

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Teraplast SA

Opinion

1. We have audited the interim separate financial statements of Teraplast SA ("the Company"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the interim statement of financial position as at 30 September 2020 and the interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the 9-month period then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The interim separate financial statements as at 30 September 2020 are identified as follows:
 - Net assets / Total equity: RON 250,641,073
 - Net profit for the financial year: RON 30,682,530
3. In our opinion, the accompanying interim separate financial statements present fairly, in all material respects, the financial position of the Company as at 30 September 2020, and its financial performance and cash flows for the 9-month period then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Basis for Opinion

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

Other Matters

5. We draw attention to Note 2 to the interim separate financial statements, which describes the bases of accounting. These interim separate financial statements are special purpose financial statements, intended to be used for the partial distribution of dividends among the Company's shareholders during the financial year, in accordance with Law no. 163/2018.

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

6. Management is responsible for the preparation and fair presentation of the interim separate financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
7. In preparing the interim separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
8. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Interim Separate Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the interim separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
10. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the interim separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
11. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

14. We have been appointed by the General Meeting of Shareholders dated 2 September 2019 to audit the financial statements of Teraplast SA for the financial year ended 31 December 2019 and for the financial year ended 31 December 2020. Following the approval of the Audit Committee of 11 September 2020, we were appointed to audit the interim separate financial statements for the 9-month period ended 30 September 2020. The uninterrupted total duration of our commitment is 1 year, covering the financial year ended 31 December 2019.

We confirm that:

- in conducting our audit, we have retained our independence from the audited entity.
- we have not provided for the Company the prohibited non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014.

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

Alina Mirea, Audit Partner

*For signature, please refer to
the original Romanian version.*

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

On behalf of:

DELOITTE AUDIT SRL

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

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

TERAPLAST SA

INTERIM SEPARATE FINANCIAL STATEMENTS

**Prepared in accordance with
Minister of Public Finance Order
no. 2844/2016 approving the accounting regulations compliant with
the International Financial Reporting Standards,
as of and for the year ended
30 September 2020**

TERAPLAST SA

Interim Separate Financial Statements

Prepared in accordance with Minister of Public Finance Order no. 2844/2016

approving the accounting regulations compliant with the International Financial Reporting Standards

30 September 2020

Contents	PAGE
Independent Auditor's Report	1 - 3
Interim Separate statement of comprehensive income	4
Interim Separate statement of financial position	5
Interim Separate statement of changes in equity	6
Interim Separate cash flow statement	7
Notes to the interim separate financial statements	8 - 42

TERAPLAST SA

INTERIM SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the financial year ended 30 September 2020

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Description	Note	Financial year	
		1 Jan – 30 Sep 2020 (audited)	1 Jan – 30 Sep 2019 (not audited)
Revenues total –out of which:	4	325,696,042	284,158,081
Revenues from sale of finished products		285,450,526	247,323,781
Revenues from the sale of merchandise		39,108,857	35,905,020
Revenues from service rendering		1,136,659	929,280
Other operating income (including rent)		335,948	232,840
Income from subsidies		938,494	-
Changes in inventories of finished goods and work in progress		(3,685,140)	1,849,743
Raw materials, consumables used and merchandise	6	(205,421,809)	(200,984,149)
Employee benefit expenses	9	(32,616,363)	(28,866,351)
Expenses with impairment adjustments and amortization	8	(13,747,340)	(11,696,392)
Impairment of trade receivable, net	8	(1,580,665)	(401,285)
Impairment of trade inventory, net	8	181,743	1,058,346
Provisions, net	23	(19,375)	63,961
Gains/(Losses) on disposal of fixed assets	7	(211,955)	164,894
Gains from sale of assets held for sale	16	-	15,034
Loss at disposal of investment properties	16	(166,632)	(133,371)
Other expenses	11	(31,956,183)	(30,888,215)
Operating result		37,746,765	14,573,136
Interest expense, net	10	(3,590,894)	(4,492,135)
Other financial expense, net	10	(280,711)	(345,436)
Dividend income	10	21,374	-
Financial result		(3,850,231)	(4,837,571)
Profit before tax		33,896,534	9,735,565
Income tax expense	12	(3,214,004)	(439,999)
Profit for the year		30,682,530	9,295,566
Other comprehensive income		-	-
Total comprehensive income		30,682,530	9,295,566
Average number of shares		1,382,850,282	1,070,245,274
Basic and diluted earnings per share		0.0222	0.0087

The interim separate financial statements were approved by the Board of Directors on 18 November 2020.

Alexandru Stanean
CEO

Ioana Birta
CFO

The accompanying notes are an integral part of these interim separate financial statements.
English translation is for information purposes only. Romanian language text is the official text for submission.

TERAPLAST SA
**INTERIM STATEMENT OF FINANCIAL POSITION
for the financial year ended 30 September 2020**
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

		30 September	31 December
	Note	2020 (audited)	2019 (not audited)
ASSETS			
Non-current assets			
Property, plant and equipment	13	140,919,654	131,170,896
Investment properties	16	13,474,241	16,700,934
Intangible assets	14	656,705	903,442
Right of use of the leased assets	15	5,773,208	5,855,668
Investments in subsidiaries	17	12,049,517	111,834,865
Other equity investments	17	15,472	15,472
Long-term receivables	19	3,270,017	18,679,424
Total non-current assets		176,158,814	285,160,702
Current assets			
Inventories	18	55,792,127	54,409,831
Trade and other receivables	19	118,142,938	101,006,306
Prepayments		687,558	557,603
Tax on profit to be recovered		-	439,999
Cash and cash equivalents	28	4,463,107	5,669,112
Total current assets		179,085,730	162,082,850
Assets classified as held for sale – Steel division	3,16	100,773,798	-
Total assets		456,018,342	447,243,552
EQUITY AND LIABILITIES			
Equity			
Share capital	20	174,320,048	133,780,651
Share premium		-	27,384,726
Treasury shares		-	(139)
Revaluation reserves		13,658,568	13,671,771
Legal reserve		10,481,647	10,481,647
Retained earnings		52,180,810	34,639,887
Total equity		250,641,073	219,958,543
Non-current liabilities			
Loans from banks	21	52,082,976	57,682,317
Lease liabilities		3,701,238	3,960,439
Other non-current liabilities	24	9,649,795	-
Employee benefit liabilities	22	1,453,762	1,453,762
Investment subsidies – long-term portion	5	12,119,910	4,902,235
Deferred tax liabilities		4,633,066	3,402,166
Total non-current liabilities		83,640,747	71,400,920
Current liabilities			
Trade and other payables	24	76,754,778	71,318,498
Deferred income		1,421,392	-
Loans from banks	21	39,676,097	81,889,947
Lease liabilities		1,980,102	1,652,788
Investment subsidies - current portion	5	1,244,853	382,932
Provisions	23	659,300	639,925
Total current liabilities		121,736,522	155,884,090
Total liabilities		205,377,269	227,285,009
Total equity and liabilities		456,018,342	447,243,552

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Alexandru Stanean
CEO

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TERAPLAST SA
INTERIM SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 30 September 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	<u>Issued capital</u>	<u>Share premium</u>	<u>Treasury shares (Note 23)</u>	<u>Revaluation reserves</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2020 (audited)	133,780,651	27,384,726	(139)	13,671,772	10,481,647	34,639,887	219,958,543
Net result for the period (Total comprehensive income)	-	-	-	-	-	30,682,530	30,682,530
Share capital increase from retained earnings (Note 23)	40,539,397	(27,384,726)	-	-	-	(13,154,672)	-
Losses related to own shares sale	-	-	139	-	-	(139)	-
Reserves representing surplus from revaluation	-	-	-	(13,204)	-	13,204	-
Balance as at 30 September 2020	174,320,048	-	-	13,658,568	10,481,647	52,180,810	250,641,073

	<u>Issued capital</u>	<u>Share premium</u>	<u>Treasury shares (Note 23)</u>	<u>Revaluation reserves</u>	<u>Legal reserve</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2019 (audited)	107,024,527	27,384,726	(1,472,925)	13,671,772	9,919,037	52,555,218	209,082,355
Net result for the period (Total comprehensive income)	-	-	-	-	-	9,295,566	9,295,566
Losses related to own shares sale	-	-	-	-	-	(265,750)	(265,750)
Own shares redemption (Note 23)	-	-	1,472,786	-	-	-	1,472,786
Balance as at 30 September 2019 (not audited)	107,024,527	27,384,726	(139)	13,671,772	9,919,037	61,585,034	219,584,957

As of 30 September 2020 and 31 December 2019, the revaluation reserves include amounts representing the unrealized revaluation surplus related to land and buildings.

TeraPlast did not grant dividends in the financial years ended 30 September 2020 and 31 December 2019. The agenda of the GMS called for 27 November 2020 includes the approval of the distribution of dividends in total amount of RON 45,323,187.31, with a proposed gross dividend/share of RON 0.0260*. The dividends will be distributed from the result carried forward at 30 September 2020

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TERAPLAST SA
INTERIM SEPARATE CASH FLOW STATEMENT
for the financial year ended 30 September 2020

(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	1 Jan – 30 Sep 2020	1 Jan – 30 Sep 2019
	(audited)	(not audited)
Cash flows from operating activities		
Profit before tax	33,896,534	9,735,565
Interest expense	3,696,023	5,057,471
Interest income	(105,128)	(565,336)
Loss from the sale or disposal of fixed assets	211,955	133,370
Trade receivables impairment	1,580,665	401,285
Inventories impairment	(181,743)	(1,058,346)
Amortization and depreciation of long-term assets	14,383,855	11,755,066
Adjustment of the value for non-current assets	(636,514)	(58,673)
Provisions, net	19,375	(63,961)
Loss from the sale of investment property	166,632	-
Investment income	(21,374)	-
Profit before adjustments to working capital	53,010,280	25,336,441
<i>Movements in working capital</i>		
Increase in gross trade and other receivables (before impairment allowance)	(26,402,808)	(16,213,303)
(Increase) Decrease in inventories (before impairment allowance)	(1,200,553)	9,512,384
(Decrease)/increase of trade and other payables	23,154,184	(4,478,796)
Interest paid	(3,610,165)	(5,060,507)
Income tax paid	(1,543,105)	-
Income from subsidies	(931,074)	(27,862)
Net cash generated by operating activities	42,476,759	9,068,358
Net cash generated from investment		
Interest received	2,429,959	361,992
Payments for acquisition of tangible and intangible assets	(13,568,953)	(20,325,482)
Payments for investments in subsidiaries	(19,731,149)	(2,379,950)
State Aid received	9,010,669	668,681
Receipts from the sale of tangible assets	3,293,388	49,999
Losses related to GOP	-	(265,750)
Net cash used in investment	(18,566,087)	(21,890,510)
Cash flows from financing activities		
Receipts from loans	23,035,958	9,092,026
Loans (reimbursement)	(35,137,907)	(14,825,484)
Lease payments	(359,680)	(322,557)
Net (reimbursements)/drawings from credit line	(35,664,039)	15,349,145
Collection of loan repaid by TeraSteel Serbia	23,008,991	-
Net cash generated from /(used in) finance activities	(25,116,677)	9,293,130
Net variation of cash	(1,206,005)	(3,529,022)
Cash and cash equivalents at the beginning of the financial year	28 5,669,112	9,774,157
Cash and cash equivalents at the end of the financial year	28 4,463,107	6,245,135

The interim separate financial statements were approved by the Board of Directors on 18 November 2020.

Alexandru Stanean
CEO

Ioana Birta
CFO

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1. GENERAL INFORMATION

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

The Company's main activities include the production of PVC pipes and profiles, plasticized and rigid PVC granules, polypropylene pipes.

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

As at 30 September 2020, TeraPlast SA has the following subsidiaries:

- Terasteel Romania and Terasteel Serbia (manufacturers of sandwich panels and galvanized steel purlins),
- Wetterbest (manufacturer of metal tiles),
- Teraglass (manufacturer of PVC windows and doors),
- Teraplast Recycling (PVC recycling),
- Teraplast Hungary (distributor),

TeraPlast will sell the shares held in Terasteel Romania and Serbia and Wetterbest to Kingspan group, based on the contract concluded on July 24, 2020.

The Company is preparing consolidated financial statements available on the company's website (www.teraplast.ro).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The financial statements were prepared in accordance with International Accounting Standard 34 – Interim financial reporting.

2.2. Basis of accounting

The accounting policies and measurement methods adopted for the preparation of the simplified interim separate financial statements are in line with those used in the preparation of the annual separate financial statements of Teraplast SA for the financial year ended 31 December 2019.

2.3. Going concern

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

As of 30 September 2020, the Company's current assets exceed its current liabilities by RON 57 million (31 December 2019: in excess of RON 6 million). In January – September 2020, the Company recorded profit of RON 30,682,530 (January – September 2019: RON 9,669,152) and cash flows from operating activities (before changes in working capital) of RON 53,010,280 (2019: RON 25,336,441). The Company relies on the financing banks, as also described in Note 21.

The budget prepared by the Company management and approved by the Board of Directors for 2021 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Company to fulfill its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity in the ordinary course of business, as a going concern.

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the Company accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the separate financial statements.

Impairment of intangible and tangible assets

To determine whether the impairment related to an intangible or tangible asset must be recognized, significant judgment is needed. To take this decision, for each cash generating unit (CGU), the Company compares the carrying amount of these intangible or tangible assets, to the higher of the CGU fair value less costs to sell and its value in use, which will be generated by the intangible and tangible assets of the cash generating units over the remaining useful life. The recoverable amount used by the Company for each cash generating unit for impairment measuring purposes was represented by its value in use.

The Company analyzed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets.

As a result, the Company decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36.

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

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss.

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

Investment property and buildings were valued by reference to market-based information, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. As of 31 December 2019, based on internal assessment and opinion of the external valuation expert, management concluded that the accounting value of land and buildings approximates their market value and therefore a revaluation was deemed unnecessary. At 30 September 2020 there are not factors indicating that the carrying amount of land and buildings is significantly different from their market value.

SALE OF THE STEEL DIVISION

On July 24, 2020, TeraPlast SA concluded an agreement with Kingspan Group for the sale of the Steel division. The transaction refers to the entire equity 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.

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 completion date of the transaction based on an agreed formula, depending on the actual working capital and actual net liabilities at the end of the month in which the transaction is concluded. The sale is estimated to end after obtaining the approval regarding the competition details of the transaction, most likely between December 2020 and February 2021.

The price will be paid in cash at the end of the month in which the transaction is concluded, based on estimated results, and will be adjusted after preparing the financial information of the Steel division.

The investments of TeraPlast SA in the Steel division companies (detailed above), total RON 100,773,798 and are presented in the Current assets section, below the Assets held for sale line. For additional information, please see Note 16.

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 very likely and a sale would involve the split of the business from the Company's activity, which is a complex process. Therefore, the joinery profiles segment was not classified as held for sale, according to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

The equipment of such division, which would be subject to the transfer, continue to be presented according to IAS 16.

4. REVENUE AND OPERATING SEGMENTS

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

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Sales from own production	288,439,045	250,530,876
Income from sale of goods	39,108,857	35,905,020
Revenues from other activities	203,642	355,816
Rent income	933,016	573,465
Commercial discounts granted	(2,988,519)	(3,207,095)
Total	325,696,042	284,158,081

Geographical analysis

	9-month period ended 30 September 2020	9-month period ended 30 September 2019
Sales on the internal market (Romania)	308,137,441	263,526,130
Sales on the foreign market	17,558,601	20,631,951
Total	325,696,042	284,158,081

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

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

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

On the construction materials market, the seasonality influences the monthly evolution of the sales. Therefore, the peak in our activity consists of approximately 6 months (May – October).

The Company's distribution policy targets specialised clients in the constructions sector through the following channels:

- Distributors and resellers (domestic and exports)
- Specialised networks (DIY stores – domestic and exports)
- Contractors and builders (infrastructure projects auctions)
- Producers (domestic and exports)

4. REVENUE AND OPERATING SEGMENTS (continued)

Installations

The Installations business line includes the interior and exterior sewage systems, water & gas distribution systems, rain and wastewater management systems, telecommunications, electric networks, individual utilities branches.

TeraPlast is the leader of the PVC pipes market and the second player on the installations market in Romania.

From its local top-producer position the company has an advantage in contracting the infrastructure works in Romania compared to the foreign competitors.

According to the sustainable development strategy "Romania 2025", the total value of the investments needed for the rehabilitation of the public services of water and sewage infrastructure is EUR 12.5 billion, while the annual medium of the necessary investments is EUR 625 million. As for the population connected to the water and sewage systems, in 2017 in Romania only 50.8% of the residents were connected to a sewage system, while 49.4% were connected to sewage systems with treatment stations.

EUR 11 billion were allotted for the Large Infrastructure Operational Program between 2014 and 2020. So far, EUR 2,3 billion in payments and EUR 9,7 billion in signed contracts were used.

Taking this into consideration, an increase of the demand during the next 2 years, due to the execution phase of these projects.

PVC joinery Profiles

TeraPlast, through its PVC joinery profiles business line, offers systems with 4, 6 and 7 insulating chambers. The PVC joinery profiles portfolio are constantly improved to meet the domestic and international clients' needs.

The joinery profiles business line serves over 200 clients, producers of insulated openings. On the domestic market, the best-seller is the 4 insulating chambers system, while on the international markets the demand targets the 6 and 7 insulating chambers systems.

Compounds

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

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUE AND OPERATING SEGMENTS (continued)

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

January – September 2020	Installations	Joinery profiles	Compounds	Total
Turnover	231,739,298	40,937,481	53,019,263	325,696,042
Other operating revenues	313,398	7,835	14,715	335,948
Total operating revenues	232,052,696	40,945,316	53,033,978	326,031,990
Income from subsidies	729,968	-	208,526	938,494
Raw materials, consumables used as merchandise and changes in inventories	(146,549,715)	(26,352,577)	(36,204,656)	(209,106,949)
Employee benefits expenses	(23,239,043)	(5,582,971)	(3,794,349)	(32,616,363)
Amortization, depreciation, impairment allowances and provisions	(9,695,756)	(3,122,779)	(1,326,767)	(14,145,302)
Impairment of current assets	(1,438,443)	(167,622)	25,400	(1,580,665)
Other expenses	(24,256,264)	(4,209,232)	(3,490,687)	(31,956,183)
Total expenses with sales, overheads and administrative costs	(205,179,221)	(39,435,182)	(44,791,059)	(289,405,462)
Operating result	27,603,443	1,510,134	8,451,445	37,565,022
EBITDA	36,569,231	4,632,914	9,569,686	50,771,830
EBITDA (%)	16%	11%	18%	16%

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.*

30 September 2020	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Total assets, of which	241,190,384	44,630,144	40,039,130	130,158,684	456,018,342
Non-current assets	103,524,074	21,732,967	21,516,887	29,384,886	176,158,814
Current assets	137,666,310	22,897,177	18,522,243	100,773,798	279,859,528
Operating liabilities	111,627,234	15,135,106	26,337,425	52,277,505	205,377,269
Long-term liabilities	32,462,478	3,073,308	5,185,950	42,919,011	83,640,747
Current liabilities	79,164,756	12,061,797	21,151,475	9,358,495	121,736,522

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUE AND OPERATING SEGMENTS (continued)

January – September 2019	Installations	Joinery profiles	Compounds	Total
Turnover	194,202,597	41,319,192	48,636,292	284,158,081
Other operating revenues	174,561	24,854	33,424	232,840
Total operating revenues	194,377,158	41,344,046	48,669,716	284,390,921
Raw materials, consumables used as merchandise and changes in inventories	(134,471,682)	(28,049,327)	(36,613,397)	(199,134,406)
Employee benefits expenses	(19,740,319)	(5,819,358)	(3,306,674)	(28,866,351)
Amortization, depreciation, impairment allowances and provisions	(7,289,044)	(3,277,035)	(1,019,795)	(11,585,873)
Impairment of current assets	(1,445,263)	1,034,517	9,461	(401,285)
Other expenses	(21,983,587)	(5,759,320)	(3,145,308)	(30,888,215)
Total expenses with sales, overheads and administrative costs	(184,929,895)	(41,870,523)	(44,075,712)	(270,876,130)
Operating result	9,447,264	(526,477)	4,594,004	13,514,790
EBITDA	16,736,308	2,750,558	5,613,798	25,100,664
EBITDA (%)	9%	7%	12%	9%

31 December 2019	Installations	Joinery profiles	Compounds	Non-allocated amounts	Total
Operating assets	194,720,182	49,895,510	51,224,979	151,402,881	447,243,551
Non-current assets	89,283,547	21,572,403	22,901,871	151,402,881	285,160,702
Current assets	105,436,635	28,323,107	28,323,107	-	162,082,849
Operating liabilities	103,916,901	25,208,697	24,163,750	73,995,661	227,285,009
Long-term liabilities	17,617,586	2,116,154	3,776,023	47,891,156	71,400,920
Current liabilities	86,299,315	23,092,543	20,387,726	26,104,505	155,884,090
Inflows of fixed assets	31,134,953	4,206,018	7,783,519	-	44,962,764

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

In November 2018, the Company signed a financing agreement for an investment project worth RON 28,987 thousand, in the State Aid Scheme for Encouraging Investments with Major Impact on the Economy. 50% of the value of the project is financed by State Aid. The investment aims at offering a new product on the market of PVC compounds and the expansion of the production capacity of polypropylene systems (interior sewage).

At 30 September 2020, the Company received the entire State aid of RON 14.43 thousand. The investment was finalised in 2019.

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Raw material expenses	(163,326,387)	(161,322,799)
Consumable expenses	(11,029,299)	(10,694,153)
Commodity expenses	(30,292,750)	(28,228,525)
Consumed packaging	(773,373)	(738,672)
Total	<u>(205,421,809)</u>	<u>(200,984,149)</u>

7. GAINS AND LOSSES FROM THE DERECOGNITION OF ASSETS

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Income from the sale of assets	233,328	25,024,000
Net book value of derecognized assets	(445,282)	(24,859,106)
Total	<u>(211,955)</u>	<u>164,894</u>

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

8. IMPAIRMENT AND AMORTIZATION

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Receivables impairment		
Receivables charged to expenses (IFRS 9)	(278,889)	(19,455)
Impairment recognised to profit or loss (IFRS 9)	(2,138,108)	(445,465)
Income from impairment reversal (IFRS 9)	836,331	63,636
Net adjustments for doubtful debts	<u>(1,580,665)</u>	<u>(401,285)</u>
Inventory impairment		
Inventory impairment expenses (IAS 36)	(2,187,839)	(2,803,655)
Income from impairment reversal (IAS 36)	2,369,582	3,862,001
Net adjustments for inventory impairment	<u>181,743</u>	<u>1,058,346</u>
Non-current assets impairment		
Income from reversal of non-current assets impairment (IAS 36)	636,514	58,673
Impairment expenses (Notes 13, 14 and 15) (IAS 36)	(14,383,855)	(11,755,066)
Net adjustments for non-current assets impairment	<u>(13,747,340)</u>	<u>(11,696,392)</u>

8. IMPAIRMENT AND AMORTIZATION (continued)

Impairment of non-current assets

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

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

Inventory impairment

Allowance are set up for inventory that was not used or sold during the last 12 months, finished goods for which the demand is decreasing, that are damaged or have quality issues. The cost of finished goods on stock as at quarter end is also compared to the expected selling price and an allowance is set up, if necessary, to adjust the cost to the lower net realizable value.

The net reversal is because the Company obtained a value higher than expected for the finished goods that remained on stock from product Company that were discontinued in prior 2017 – 2018, namely window seals, PVC decoration elements and PVC rainwater system elements.

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

	9-month period ended 30 September 2020 (audited) RON	9-month period ended 30 September 2019 (not audited) RON
Wages	30,096,291	26,511,339
Contributions to the public social security fund	593,907	635,421
Social aid within the limit of 5% of the salary fund	406,665	424,656
Meal tickets	1,519,500	1,294,935
Total, as presented on line "Employee benefit expenses"	<u>32,616,363</u>	<u>28,866,351</u>

Remuneration of the Board of Directors

The chair and the members of the Board of Directors have a monthly gross salary per person of RON 8,443.

The chair and members of the Board of Directors were remunerated in January – September 2020 in a gross amount of RON 380 thousand (January – September 2019: RON 304 thousand).

They do not receive any other benefits.

10. FINANCIAL COSTS AND INCOME

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Financial costs		
Interest expense	3,696,023	5,057,471
Expenses with exchange rate differences	1,058,886	1,224,604
Other financial expenses	-	522,139
Total	4,754,909	6,804,213
	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Financial Income		
Interest Income	105,128	565,336
Income from exchange rate differences	497,888	1,401,306
Dividend income	21,375	-
Other	280,286	-
Total	904,678	1,966,642
Financial result	(3,850,231)	(4,837,571)

11. OTHER OPERATING EXPENSES

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Transport costs	12,882,921	11,514,363
Expenses with utilities	8,135,963	7,835,402
Expenses with third party services	5,655,428	4,821,058
Expenses with compensations, fines and penalties	2,834	4,529
Entertainment, promotion and advertising expenses	802,868	925,248
Expenses with other taxes and duties	894,097	738,825
Repair expenses	1,573,885	1,530,356
Travelling expenses	290,315	488,147
Rent expenses	91,712	1,407,983
Mail and telecommunication expenses	209,116	239,259
Insurance premium expenses	794,061	780,804
Expenses with sponsorship, donations	82,837	139,476
Other general expenses	540,145	462,765
Total	31,956,183	30,888,215

12. INCOME TAX

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

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Profit before tax	33,896,534	8,377,497
Income tax calculated (16%)	5,423,445	1,340,399
Deduction for dividends income not taxable	(3,420)	(17,908)
Non-deductible expenses	108,673	23,413
Credit from tax loss used	-	(795,906)
Credit from reinvested profit/sponsorship	(1,926,269)	(549,998)
Income tax	3,602,429	-
Discount for payment when due	(388,425)	-
Income tax – expense	3,214,004	-

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. PROPERTY AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2020 (audited)	7,259,229	56,405,984	196,114,586	1,726,156	5,545,340	267,051,295
Increases	1,137,951	14,502	1,422,093	27,506	19,277,557	21,879,608
Out of which:						
Increases from the internal production of non-current assets	-	-	-	-	-	889,779
Transfers in/from non-current assets in progress	-	506,910	13,855,898	27,779	(14,390,588)	-
Transfers IFRS 16 right of use	-	-	259,622	-	-	259,622
Disposals and other decreases	-	(171,399)	(2,534,593)	(9,784)	-	(2,715,775)
Balance as at 30 September 2020 (audited)	8,397,180	56,755,997	209,117,606	1,771,657	10,432,309	286,474,750
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2020 (audited)	1,037	6,710,916	126,851,659	1,061,611	1,255,176	135,880,399
Depreciation recorded during the year (Note 9)	259	1,967,724	10,310,834	131,318	-	12,410,136
Transfers IFRS 16 right of use	-	-	142,592	-	-	142,592
Disposals and other decreases	-	(91,320)	(2,171,616)	(7,869)	-	(2,270,804)
Impairment (Note 8)	-	(84,048)	(523,178)	-	-	(607,226)
Balance as at 30 September 2020 (audited)	1,296	8,503,272	134,610,291	1,185,061	1,255,176	145,555,096
Net carrying amount as at 1 January 2020 (audited)	7,258,192	49,695,068	69,262,927	664,545	4,290,164	131,170,896
Net carrying amount as at 30 September 2020 (audited)	8,395,884	48,252,725	74,507,842	586,597	9,177,133	140,919,654

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TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 30 September 2020, the Company had pledged in favor of financial institutions non-current assets and investment properties with a net carrying amount RON 55,165,957 (31 December 2019: RON 77,420,197).

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

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

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

14. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2020 (audited)	5,905,194	162,328	6,067,523
Increases, out of which	57,156	16,298	73,453
Transfers	-	-	-
Disposals and other decreases	(34,556)	-	(34,556)
Balance as at 30 September 2020 (audited)	5,927,794	178,626	6,106,420
Accumulated amortization			
Balance as at 1 January 2020 (audited)	5,164,081	-	5,164,081
Amortization expense	349,479	-	349,479
Impairment expense / (income)	(29,288)	-	(29,288)
Disposals and reductions	(34,556)	-	(34,556)
Balance as at 30 September 2020 (audited)	5,449,716	-	5,449,716
Net carrying amount as at 1 January 2020 (audited)	741,114	162,328	903,442
Net carrying amount as at 30 September 2020 (audited)	478,079	178,626	656,705
	Licenses	Intangible assets in progress	Total
Cost			
Balance as at 1 January 2019 (audited)	5,296,256	290,507	5,586,762
Increases	217,138	597,954	815,092
Transfers	391,800	(726,132)	(334,332)
Disposals and other decreases	-	-	-
Balance as at 31 December 2019 (audited)	5,905,194	162,328	6,067,523
Accumulated amortization			
Balance as at 1 January 2019 (audited)	4,354,270	-	4,354,270
Amortization expense	553,464	-	553,464
Reductions	256,347	-	256,347
Balance as at 31 December 2019 (audited)	5,164,081	-	5,164,081
Net carrying amount as at 1 January 2019 (audited)	941,986	290,507	1,232,493
Net carrying amount as at 31 December 2019 (audited)	741,114	162,328	903,442

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

15. RIGHT OF USE ASSETS

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

	Buildings	Vehicles from previous finance leases	Total
Cost			
Balance as of 1 January 2019 (audited)		2,014,851	2,014,851
Additions	5,049,127	1,684,455	6,733,581
Transfer to equipment on exercise of the purchase option	-	(865,053)	-
Balance as of 31 December 2019 (audited)	5,049,127	2,834,253	7,883,380
Accumulated depreciation			
Balance as of 1 January 2019 (audited)	-	772,878	772,878
Depreciation expense	1,467,947	416,810	1,884,757
Depreciation of equipment transferred to PPE	-	(629,923)	(629,923)
Balance as of 31 December 2019 (audited)	1,467,947	559,765	2,027,711
Carrying amount 1 January 2019 (audited)	-	1,241,973	1,241,973
Carrying amount 31 December 2019 (audited)	3,581,180	2,274,488	5,855,668

	Buildings	Vehicles from previous finance leases	Total
Cost			
Balance as of 1 January 2020 (audited)	5,049,127	2,834,253	7,883,380
Additions	1,658,372	-	1,658,372
Transfer to equipment on exercise of the purchase option	(780,420)	(259,095)	(1,039,515)
Balance as of 30 September 2020 (audited)	5,927,079	2,575,157	8,502,236
Accumulated depreciation			
Balance as of 1 January 2020 (audited)	1,467,947	559,765	2,027,711
Depreciation expense	1,266,112	358,128	1,624,240
Depreciation of equipment transferred to PPE	(780,420)	(142,502)	(922,922)
Balance as of 30 September 2020 (audited)	1,953,639	775,389	2,729,028
Carrying amount 1 January 2020 (audited)	3,581,180	2,274,488	5,855,668
Carrying amount 30 September 2020 (audited)	3,973,440	1,799,768	5,773,208

The amounts recognised to profit or loss in relation to right-of-use assets are:

	January – December 2019 (audited)			January – September 2020 (audited)		
	Buildings	Equipment	Total	Buildings	Equipment	Total
Depreciation expenses	1,467,947	416,810	1,884,757	1,266,112	358,128	1,624,240
Expenses with interest on lease liabilities	173,099	-	173,099	133,061	-	133,061

16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

Investment properties

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

- The Company owns 36 thousand sqm of land in Bistrita for appreciation, classified as investment property. The production facility of TeraPlast was on this land, before the company relocated in the TeraPlast Industrial Park.
- As of 31 December 2018, the Company owned land and buildings (previously used as warehouses), in Constanta. The final destination of land and buildings would be as held for appreciation followed by subsequent sale. In July 2019, the property was sold, registering a net loss of RON 133 thousand.
- Starting 31 March 2015, the buildings and land located in Bistrita, which are rented to Teraglass Bistrita SRL, are classified as investment properties.

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. Investment properties were revalued as at 31 December 2019 by an external independent valuator. The valuation method used was the market comparison.

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Opening balance at 1 January	16,700,933	17,906,553
Reductions	(3,226,692)	(1,410,929)
Net loss from valuation of investment properties at fair value	-	205,310
Closing balance at 31 December	13,474,241	16,700,934

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

In May 2020, the investment property in Bistrita, Drumul Cetății was sold, generating a decrease in the Company's investment property by RON 3,227 thousand.

Assets held for sales

TeraPlast SA concluded an agreement with Kingspan Group to sell the Steel division.

According to Note 3, the investments TeraPlast SA in the Steel division companies (detailed herein below), total RON 100,773,798, and are presented in the Current assets section, under the Assets held for sale line.

Name of subsidiary	Ownership %	30 September 2020
Terasteel SA	98,31	11,466,832
Wetterbest SA	99	81,114,597
Terasteel DOO Serbia	100	8,192,369
TOTAL		100,773,798

17. SUBSIDIARIES AND OTHER EQUITY INVESTMENTS

As at 30 September 2020 and 31 December 2019, the Company holds the following investments:

Subsidiary	Country	Investment share %	30 September	Investment share %	31 December
			2020 (audited) RON		2019 (audited) RON
Terasteel S.A. Bistrita*	Romania	98.31	-*	97.95	10,960,083
Teraglass Bistrita SRL	Romania	100	50,000	100	50,000
Politub SA	Romania	-	-	99.99	11,677,250
Teraplast Recycling SA (former TRP Logistic)	Romania	99	11,766,350	99	89,100
Teraplast Hungary	Hungary	100	43,167	100	43,167
Wetterbest SA*	Romania	99	-*	67	80,822,897
Terasteel DOO Serbia*	Serbia	100	-*	100	8,192,369
Teraplast Folii Biodegradabile SRL	Romania	100	100,000	-	-
Teramed Sante SRL	Romania	90	90,000	-	-
		-	12,049,517	-	111,834,865

(*)Terasteel SA Bistrița, Wetterbest SA and Terasteel DOO Serbia are the subsidiaries of the Steel division forming the object of the transaction with Kingspan. The investment in these companies is presented in the Current assets section, under the Assets held for sale line. For additional information, please see Notes 3 and 16.

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

Further to the merger, the absorbed company Politub SA was dissolved without liquidation and deregistered and all of its assets were transferred to absorbing company Teraplast Recycling SA, in exchange for the allocation of new shares issued by Teraplast Recycling SA to the shareholders of Politub SA.

Teraplast Recycling SA continues to exist in its current legal form, keeping its current office and main object of activity. Teraplast Recycling SA was granted all the rights of the absorbed company, and, consequently, shall be bound by the obligations of the absorbed company.

In August 2020, the following companies were established:

- 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.

Other long-term equity investments

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

Investment description	Country	Share-part %	30 September	Share-part %	31 December
			2020 (audited) RON		2019 (audited) RON
CERTIND SA	Romania	7.50	14,400	7.5	14,400
Sustainable development partnership	Romania	7.14	1,000	7.14	1,000
Tera Tools SRL	Romania	24	72	24	72
		-	15,472	-	15,472

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

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

18. INVENTORIES

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Finished goods	21,858,654	25,598,154
Raw materials	21,886,729	20,290,416
Commodities	9,249,219	7,992,078
Consumables	2,951,001	2,318,696
Inventory items	124,189	115,007
Semi-finished goods	1,142,177	1,163,078
Residual products	414,398	457,159
Goods to be purchased	1,560,114	52,337
Packaging	1,240,317	1,239,320
Inventories – gross value	60,426,798	59,226,244
Value adjustments on raw materials and materials	(1,886,808)	(1,645,056)
Value adjustments for finished products	(1,626,396)	(2,201,295)
Value adjustments for commodities	(1,121,467)	(970,062)
Total	55,792,127	54,409,831

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

The Company's inventories are pledged in favour of financing banks. As of 30 September 2020 and 31 December 2019 the total closing balance is pledged.

19. TRADE AND OTHER RECEIVABLES

	9-month period ended 30 September 2020 (audited)	liquidity term	
		below 1 year	above 1 year
Trade receivables	124,658,158	124,658,158	-
Advances paid to suppliers of non-current assets	3,322,550	3,322,550	-
Advances paid to suppliers of inventories and services	562,086	562,086	-
Loans granted to subsidiaries (Note 27)	1,164,328	1,164,328	-
Other receivables from affiliates (Note 27)	3,102,955	-	3,102,955
Other receivables	1,568,677	1,401,615	167,062
Adjustments for trade and other receivables impairment	(12,965,798)	(12,965,798)	-
Total	121,412,955	118,142,939	3,270,016

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

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

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

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on the risk rating of each client obtained from independent parties, adjusted, if the case with forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

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

20. SHARE CAPITAL AND RESERVES

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Share capital called-up and paid in full	174,320,048	133,780,651
Total	174,320,048	133,780,651

As at 30 September 2020 the value of the share capital called-up and paid up of the Company included 1,743,200,478 (31 December 2019: 1,337,806,508) authorized shares, issued and paid in full, at a value RON 0.1 and having a total nominal value of 1,743,200,478 (31 December 2019: RON 1,337,806,508). Common shares bear a vote each and give the right to dividends.

On 19.08.2020, the Central Depository registered in the registry of Teraplast SA the share capital increase, as per the FSA Certificate of Registration of Financial Instruments no AC-3420-10/22.07.2020.

The share capital increase was approved by EGMS no. 1 of 29.04.2020.

Shareholding structure

	9-month period ended 30 September 2020 (audited)		Year ended 31 December 2019 (audited)	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	816,343,691	46.83	626,496,322	46.83
Marley Magyarorszag (Gemencplast Szekszard)	-	-	106,073,412	7.93
KJK BALKAN HOLDING S.a.r.l. Luxembourg	175,144,679	10.05	134,413,359	10.05
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	191,662,749	10.99	89,131,396	6.66
Legal entities	280,726,094	16.10	174,263,539	13.03
Individuals	279,323,265	16.03	207,428,480	15.50
Total	1,743,200,478	100	1,337,806,508	100

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

21. LOANS FROM BANKS

Bank loans as of 30 September 2020 and 31 December 2019 are the following:

Financing bank	Financing type	Date granted	Balance as of 31 December 2019 (audited)	Balance as of 30 September 2020 (audited)	Short-term as of 30 September 2020 (audited)	Long-term as of 30 September 2020 (audited)	Period
Transilvania Bank	Working capital	07,08,2019	37,244,594	19,916,180	19,916,180	-	12 MONTHS
Transilvania Bank	Investments	20,04,2017	12,306,509	10,253,654	2,757,677	7,495,977	84 MONTHS
Transilvania Bank	Investments	07,06,2017	23,500,000	18,800,000	4,700,000	14,100,000	84 MONTHS
Transilvania Bank	Investments	19,07,2017	11,793,925	-	-	-	84 MONTHS
Transilvania Bank	Investments	24,07,2017	2,723,529	1,912,495	1,095,436	817,059	60 MONTHS
Transilvania Bank	Investments	31,07,2017	5,963,337	4,173,021	2,390,217	1,782,805	60 MONTHS
Transilvania Bank	Investments	07,11,2017	4,500,000	4,500,000	1,500,000	3,000,000	60 MONTHS
Transilvania Bank	Investments	04,04,2018	5,192,131	4,153,705	1,049,933	3,103,772	72 MONTHS
Raiffeisen Bank	Working capital	01,07,2017	18,504,243	-	-	-	12 MONTHS
Transilvania Bank	Investments	07,03,2019	8,867,145	9,214,457	2,475,638	6,738,820	60 MONTHS
Transilvania Bank	Investments	04,12,2019	1,194,700	9,594,767	1,918,953	7,675,813	60 MONTHS
Transilvania Bank	Investments	18,03,2019	7,941,303	-	-	-	12 MONTHS
Transilvania Bank	Investments	30,03,2020	-	9,240,795	1,872,063	7,368,732	60 MONTHS
TOTAL			139,572,264	91,759,073	39,676,097	52,082,976	

22. EMPLOYEE BENEFIT LIABILITIES

The Company has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Company when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis. The discount rate is the interest rate curve of the RON interest, without adjustments, as provided by EIOPA in September 2020. Future salary increases are estimated on the long term as being equal to the inflation rate estimated for the Euro zone, at 2.8% in the first year, 2.6% in the second year, 2.4% in the third year and 2% for the remainder.

During the period ended 30 September 2020, the Company set up a long-term liability amounting to RON 1,453,762 (31 December 2019: RON 1,453,762) related to the rights to compensate employees, based on the actuarial calculation, for the amounts granted to the employees on retirement; these amounts are provided under the collective labor agreement.

The latest actuarial valuations were performed on 30 September 2020 by Mr. Silviu Matei, a member of the Romanian Actuarial Institute. Given the results of the report, which are similar to the liability established at 31 December 2019, the Company's management chose not to modify the amount of the provision at 30 September 2020. The present value of the defined benefit obligations and the current and past costs of related services have been measured using the projected unit credit method.

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Employee benefits		
Opening balance	1,453,762	630,767
Increases	-	822,995
Closing balance	1,453,762	1,453,762

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

TERAPLAST SA
NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
for the financial year ended September 30, 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

23. PROVISIONS

	1 January 2020	Movements		Provision in addition	30 September 2020 (audited)
		Reversal of provision not used	Reversal of provision used		
Provisions for environmental expenses	241,613		-	19,375	260,988
Other provisions	398,312	-	-	-	398,312
Closing balance	639,925			19,375	659,300

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

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

24. TRADE AND SIMILAR LIABILITIES

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Trade payables	56,860,773	40,689,579
Trade notes payable	329,265	178,452
Liabilities from the purchase of long-term assets	11,200,974	(620,079)
Contractual liabilities	774,077	881,553
Other payables	17,239,483	30,188,992
Total	86,404,573	71,318,498

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

At 30 September 2020, out of the total Liabilities from the purchase of long-term assets, RON 9,649,794 represent long-term liability related to the contract with E-ON Energie Romania SA further to the installation and utilisation of the fotovoltaic plant. The amount is included in the balance sheet under the „Other long-term liabilities”.

25. TRADE AND SIMILAR LIABILITIES (continued)

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Other payables		
Salary-related payables to employees and social security payables	5,750,700	4,696,067
VAT payable	10,827,567	5,507,069
Unclaimed employee rights	87,706	87,706
Sundry creditors	44,764	19,343,536
Dividends	382,695	382,695
Commercial guarantees received	104,707	104,707
Other taxes payable	41,343	67,213
Total	17,239,483	30,188,993

The difference of RON 12.04 thousand in the Other liabilities line is mainly due to the actual payment in amount of RON 19.33 thousand of the debt to the minority shareholders of Wetterbest SA, liability which was registered as per the Shares Sale Contract of April 2019, concurrently with the increase of the liability towards its own employees (RON 1.05 thousand) and the utilisation of the fiscal facility granted by Emergency Ordinance 29/2020 amended and updated by GEO 90/2020 and OUG 99/2020 in relation to the payment of VAT (RON 5.32 thousand).

25. FINANCIAL INSTRUMENTS

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

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

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

(a) Capital risks management

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

The structure of the Company capital consists in debts, which include the loans, the cash and cash equivalents and the equity attributable to equity holders of the parent Company. Equity includes the share capital, reserves and retained earnings.

Managing the Company's risks also includes a regular analysis of the capital structure. As part of the same analysis, management considers the cost of capital and the risks associated to each class of capital. Based on the management recommendations, the Company may balance its general capital structure through the payment of dividends, by issuing new shares and repurchasing shares, as well as by contracting new liabilities and settling the existing ones.

Just as other industry representatives, the Company monitors the capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. The net debt is represented by the total loans (including long-term and short-term loans as detailed on the balance sheet) less the cash and cash equivalents. Total capital represents "equity", as detailed on the balance sheet plus the net debt.

25. FINANCIAL INSTRUMENTS (continued)

The gearing ratio as at 30 September 2020 and 31 December 2019 was as follows:

	9-month period ended 30 September 2020 (audited)	Year ended 31 December 2019 (audited)
Total loans	97,440,414	145,185,491
Cash	(4,463,107)	(5.669.112)
Net debt	92,977,307	139.516.379
Total equities	250,727,988	219,958,543
Total equity and net debt	343,705,295	359,474,922
Gearing ratio	27,05%	38,9%

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

The treasury department of the Company provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Company operations by way of reports on the internal risks, which analyze the exposure to and extent of the risks.

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

d) Market risk

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

The Company management continuously monitors its exposure to risks. However, the use of this approach does not protect the Company from the occurrence of potential losses beyond the foreseeable limits in case of significant fluctuations on the market.

There was no change from the prior year in relation to the Company exposure to the market risks or to how the Company manages and measures its risks.

(e) Foreign currency risk management

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

25. FINANCIAL INSTRUMENTS (continued)

Transaction risk

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

(f) Interest rate risk management

The interest-bearing assets of the Company, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Company's interest rate risk relates to its bank loans. The loans with variable interest rate, expose the Company to the cash flow interest rate risk due to fluctuation of ROBOR for the other loans with variable interest rate.

The Company continuously monitors its exposure to the interest rate risk. These include simulating various scenarios, including the refinancing, discounting current positions, financing alternatives. Based on these scenarios, the Company estimates the potential impact of determined fluctuations in the interest rate on the profit and loss account. For each simulation, the same interest rate fluctuation is used for all models. These scenarios are only prepared for the debts representing the main interest-bearing positions.

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

(g) Other price risks

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

25. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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

The Company has adopted a policy of performing transactions with trustworthy parties, parties that have been assessed in respect of the credit quality, taking into account its financial position, past experience and other factors, and additionally, obtaining guarantees or advance payments, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Company exposure and the credit ratings of third parties to contracts are monitored by the management.

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

Trade receivables are from a high number of clients from different industries and geographical areas. The permanent credit assessment is performed in relation to the clients' financial condition and, when appropriate, a credit insurance is concluded.

The Company has policies limiting the value of the exposure for any financial institution.

The carrying amount of receivables, net of the provision for receivables, plus the cash and cash equivalents, are the maximum amount exposed to the credit risk. Although the receivable collection could be influenced by economic factors, the management considers there is no significant loss risk for the Company, beyond the provisions already recorded.

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

(i) Liquidity risk management

The Company manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities. Each Company prepares annual and short term cash flows (weekly, monthly and quarterly). Financing needs for working capital are determined and contracted based on the budgeted cash flows. Investments projects are approved only with a concrete financing plan.

(j) Fair value of financial instruments

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

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

26. RELATED-PARTY TRANSACTIONS

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

30 September 2020

Subsidiaries

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 entities (shareholding/joint decision-maker)

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

31 December 2019

Subsidiaries

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

26. RELATED-PARTY TRANSACTIONS (continued)

Related entities (shareholding/joint decision-maker)

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

	9-month period ended 30 September 2020 (audited)	9-month period ended 30 September 2019 (not audited)
Transactions and balances with other related parties		
Sales of goods and services	43,254	113,956
Purchases of goods and services	54,825	59,645
	30 September 2020 (audited)	31 December 2019 (audited)
Debit balances	54,825	123,625
Credit balances	-	137

26. RELATED-PARTY TRANSACTIONS (continued)

Transactions and balances with subsidiaries	9-month period ended	9-month period ended
	30 September 2020 (audited)	30 September 2019 (not audited)
	RON	RON
Sales of goods and services	10,165,107	9,178,000
Re-invoice	2,155,034	2,311,890
Transfer Teraplast Recycling SA business line		24,974,001
Purchases of goods and services	22,661,573	16,118,083
Purchases of fixed assets	-	-
	30 September 2020 (audited)	31 December 2019 (audited)
Debit balances current activity	12,831,679	11,735,517
Debit balances from the insulation joinery line	3,102,955	2,822,668
Debit balances – polyethylene pipes business line transfer	-	901,988
Debtor balance from sale assets to Teraplast Recycling	-	6,843,175
Credit balances current activity	1,381,320	3,834,659
Credit balances from the polyethylene pipes business line transfer	-	263,895
Affiliates borrowing balance	1,164,328	25,192,587

During January – September 2020 and in 2019, the Company did not have transactions with key management personnel or shareholders.

Loans granted to affiliates

During January – September 2020 and in 2019, loan contracts granted by the Company to the below subsidiaries were in force:

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

27. NOTES TO THE CASH FLOW STATEMENT

Cash

For cash flow statement purposes, the cash include cash on hand and in current bank accounts. The carrying amount of these assets is approximately equal to their fair value.

Cash and cash equivalents at financial year end, as disclosed on the cash flow statement, may be reconciled with the items related to the accounting balance sheet, as follows:

	9-month period ended	Year ended
	30 September 2020 (audited)	31 December 2019 (audited)
Cash in bank	4,337,623	5,536,014
Cash on hand	63,519	69,745
Cash equivalents	61,965	63,353
Total cash and cash equivalents	4,463,107	

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

Non-cash transactions

The liability to fixed assets suppliers of RON 11,200,974 at 30 September 2020 (31 December 2019: RON 620,079) has a short-term component, due by 30 September 2021 and a long-term component due by July 2030 (the contract for the installation and utilisation of a photovoltaic plant, concluded with E-ON ENERGIE ROMANIA SA).

28. COMMITMENTS AND CONTINGENT LIABILITIES

The Company signed a contract with Banca Transilvania for multi-currency bank letter of guarantee, under which it has issued a bank letter of guarantee amounting to RON 400.000 valid during July 9, 2020 – July 12, 2021.

At 30 September 2020, tangible assets and investment property with a net book value of RON 55,165,957 (31 December 2019: 79,694,686 RON) are collateral for loans and credit lines. For banks loans, the Company has guaranteed with all the present and future money available, with all the present and future commodity stocks and goods and has assigned the present and future debt rights, as well as the related accessories coming from the present and future contracts with its customers which are assigned debtors. Also, the Company assigned the rights resulting from the insurance policies issued for real estate and movable goods brought as guarantee.

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

At 30 September 2020, the Company registers unused credit facilities of RON 37,208,819.78 (31 December 2019: RON 17,190,916.37).

Potential tax liabilities

The Romanian tax system is under continuous development, being subject to constant interpretations and changes. The statute of limitation for tax liabilities is 5 years.

The Company's management is of the view that the tax liabilities of the Company have been calculated and recorded according to the legal provisions.

Environmental matters

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

Transfer pricing

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

29. BUSINESS IMPACT OF THE CORONAVIRUS OUTBREAK

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

The results for 2020 are significantly over the budget. Moreover, the Company is in permanent contact with its Romanian and foreign clients and does not have any indication that, on the short run, the demand for products of TeraPlast might be affected significantly.

In the context of the COVID-19 virus situation, the Company management constantly analyzes and evaluates the appearance of potential external risks that could disrupt the Company's activity and has prepared various reaction scenarios for a potential impact, for each of the companies within the Company.

The risks identified are the continuity of the supply with raw materials and personnel availability. The Company is in permanent contact with its main suppliers, and is constantly receiving the same message, namely that their production is in operation and that there are no reasons for concern. As an additional assurance, the Company has alternative suppliers for all raw materials.

Strict sanitary measures are in place to ensure safety of the Company's personnel. Also, part of the Company's staff is working from home, by rotation.

30. SUBSEQUENT EVENTS

TeraPlast submitted two investment projects in the State Aid Scheme:

- The project for a new polyethylene installation production unit worth EUR 9.8 million. The products made in the new unit are intended for water, irrigations and gas networks.
- The project for the expansion of the production capacity of the PVC Installations business line worth EUR 7.9 million, of which EUR 3.9 million represents approved State aid.

Alexandru Stanean
CEO

Ioana Birta
CFO

Declaration of the Management

We confirm to the best of our knowledge that the interim separate financial statements audited at 30 September 2020 give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company as required by the applicable accounting standards and that the Financial Statements of the TeraPlast Company give a true and fair view of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

18 November 2020
The Board of Directors

Alexandru Stanean
CEO

Ioana Birta
CFO