Operating result	21,095,902	8,997,320	10,439,435	45,253	4,613,759	1,163,726	46,355,396	
EBITDA	24,858,147	13,347,915	18,679,790	3,538,882	5,633,554	1,652,361	67,710,648	
EBITDA (%)	11,4%	6,6%	10,1%	7,9%	11,6%	7,9%	9,4%	
<b>December 31, 2019</b>	<b>Sandwich panels</b>	<b>Metal tiles</b>	<b>Installations and fittings</b>	<b>Window profiles</b>	<b>Compounds</b>	<b>Window works</b>	<b>Unallocated amounts</b>	<b>Total</b>
<b>Assets</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
Assets held for sale								
<b>Liabilities</b>								
<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>-</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
<b>Inflows of non-current assets</b>	<b>3,727,587</b>	<b>31,778,473</b>	<b>32,054,090</b>	<b>4,206,018</b>	<b>7,783,519</b>	<b>16,334,314</b>		<b>95,884,001</b>

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5. SUNDRY INCOME

Financial income / expenses

	Period ended September 30, 2020	Period ended September 30, 2019
Expenses with FX differences, net	(133,964)	(1,165,466)
Expenses with interest	(5,651,171)	(6,722,639)
Interest income	3,377	2,063
Other financial expenses	(1,509)	(12,216)
Income from dividends	21,375	-
Other financial income	50,183	48,637
<b>Net financial loss</b>	<b>(5,711,709)</b>	<b>(7,849,621)</b>

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Period ended September 30, 2020	Period ended September 30, 2019
Expenses with raw materials	471,339,522	421,332,749
Expenses with consumables	25,840,147	21,784,327
Expenses with merchandise	62,387,466	78,031,735
Packaging used	2,956,282	2,943,965
<b>Total</b>	<b>562,523,417</b>	<b>524,092,776</b>

7. OTHER GAINS AND LOSSES

	Period ended September 30, 2020	Period ended September 30, 2019
Income from the disposal of tangible and intangible assets	10,278,190	731,308
Expenses with the disposal of tangible and intangible assets	(10,994,334)	(352,743)
<b>Net result from the disposal of tangible and intangible assets</b>	<b>(716,144)</b>	<b>378,565</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	1,277,559
Expenses with sale of investment property	(3,226,692)	(1,410,929)
<b>Net result from the disposal of investment property</b>	<b>(166,632)</b>	<b>(133,370)</b>

The property, plant and equipment are mainly represented by the land and buildings of the old Wetterbest plant. In March 2020, Wetterbest moved to a new plant .

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

	Period ended September 30, 2020	Period ended September 30, 2019
Expenses with impairment of non-current assets	(2,217,266)	(266,303)
Income from reversal of impairments of non-current assets	694,739	327,362
Expenses with amortisation and depreciation	<u>(24,846,092)</u>	<u>(22,359,562)</u>
<b>Net impairment of non-current assets</b>	<b><u>(26,368,619)</u></b>	<b><u>(22,298,503)</u></b>
Expenses with impairment of inventories	(3,037,203)	(3,420,610)
Income from reversal of impairments of inventories	<u>2,897,494</u>	<u>4,312,708</u>
<b>Net impairment of inventories</b>	<b><u>(139,709)</u></b>	<b><u>892,098</u></b>
Expenses with impairment of current assets	(2,801,869)	(1,481,374)
Income from reversal of impairments of current assets	1,216,986	1,431,092
Current receivables registered as expenses	(278,889)	(730,956)
<b>Net impairment of current receivables</b>	<b><u>(1,863,772)</u></b>	<b><u>(781,238)</u></b>
Expenses with provisions	(51,077)	(46,991)
Income from reversal/write-off of provisions	<u>232,722</u>	<u>148,090</u>
<b>Net adjustments for provisions</b>	<b><u>181,645</u></b>	<b><u>101,099</u></b>

9. EXPENSES WITH EMPLOYEES' BENEFITS

	Period ended September 30, 2020	Period ended September 30, 2019
Salaries	68,379,119	56,910,741
Contributions to the State social insurance fund	2,609,733	2,391,174
Meal tickets	3,293,703	2,707,045
<b>Total</b>	<b><u>74,282,555</u></b>	<b><u>62,008,960</u></b>

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**10. OTHER EXPENSES**

	<b>Period ended September 30, 2020</b>	<b>Period ended September 30, 2019</b>
Transport	31,838,611	29,356,579
Utilities and green certificates	10,929,318	9,721,199
Third party services	13,335,728	12,109,538
Damages, fines and penalties	174,436	279,985
Protocol, advertising and publicity	4,650,148	4,717,266
Other general expenses	4,285,259	2,177,741
Taxes and levies	3,284,203	1,541,727
Repairs	2,895,839	2,632,012
Travel	684,637	1,210,680
Rentals	1,563,584	3,735,028
Postage fees and telecommunications	504,965	509,473
Insurance premiums	1,645,775	1,641,918
<b>Total</b>	<b>75,792,503</b>	<b>69,633,146</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	1,005,714	4,822,509	994,817	36,152,380	43,195,760
Increases from internal production of non-current assets	-	-	-	-	889,779	889,779
Transfers to / from non-current assets in progress	-	506,910	15,797,601	71,752	(16,376,263)	-
Transfers to right-of-use assets under leases	-	-	-	-	-	-
Transfers from right-of-use assets under leases	-	-	259,095	-	-	259,095
Disposals and other write-downs	(1,837,570)	(10,698,074)	(8,950,686)	(162,909)	(48,803)	(21,698,041)
<b>Balance at September 30, 2020</b>	<b>12,510,334</b>	<b>113,972,782</b>	<b>322,395,174</b>	<b>4,167,513</b>	<b>32,577,767</b>	<b>485,623,570</b>

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Equipment and vehicles</u>	<u>Installations and furniture</u>	<u>Property, plant and equipment</u>	<u>Total</u>
<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	6,163	3,842,488	19,602,774	376,817	-	23,828,242
Disposals and reductions	(29,518)	(2,068,526)	(4,610,246)	(90,148)	-	(6,798,439)
Impairment	-	(84,048)	(532,601)	-	(48,803)	(665,452)
Transfers to right-of-use assets under leases	-	-	-	-	-	-
Transfers from right-of-use assets under leases	-	-	142,502	-	-	142,502
<b>Balance at September 30, 2020</b>	<b>1,297</b>	<b>13,646,963</b>	<b>181,848,757</b>	<b>1,916,486</b>	<b>1,255,175</b>	<b>198,668,678</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 September 30, 2020</b>	<b>12,509,037</b>	<b>100,325,818</b>	<b>140,546,417</b>	<b>2,251,027</b>	<b>31,322,593</b>	<b>286,954,892</b>

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

At September 30, 2020, the Group registered non-current assets and investment property pledged to financial institutions at a net book value of RON 114,617,982 (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 September 30, 2020, the Group recorded specific impairment allowances of property, plant and equipment in amount of RON 2,715,608 (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

	<u>Goodwill</u>	<u>Licence and other intangible assets</u>	<u>Intangible assets in progress</u>	<u>Total</u>
<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	-	16,566
<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	1,042,242	501,303	22,165	1,565,711
Transfers to / from non-current assets in progress	-	-	-	-
Disposals and other write-downs	-	(34,556)	(3,320)	(37,876)
<b>Balance at September 30, 2020</b>	<b>36,273,081</b>	<b>45,569,516</b>	<b>184,494</b>	<b>82,027,091</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	-	2,969,498
Acquisition of Wetterbest	-	-	-	-
Impairment	25,204,000	256,347	-	25,460,347
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	-	1,063,736	-	1,063,736
Disposals and other write-downs	-	(34,556)	-	(34,556)
Impairment	-	(29,288)	-	(29,288)
<b>Balance at September 30, 2020</b>	<b>25,204,000</b>	<b>12,341,638</b>	-	<b>37,545,638</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 September 30, 2020</b>	<b>11,069,081</b>	<b>33,227,878</b>	<b>184,494</b>	<b>44,481,453</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 September 30, 2020, the intangible assets recognised further to the acquisition of Wetterbest SRL are classified as other intangible assets.

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**13. INVESTMENT PROPERTY**

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

	<b>Period ended September 30, 2020</b>	<b>Period ended September 30, 2019</b>
<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 September/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.

**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>
<b>Balance at January 1, 2019</b>	<b>7,633,340</b>	<b>3,624,654</b>	<b>11,257,994</b>
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 property, plant and 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>

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Cost	Buildings	Equipment	Total
<b>Balance at January 1, 2020</b>	<b>7,633,340</b>	<b>4,536,103</b>	<b>12,169,443</b>
Inflows	2,412,336	-	2,412,336
Transfers to equipment upon exercise of the purchase option	(1,659,378)	(259,095)	(1,918,473)
<b>Balance at September 30, 2020</b>	<b>8,386,297</b>	<b>4,277,008</b>	<b>12,663,305</b>
<b>Depreciation</b>			
Balance at January 1, 2020	1,973,595	1,023,238	2,996,833
Depreciation expenses	1,567,017	650,248	2,217,266
Depreciation of equipment transferred to property, plant and equipment/leased assets, written off of IFRS 16	(968,628)	(142,502)	(1,111,130)
<b>Balance at September 30, 2020</b>	<b>2,571,985</b>	<b>1,530,984</b>	<b>4,102,968</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 September 30, 2020</b>	<b>5,814,313</b>	<b>2,746,024</b>	<b>8,560,337</b>

#### 15. SUBSIDIARIES AND FINANCIAL ASSETS

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

Subsidiary	Place of establishment and venue of operations	Core activity	Ownership percentage at September 30, 2020 (%)	Ownership percentage at December 31, 2019 (%)
Terasteel S.A. Bistrita	Romania	Manufacturing of thermal insulating panels	98.31	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
Teramed Sante SRL	Romania	Manufacturing of soap and detergents	99,00	-
Teraplast Folii Biodegradabile SRL	Romania	Manufacturing of plastic packaging	100,00	-

#### *Sale of 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 was approved by the Extraordinary General Meeting of Shareholders of TeraPlast and will be finalised after obtaining the approval of the competition regulators.

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**15. SUBSIDIARIES AND FINANCIAL ASSETS (continued)**

*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:

- a) acquisition price paid for the 67% ownership in amount of EUR 12,350 thousand
- b) acquisition price for the additional 32% ownership, which is EUR 5,000 thousand, according to the sale-purchase contract concluded in May 2019.
- c) 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.

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

Name of investment	Country	Ownership	September 30,	Ownership	December 31,
			2020		2019
		%	RON	%	RON
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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Finished products	39,241,649	41,392,276
Raw materials	129,556,372	117,168,073
Merchandise	14,427,254	13,626,441
Consumables	5,484,134	3,886,442
Items of inventory	370,843	312,482
Semi-finished goods	5,780,435	8,251,520
Residual products	423,703	470,187
Goods pending supply	11,163,400	845,314
Packaging	2,378,637	2,048,296
<b>Inventories – gross value</b>	<b><u>208,826,427</u></b>	<b><u>188,001,031</u></b>
	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Impairment of raw materials and consumables	(2,883,109)	(2,600,884)
Impairment of finished products	(2,470,828)	(2,751,569)
Impairment of merchandise	(1,193,970)	(1,052,154)
<b>Total impairment</b>	<b><u>(6,547,907)</u></b>	<b><u>(6,404,607)</u></b>
<b>Total inventories – net value</b>	<b><u>202,278,520</u></b>	<b><u>181,596,424</u></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

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Trade receivables	155,528,021	109,600,270
Commercial papers not payable	39,585,346	36,018,240
Advances paid to suppliers of non-current assets	3,472,310	4,482,479
Advances paid to suppliers of inventories and services	1,305,322	4,490,544
Other receivables	5,454,453	10,242,580
Impairment of trade receivables	(27,622,407)	(26,038,861)
<b>Total</b>	<b><u>177,723,045</u></b>	<b><u>138,795,252</u></b>

At September 30, 2020, the *Other receivables* line includes the RON 1,953,024 (December 31, 2019: RON 8,496,794) representing VAT recoverable (Teraglass Bistrita SRL, Terasteel Doo Serbia, Teraplast Recycling SA).

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17. TRADE AND OTHER RECEIVABLES (continued)

Changes in impairment allowances for doubtful customers

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<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 (Increase)/Reduction of impairment	201,208 (1,784,754)	1,770,945 (2,713,576)
<b>Balance at the end of the period</b>	<b>(27,622,407)</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.

18. SHARE CAPITAL

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Share capital subscribed and fully paid in	174,320,048	133,780,651

19. LEGAL RESERVES

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
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.

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20. NON-CONTROLLING INTERESTS

	September 30, 2020	December 31, 2019
<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	158,027	1,125,288
Dividends granted		(837,166)
Other elements	(1,647,544)	-
<b>Balance at the end of the year/period</b>	<b>764,062</b>	<b>2,253,580</b>

At September 30, 2020, non-controlling interests are ownerships of 1.69% in Terasteel SA and 10% in Teramed Sanrie SRL (December 31, 2019: 2.05% in Terasteel SA, 1.00% in Wetterbest SRL and 49.00% in Cortina WTB SRL).

21. BORROWINGS

Bank loans are as follows:

	Short-term		Long-term	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Teraplast SA	39,676,098	81,721,328	52,082,976	57,682,317
Terasteel SA	-	8,939,856	-	-
Teraglass Bistrita SRL	4,508,985	11,282,796	3,802,373	3,794,734
Wetterbest SA	10,214,028	37,849,339	17,879,200	1,323,281
Terasteel Doo Serbia	4,867,588	9,572,054	21,901,614	-
Cortina WTB SRL	-	69,527	-	129,841
<b>Total</b>	<b>59,266,699</b>	<b>149,434,900</b>	<b>95,666,163</b>	<b>62,930,173</b>

	Short-term		Long-term	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Transilvania Bank	39,861,098	73,243,205	52,298,809	61,477,051
Raiffeisen Bank	4,867,588	28,076,297	-	-
Exim Bank	12,777,726	41,605,958	3,586,540	-
BCR Bank	-	5,294,972	-	-
UniCredit Bank	-	1,383,090	-	1,453,122
BERD	1,760,288	-	39,780,814	-
Leasing	794,553	764,057	1,671,366	2,253,023
<b>Total</b>	<b>60,061,253</b>	<b>150,367,576</b>	<b>97,337,530</b>	<b>65,183,196</b>

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**21. BORROWINGS (continued)**

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

Currency	<u>September 30, 2020</u>	<u>December 31, 2019</u>
EUR	50,992,888	21,543,331
RON	106,405,895	190,821,745
<b>Total</b>	<b><u>157,398,783</u></b>	<b><u>212,365,076</u></b>

At September 30, 2020, the Group registers non-current assets and investment property pledged to financial institutions in net book amount of RON 114,617,982 (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 September 30, 2020 and December 31, 2019 the finance lease payables are as follows:

	<u>Short-term</u>		<u>Long-term</u>	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Teraplast SA	502,571	482,815	1,103,473	1,482,910
Terasteel SA	106,956	103,118	176,749	258,716
Teraglass Bistrita SRL	41,721	41,978	127,470	158,483
Wetterbest SA	68,064	62,396	114,589	163,203
Terasteel Doo Serbia	75,241	73,750	149,085	189,711
<b>Total</b>	<b><u>794,553</u></b>	<b><u>764,057</u></b>	<b><u>1,671,366</u></b>	<b><u>2,253,023</u></b>

**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.

	<u>Short term</u>		<u>Long term</u>	
	<u>September 30, 2020</u>	<u>December 31, 2019</u>	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Employees' benefits	-	-	1,648,559	1,636,529
Provisions for risks and charges	1,090,403	1,050,884	-	-
<b>Total</b>	<b><u>1,090,403</u></b>	<b><u>1,050,884</u></b>	<b><u>1,648,559</u></b>	<b><u>1,636,529</u></b>

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**22. LIABILITIES REGARDING EMPLOYEES' BENEFITS AND PROVISIONS (continued)**

For Group companies resident in Romania, the most recent actuarial valuations were performed on December 31, 2019 (Terasteel SA, Teraplast Recycling SA, Teraglass Bistrita SRL) and September 30, 2020 (Teraplast SA) by an independent valuer member of the Romanian Institute of Actuaries.

The changes in January – September are registered in Terasteel Doo, where this exercise of performed monthly.

<b>Employees' benefits</b>	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>Opening balance</b>	<b>1,636,529</b>	<b>724,849</b>
Changes	12,030	911,680
<b>Closing balance</b>	<b>1,648,559</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**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Trade payables	145,000,472	117,526,714
Commercial papers payable	1,721,026	1,027,752
Liabilities with purchase of non-current assets	12,702,980	1,779,442
Other current payables (note 24)	34,808,482	36,430,878
Advances on account of orders	16,495,368	9,522,313
<b>Total</b>	<b>210,728,328</b>	<b>166,287,099</b>

At September 30, 2020, out of the total Liabilities with purchase of non-current assets, RON 9,649,794 represents a long-term liability under the contract concluded with E-ON Energie Romania SA further to the installation and utilization of the photovoltaic plant. The amount is included in the balance sheet under the „Other non-current payables”.

**24. OTHER CURRENT PAYABLES**

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
Payroll liabilities and social security liabilities	12,229,235	8,581,177
VAT payable	20,412,262	6,912,167
Employees' rights not claimed	91,739	93,138
Sundry creditors	1,199,320	19,107,985
Trade guarantees received	69,159	386,027
Other taxes payable	424,072	967,689
Dividends payable	382,695	382,695
<b>Total</b>	<b>34,808,482</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.

## 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 September 30, 2020 and December 31, 2019 was as follows:

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
Total loans (note 21)	163,296,791	221,310,135
Less cash and cash equivalents	<u>(26,321,866)</u>	<u>(29,472,744)</u>
<b>Net debt</b>	<b><u>136,974,925</u></b>	<b><u>191,837,391</u></b>
<b>Total equity</b>	<b>331,792,623</b>	<b>276,148,399</b>
<b>Total equity and net debt</b>	<b><u>468,767,548</u></b>	<b><u>467,985,790</u></b>
<b>Gearing ratio</b>	<b><u>29%</u></b>	<b><u>41%</u></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.

## **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.

## **25. FINANCIAL INSTRUMENTS (continued)**

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.

### **(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:

### **September 30, 2020**

#### **Susidiaries**

Teraglass Bistrita SRL  
Terasteel SA  
Teraplast Recycling SA  
Teraplast Hungaria Kft  
Wetterbest SA  
Terasteel Doo Serbia  
Cortina WTB SRL  
Terasteel Slovakia Sro  
Teramed sante SRL  
Teraplast Folii Biodegradabile SRL

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

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

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>September 30, 2020</b>	<b>December 31, 2019</b>
Cash at banks	24,402,349	26,710,537
Commercial papers receivable	1,138,998	192,795
Petty cash	352,101	244,817
Cash equivalents	428,418	2,324,595
<b>Total</b>	<b>26,321,866</b>	<b>29,472,744</b>

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

The amount of RON 428,418 (December 31, 2019: RON 2,324,595) comprises letters of credit issued by Wetterbest to suppliers of raw materials worth RON 340,789 (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 400,000 valid between 09.07.2020-12.07.2021.

At September 30, 2020, tangible assets and investment property with a net book value of RON 55,165,957 (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 September 30, 2020, the Company has unused credit facilities of RON 37,208,819.78 (December 31, 2019: RON 17,190,916.37).

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

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

### **Terasteel SA**

At September 30, 2020, the Company registers unused credit facilities, amounting to RON 0 (December 31, 2019: RON 23,560,144).

At September 30, 2020, the Company registers a ceiling of letters of credit of EUR 12,000,000 expiring on 08.07.2021. For such ceiling, no letters of credit are issued at September 30, 2020.

At September 30, 2020, the Company registers a ceiling of letters of guarantee of RON 1,000,000 within which letters of credit amounting to RON 314,443 are issued. The ceiling expires on 08.07.2021.

At September 30, 2020, property, plant and equipment and investment property at a net book value of RON 12,138,816 (December 31, 2019: RON 17,245,439) represent security for loans and credit lines.

### **Teraglass Bistrita SRL**

At September 30, 2020, the Company registers unused credit facilities amounting to RON 1,266,693 (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 September 30, 2020, the Company received the entire State aid of RON 7.69 million. The investment was completed in 2019

At September 30, 2020, property, plant and equipment and investment property at a net book value of RON 14,807,840 (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 September 30, 2020, the Company registers granted credit facilities amounting to RON 34,661,916, out of which RON 27,704,221 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 9,015,676 (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 216,654.

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

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

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, which were received on July 15, 2020.

The new plant was opened in March 2020.

**Terasteel Doo Serbia**

At September 30, 2020, property, plant and equipment at a net book value of RON 23,273,039 (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 September 30, 2020 the Company used EUR 1,336,500 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 September 30, 2020 the Company used EUR 0 in favour of raw materials suppliers.

**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.

	<b>September 30, 2020</b>	<b>December 31, 2019</b>
<b>1 January</b>	<b>17,250,166</b>	<b>4,051,575</b>
Incomings during the reporting period	15,859,039	14,086,828
Transferred to income statement	(2,589,651)	(888,234)
<b>31 December / 30 September</b>	<b>30,519,554</b>	<b>17,250,166</b>
Current	3,437,024	1,920,804
Non-current	27,082,530	15,329,362

At September 30, 2020, the total amount of outstanding subsidies is RON 30,519,554 (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**

These simplified consolidated financial statements were approved on October 26, 2020.

**Alexandru Stanean**  
CEO

**Ioana Birta**  
CFO

**Declaration of the Management**

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

October 26, 2020

The Board of Directors

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**Alexandru Stanean**  
CEO

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**Ioana Birta**  
CFO