



TeraPlast[®]

since 1896



2020 ANNUAL REPORT

**TERA
PLAST
GROUP**

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I. LETTER FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear shareholders, Dear partners, Dear employees,



The year 2020 was full of events in all respects. Despite the unusual context generated by the pandemic, TeraPlast Group had the best year in its history. We have proved our capacity to adapt and we performed well in a year in which the focus on business was too low. We seized the opportunities brought by the year 2020 and I hope that we set an example for others. Resilience brought us to the celebration of our 125th anniversary.

Last year, our factories worked permanently, in 3 shifts, responsibly, ensuring a safe and healthy working environment for our colleagues. We were able to respond to our customers' requests and we even found ourselves limited by our production capacities.

The performance and resilience of our Group are also reflected in the results we have announced, in the successful completion of the sale of the Steel Division and the Window Profiles business line, and in the acquisition of Somplast.

2020 was the year in which we aligned to a new strategy. We left certain markets, such as window profiles and steel construction materials. At the same time, we enter the packaging market with great ambitions. Why? Because when we invested in the production of sandwich panels, Romania was a net importer and we were the last to enter the market, therefore the smallest players.

In 2020, Romania had become a net exporter and the business we sold was a market leader not only in Romania, but also in the entire region. The situation is the same in the packaging market, where imports account for half of 300 million euro. There are no big players in Romania or in the neighbouring markets. Our ambition is for TeraPlast to become a national and regional leader in this market.

We continue to aim at the leader position in the traditional market segments where we operate and where we are not the leader yet. We also continue to invest in the diversification and development of our businesses.

As of November 2020, we have started implementing investment projects worth 33 million euro. Part of these are co-financed under the state aid scheme. They all aim to increase production capacities, build new factories, or diversify the Group's business portfolio. Therefore, we will have available all the resources required to continue to deliver 2-digit increases. Our priority is to deliver value to our shareholders, quality and promptness to our partners, and a safe and harmonious working environment to our colleagues.

In addition, as part of our strategy, we intend to acquire other companies to accelerate the growth of our market share. Our experience in Serbia has shown that we have the capacity to achieve high performance not only in Romania, but also abroad. For this reason, all our development plans rely on a regional, and not local, perspective.

This development is only pursued with responsibility for everything that surrounds us. In 2020 we completed the project consisting of 7,000 photovoltaic panels that provide approximately 11% of the electric power necessary in Sărățel Industrial Park and help us in the long run to save 660 tons of CO₂ every year. We continue to invest in TeraPlast in order to obtain 62,000 tons of saved CO₂ from the recycling activity. Moreover, the new business segment of the Group includes biodegradable sheets.

After a dynamic year in which we offered the highest yield to the investors of the Bucharest Stock Exchange among the companies included in the BET index, we were one of the 3 Romanian companies included in FTSE Russell, we distributed dividends and completed successful transactions, we look forward to a year 2021 in which we wish to invest and pursue the sustainable growth of TeraPlast Group.

Dorel Goia

Chairman of the Board of Directors



II. TERAPLAST GROUP STRUCTURE

After one and a quarter century of continuous development, adaptation and innovation, values like reliability, determination and the commitment to doing things right are imprinted in the organisational culture of TeraPlast.

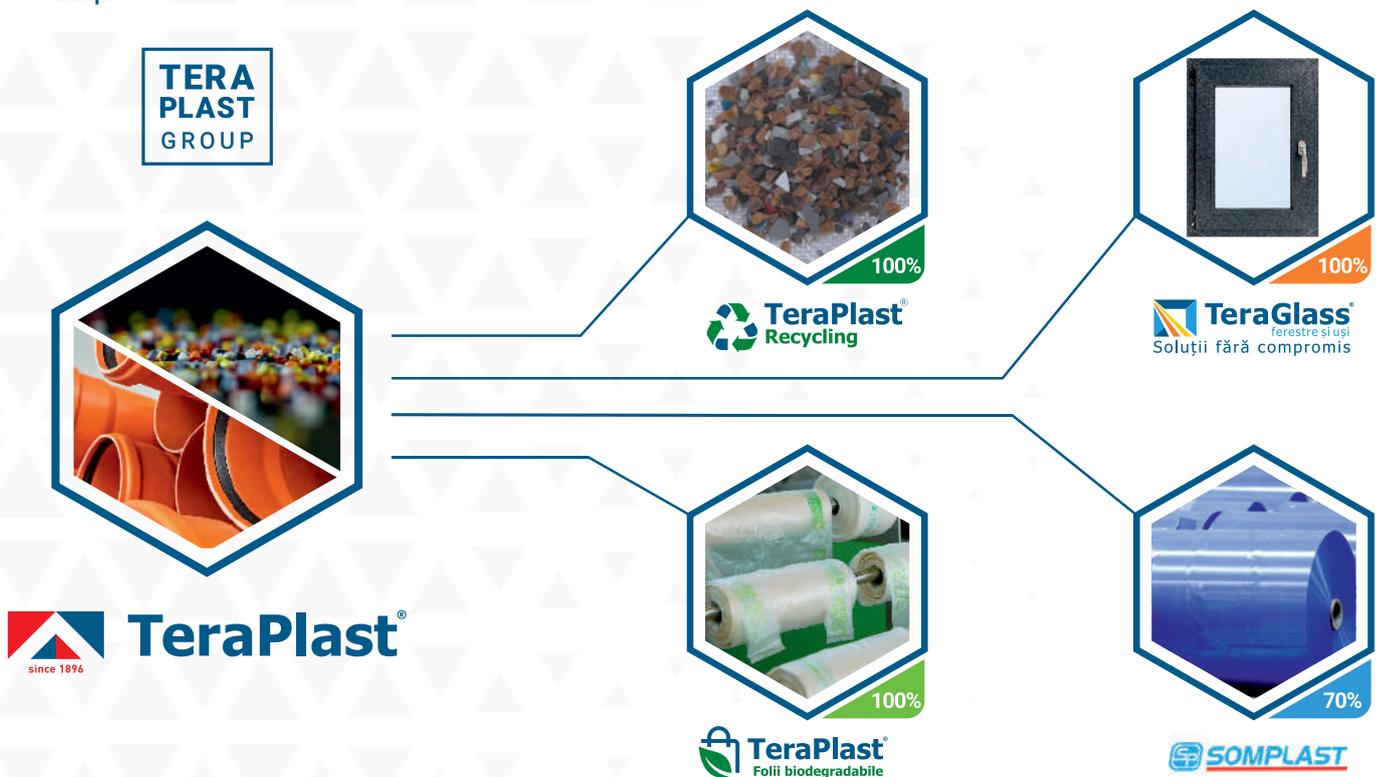
The year 2020 was unusual, bringing a lot of uncertainty worldwide, as well as significant changes in the activity of TeraPlast Group. TeraPlast Group was able to perform well in the new context, while laying the foundations for its development in the following period. The structure of TeraPlast Group changed following several transactions and investment projects.

The main events that changed the Group structure are:

- The closing of the sale of the Steel Division – Wetterbest, TeraSteel Romania and Serbia – to Kingspan Group --> in July 2020¹;
- The sale of the TeraPlast SA window profiles business line --> in December 2020²;
- The purchase of 70% of the shares of Somplast, manufacturer of flexible packaging --> December 2020³.

As the priority of TeraPlast Group management is to provide accurate information that reflects both the evolution of the Group’s businesses to date and its future evolution, this report has been drawn up based on the continuity principle.

Therefore, the structure of TeraPlast Group in terms of the businesses with ongoing activity within the Group is:



¹This transaction was completed after the conditions precedent were met, i.e., the approval from the European Commission and the Serbian Commission for Protection of Competition, according to the provisions of the sale agreement, on 26 February 2021.

²This transaction was approved by the Competition Council in February 2021, and the transfer took place on 15 March 2021.

³This transaction was approved by the Competition Council in April 2021.

TeraPlast SA

It is the parent company of TeraPlast Group, holding majority stakes in the other companies part of the Group. The business lines of the company are Installations and PVC Compounds. The Installations segment comprises water and gas transport and distribution systems, interior and exterior sewage systems, rainwater management systems, and cable protection systems. PVC compounds are adaptable to customers' requirements. As of July 2008, TeraPlast SA is listed on the Bucharest Stock Exchange (under the symbol TRP). Since March 2020, TRP shares are included in the BET reference index of BVB, and since September 2020, they are included in the FTSE Russell MicroCap and TotalCap indexes.

TeraGlass Bistrița

It holds the PVC and aluminium windows and doors portfolio and has more than 15 years of experience in the market. In 2020, 65% of the company's production was exported in Western European countries such as Germany, Austria, Slovenia, the Czech Republic, Slovakia, Hungary. The goal of the company is to become one of the top 10 manufacturers of thermal insulation joinery products in the Romanian market, which is a very fragmented market composed of approximately 1,000 players.

TeraPlast Recycling

It is the largest recycler of rigid PVC in Romania and part of the top 10 European rigid PVC recyclers. The company recycles post-consumption and post-industrial rigid PVC, having an annual processing capacity of 12,000 tons. The investment plan of TeraPlast Group for 2021 also covers the expansion of the processing capacity of TeraPlast Recycling.

Somplast

In December 2020, TeraPlast acquired 70% of the shares of Somplast – a manufacturer of flexible packaging operating in Năsăud. Somplast's product portfolio adds industrial polyethylene sheets to the flexible packaging portfolio.

TeraPlast Folii Biodegradabile

The investment worth EUR 12 million involves the building and equipping of a state-of-the-art factory to produce biodegradable sacks and bags, as well as biodegradable compounds. The production process is vertically integrated and the company's products are meant to displace imports in the Romanian market.

Under the assets sale agreement signed between TeraPlast and Kingspan Group in July 2020, the Steel Division, composed of Wetterbest, TeraSteel România and Serbia, emerged on 26 February 2021 from the TeraPlast Group. TeraSteel holds the portfolio of sandwich panels and zinc-coated structures, while Wetterbest deals with the production of metallic roofing.

III. IMPORTANT EVENTS IN 2020

TeraPlast Group is a dynamic enterprise with a business model focused on accelerated growth. The Group's activity in 2020 demonstrates its focus on continuous development and diversification, and the Group's experience and ability in identifying and seizing the opportunities in the market.

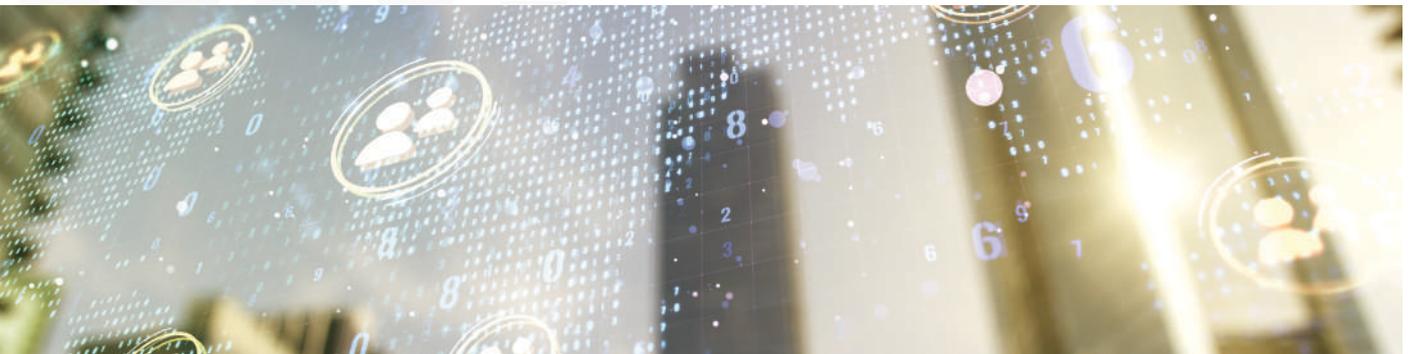
1. TRP shares inclusion in the reference index of the Bucharest Stock Exchange

Since 23 March 2020, the shares of TeraPlast (under the symbol TRP) were included in the BET reference index of the Bucharest Stock Exchange, which includes 17 companies for the first time in history. At the same time, the shares were included in the total-return BET-TR index. The BET index includes the most traded companies listed in the local market, except for SIFs, while BET-TR also reflects the dividends distributed by the issuers included in BET.



2. Increase in the NN and Allianz participations

In 2020, the NN and Allianz pension funds increased their participation in TeraPlast SA to 12.17% (NN Group), and 6.51% (Allianz), respectively. In the same period, Marley Magyarorszag ceased to be a shareholder of TeraPlast, having cumulated by then a participation of 7.93%. At the end of the year, in November 2020, the KJK Balkan fund, which had held by then a participation of 10.04% in the company, ceased to be a shareholder of TeraPlast as well.



3. Continuous improvement of relations with investors

At the end of May 2020, TeraPlast launched the new platform dedicated to shareholders and investors - <https://investitori.teraplast.ro/>. The reorganisation of the old section aimed to improve the ease of navigation and identification of relevant information, as well as to introduce a new functionality – the newsletter dedicated to communicating news to investors.

4. Share capital increase

The shareholders included in the Shareholders' Register at the reference date (18 August 2020) were granted 1 free share for every 3.3 shares held as part of the share capital increase by the amount of RON 40,539,546, approved by the General Meeting of Shareholders of 29 April 2020.

5. The agreement for the sale of the Steel Division to Kingspan Group

On 24 July 2020, TeraPlast signed an agreement regarding the sale of assets to Kingspan Group. This agreement involved the sale of all participations held by TeraPlast SA in the subsidiaries TeraSteel SA, TeraSteel Serbia D.o.o. and Wetterbest SA. The base price determined under the agreement was RON 410 million, adjusted by a mutually agreed formula after the meeting of the conditions precedent, at the transaction completion date.

This transaction was approved in 2021 by the European Commission and the Serbian Commission for Protection of Competition and was completed on 26 February 2021, at the initial price of RON 373 million. Based on the results audited as at 28 February 2021, the final price of the transaction was RON 375.5 million. Given the exceptional profit obtained by TeraPlast SA from this transaction, the Board of Directors of TeraPlast SA submits to the company's shareholders for approval the distribution of special dividends amounting to RON 226.6 million and the granting of 1 free share for every 4 shares held by increasing the share capital by RON 43,579,988.



6. Valorisation of company-owned land

The land where the old TeraPlast SA factory was located, on Zefirului Street in Bistrița Municipality, will be used for the development of a new real estate project in partnership with local real estate developers, the company Alfa Construct Partners. In this partnership, TeraPlast provides the land and Alfa Construct Partners constructs the buildings, at its expense.

The project will be implemented over a maximum period of 6 years. The project comprises the 4-step construction of seven buildings totalling 344 flats, commercial premises, offices, one kindergarten and playgrounds for children, as well as 450 parking places, of which 100 underground. The flats will be sold in several phases, as each building in the assembly is completed.

TeraPlast's strategy aimed at the valorisation of some of the land owned by the company also includes the decision made in 2020 to relocate the warehouse in Brașov to a rented location in Săcele, on the Brașov ring road, which is more easily accessible in logistic terms.



7. Sustainable development

TeraPlast implemented together with E.ON Energie România a project for the building of a photovoltaic power station in Sărățel Industrial Park. The project consisted of the installation of more than 7,000 photovoltaic modules on the roof of production factory sheds and buildings and will generate for the company energy independence amounting to 11%. In addition, it will reduce CO2 emissions in the long run, up to 660 tons per year.



8. Investing in growth

In 2020, TeraPlast Group received financing agreements for investment projects co-financed under the state aid scheme. These investments total EUR 31 million, supplemented by the value of investments implemented by the Group fully from own funds.

The first project, titled "Enhancing the competitiveness of TeraPlast SA by purchases of high performance equipment and new buildings" totals EUR 7.9 million, of which 50% come from the requested state aid. It is aimed at extending the production capacity of the Installations business line, more precisely of the pipes and fittings portfolio.

The second investment project totals EUR 11.8 million and was submitted under the name "Setting up a new production unit for TeraPlast Folii Biodegradabile SRL". The amount of the requested state aid is approximately EUR 5.8 million and represents 49% of the total investment. The project consists in both purchasing state of the art production equipment and erecting new buildings. The biodegradable sacks and bags to be manufactured in the new factory will have a biodegradability factor of at least 90% and will be certified "OK Compost" in accordance with SR EN 13432.

The third project, "Setting up a new production unit for TeraPlast SA", totals EUR 9.8 million and consists of the building of a new factory for products meant for irrigation, water and natural gas networks.

The production under the 3 projects will begin in the second half of 2021 and is expected to be fully completed by 2022.



9. Dividends

The shareholders of TeraPlast approved the Board of Directors' proposal to distribute dividends totalling RON 45.3 million under the interim individual financial statements for the 9-month period ended on 30.09.2020. The amount of the gross dividend per share was 0.26/share, with a 6.1% yield.

10. Inclusion in the FTSE Russell indexes

In September 2020, the Romanian capital market was declared to be an emergent market and TeraPlast became one of the 3 Romanian companies included in the FTSE Russell indexes. Therefore, since the autumn of 2020, TeraPlast is included in the MicroCap and TotalCap indexes.



11. International certifications

TeraPlast obtained the PAS 1075 certification for three groups of products in its portfolio, namely: the single layer PE 100-RC polyethylene pipe, the double layer PE 100 and PE 100-RC pipe, and the PE 100-RC pipe with PP protection layer. These are designed for transport and distribution networks for: drinking water, natural gas, pressurized drainage and sewerage, general purpose water, vacuum sewerage, and water for other applications.

12. Sale of the window profiles business line

In December 2020, TeraPlast signed the agreement for the sale of the window profiles business line to the Romanian manufacturer Dynamic Selling Group. The decision to sell was made in the context of the TeraPlast Group's strategy aimed at developing other areas of activity and reaching the top positions in the markets in which it operates. The transaction was approved by the Competition Council in February 2021 and the transfer will take place in the second part of the 2nd quarter of 2021.

13. Acquisition of Somplast

At the same time, as part of the development strategy for the packaging business line of the Group, TeraPlast purchased in December 2020 70% of the shares of Somplast, a manufacturer of flexible packaging operating in Năsăud. This acquisition was financed from the sale of the land on which was located the TeraPlast warehouse in Braşov. The land was sold at the end of 2020 for EUR 1.3 million. The activity was relocated in 2021 in premises part of the Electroprecizia Industrial Park in Săcele. Somplast adds industrial polyethylene sheets to the flexible packaging portfolio of the Group.

14. Performance in the capital market

The activity of listed companies in the relationship with investors was recognised in the Gala organised by ARIR (the Association for Relations with the Investors in the Romanian Stock Exchange). TeraPlast was designated as one of the companies that communicate best with investors in the voting section of individual investors. In addition, TeraPlast obtained the maximum score (10) in the Vektor assessment - an assessment initiated by ARIR, based on 15 criteria, of the relation with investors. As regards the evolution of shares, TRP offered its investors in 2020 a yield of +103,5%.

15. Resilience, adaptability and determination

The year 2020 will remain in history an unusual year in which the coronavirus pandemic brought a lot of uncertainty at the global level and tested the capacity to adapt and the responsiveness of the business environment.

Romania and TeraPlast Group were no exceptions in this new and difficult context. However, the experience of the Group's management team and the health of the Group's businesses minimized the impact of the state of emergency on the performance and human resources of TeraPlast Group.

The priorities of the Group's management were to ensure business continuity and, above all, to protect the health of its employees.

The factories of TeraPlast were functional throughout the year, working in three shifts even in weekends. At the same time, the construction sector is among those not significantly affected by the pandemic and public investments in this sector were even accelerated. The demand for TeraPlast products increased to the point that the company was limited by its production capacity in relation to the demand from the market. Therefore, despite the difficulties encountered in 2020, TeraPlast Group was able to obtain record results in terms of turnover and profitability.



IV. BUSINESS SEGMENTS AND MARKETS

The business lines with ongoing activity within TeraPlast Group are:



TeraPlast Group operates in the construction materials market, addressing the infrastructure, windows & doors, compounds, and the residential and non-residential constructions markets, and, by the acquisition of Somplast and the investment in biodegradable films, it will also enter the flexible packaging market.

TeraGlass is the largest exporter of TeraPlast Group, more than 60% of its products being sold to countries such as Germany, Austria, Slovakia, Hungary or the Czech Republic. Somplast also contributes to the exports of TeraPlast Group, its products being sold in Western Europe.

Among the customers of TeraPlast Group are contractors, distributors, do-it-yourself stores, and producers who work with PVC compounds as raw materials.

INSTALLATIONS

The installations portfolio is held by the TeraPlast company and includes complete systems for interior and exterior sewage, water and gas transport and distribution, irrigation, rainwater management, cable protection, floor heating. These systems are made of PVC, PP or PE and are certified in accordance with the highest international standards. TeraPlast is the leader in the Romanian PVC exterior sewage system market and the second player in the general installations market. As of November 2020, TeraPlast has been implementing two investment projects co-financed under the state aid scheme and aimed at extending the production capacity of the Installations business line. These projects total EUR 17 million and involve the increase of the pipes and fittings production capacity, as well as the building of a new factory for polyethylene products designed for water, irrigation and natural gas networks. TeraPlast's goal is to become in 2022 the leader in the polyethylene pipes market.

COMPOUNDS

With a market share over 34%, TeraPlast is a leader in the Romanian compounds market and the main supplier of PVC compounds for the Romanian cable industry. Its portfolio includes plasticised and rigid compounds for applications in the extruded and injection moulded products industry. Since 2021, TeraPlast brings an innovation in the Romanian compounds market – halogen-free and fire-resistant (HFFR) compounds.

WINDOWS AND DOORS

The production and sale of windows and doors include 2 product families, namely:

1) PVC windows, doors and accessories, including the following product groups:

- TeraGlass windows and doors systems with 4, 6 and 7 chambers;
- Salamander windows and doors systems with 5 and 6 chambers;

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

The state aid project of TeraGlass Bistrita SRL, completed in 2019 and fully implemented in 2020, created a new and entirely automated flow for the production of PVC windows and doors, a process that increases production capacity, as well as productivity in order to respond to the growing demand. At the same time, it enables the company to access new market segments.

The goal of TeraGlass is to be one of the top 10 manufacturers of thermal insulation joinery products in a very fragmented market comprising more than 1,000 players.

RIGID PVC RECYCLING

The company TeraPlast Recycling is the largest recycler of rigid PVC in Romania and one of the top 10 recyclers in Europe. The finished product is obtained from PVC pipes or profiles and can be regranulated PVC or 1,000-micron micronized PVC. Recycled PVC can be used successfully to manufacture pipes for sewage systems or PVC joinery products. In 2021, TeraPlast Recycling is expected to reach a processing capacity of 31,000 tons per year. Therefore, the company will become the largest producer of recycled micronized PVC in Europe and one of the top 5 recyclers of rigid PVC in Europe.

FLEXIBLE PACKAGING

Following the acquisition of Somplast and the project for the construction of the TeraPlast Foli Biodegradabile factory, TeraPlast Group enters the flexible packaging market. Therefore, the Group enters the flexible packaging market with both industrial polyethylene packaging and biodegradable sacks and bags.

MARKETS

The construction sector maintained a positive trend in 2020 compared to 2019. The total volume of construction works increased by 15.9% compared to 2019.

The positive evolution of infrastructure works is reflected in the increases in capital repairs, +46%, and maintenance works, +24,4%. In terms of the scope of construction works, engineering works showed the highest increase of +18,5%, followed closely by residential buildings with +17,8%. Non-residential buildings also maintained a positive trend and, despite the difficult context of 2020, increased by 10.9% compared to 2019.

Construction sites remained open in 2020 and adapted to the required protection measures. At the same time, the Government paid for these works promptly, and the number of construction sites increased in 2020, generating an increase in demand for the products in the Installations portfolio of TeraPlast. Romania currently has available significant funds for investments in infrastructure works.

The potential is very high as, according to the data provided by the National Statistics Institute (INS) and the estimates by Romanian central public authorities:



52.9% of Romania's population is connected to a sewage system equipped with a treatment plant



54.2% of Romania's population is connected to the public sewage system



35% of Romania's population is connected to the natural gas network



70.9% of Romania's population is connected to the public water supply system



11.5% of Romania's total irrigable area is contracted for irrigation works

In terms of available funds, the Large Infrastructure Operational Programme (in Romanian: POIM) has almost reached the end of funding, which led in 2020 to an acceleration of investments and, by extension, to increased demand.

In 2015, the European Commission issued a directive on the use of plastic bags with the aim to reduce the consumption of plastic bags from over 400 bags/person to 40 bags/person by 2025.

This directive must be implemented in the national legal system of all European states. In order to achieve this objective, each country may apply different measures such as additional charges for plastic bags and/or the obligation to use biodegradable products. If the bags are made of sustainable, biodegradable materials, no additional charge applies.

This directive has been implemented in Romanian law since 2018. Since 1 January 2019, the sale of all bags thinner than 50 microns is prohibited.

Opportunities existing in the market:

- Accelerated increase in the consumption of products made of biodegradable materials due to national legal requirements: +106% in the total internal consumption in 2019 compared to 2018;
- Underdeveloped local market:
 - Approximately 15 producers of biodegradable flexible packaging;
 - 54% of total consumption came from import in 2019.

Market estimates indicate an annual average increase of 20% in the market of biodegradable sacks and bags for the following 4 years.



V. THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

TeraPlast is managed by a unitary board – the Board of Directors, composed of five members appointed by secret ballot by the General Meeting of Shareholders. The directors are appointed for a term of office of one year and they can be reappointed. At the date of this report, the structure of the Board of Directors is:



Dorel Goia

Chairman of the Board of Directors

Year of Birth: 1954

In office: June 2008 - present

A graduate of UBB Cluj's Faculty of History and Philosophy, former history teacher and businessman as of 1990, Mr. Dorel Goia is TeraPlast's majority shareholder and has occupied the position of Chairman of the Board of Directors since 2008. Additionally, Mr. Goia is also a member of the Board of Directors for the following companies: TeraSteel SA (part of the TeraPlast Group), ACI Cluj SA, Parc SA and Hermes SA.



Lucian Claudiu Anghel

Interim non-executive independent director

Year of birth: 1972

In office: January 2021 - present

Mr. Lucian Anghel holds a PhD in economics and a bachelor's degree in cybernetics and economics, graduating a postgraduate course at Washington Georgetown University. He has 25 years of experience in the financial-banking field, occupying over time various management positions such as chief economist, coordinator of the structuring plan for privatization, deputy treasurer, director of strategy, CEO of institutions such as banks or a pension fund. He was also a member of the Board of Directors of some asset managers – mutual funds and worked as an external expert of the World Bank. Mr. Anghel was the Chairman of the Bucharest Stock Exchange Board for 8 years, and at present he holds the position of CEO at Banca Romaneasca SA and Vice-president of Bittnet Systems SA. Mr. Lucian Anghel is one of the founders of the Association of Financial-Banking Analysts in Romania, serving as the first president of the association. Mr. Anghel is (co)author of specialized books, teaching at colleges such as SNSPA and ASE.



Magda Palfi

Non-Executive Director

Year of birth: 1967

In office: June 2008 - present

Mrs Magda Palfi has 29 years of experience in banking, working in banks such as ABN Amro or Citibank. Mrs Palfi has been part of the Raiffeisen Bank for 18 years where, at present, is the Regional Corporate Director of the North-West area. She graduated the MBA of Robert Kennedy College in Zurich.

**Vlad Nicolae Neacșu**

Non-Executive Independent Director

Year of birth: 1981

In office: September 2020 – present

Mr Vlad Neacșu is a graduate of the Executive MBA within Asebuss Bucharest and of the Faculty of Management within ASE Bucharest. He is currently a member of the Primcom SA Bucharest Board of Directors as well as the sole administrator of Sens Unic Imobiliare SRL. Previously, Mr. Neacșu held the General Manager position at Alcom SA Timisoara and Primcom SA Bucharest and was a member of the Board of Directors of the following companies: Transgaz SA Medias, Impact Developer & Contractor SA Bucharest and Comsig SA Sighisoara. He successfully worked in the Romanian financial field within AllianzTiriac Pensii Private Bucharest and within Raiffeisen Capital & Investment.

**Alexandru Stănean**

Executive Director / CEO

Year of Birth: 1982

In office: July 2018 – present

Alexandru Stănean joined the TeraPlast Team in 2007, occupying, over time, different positions within the TeraPlast Group, such as Deputy General Manager, Director of Operations, in charge of external development. In 2008, he was part of the team responsible for TeraPlast's IPO. Currently, Mr. Stănean is Chief Executive Officer of TeraPlast, in his third term.

**Ioana Birta**

Chief Financial Officer

Year of birth: 1983

In office: June 2017 – present

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

Currently, 2 of the 5 members of the Board of Directors are independent.

The Board of Directors delegates management powers to one or more Managers. Currently, the executive management of TeraPlast is entrusted to the General Manager and the Financial Director.

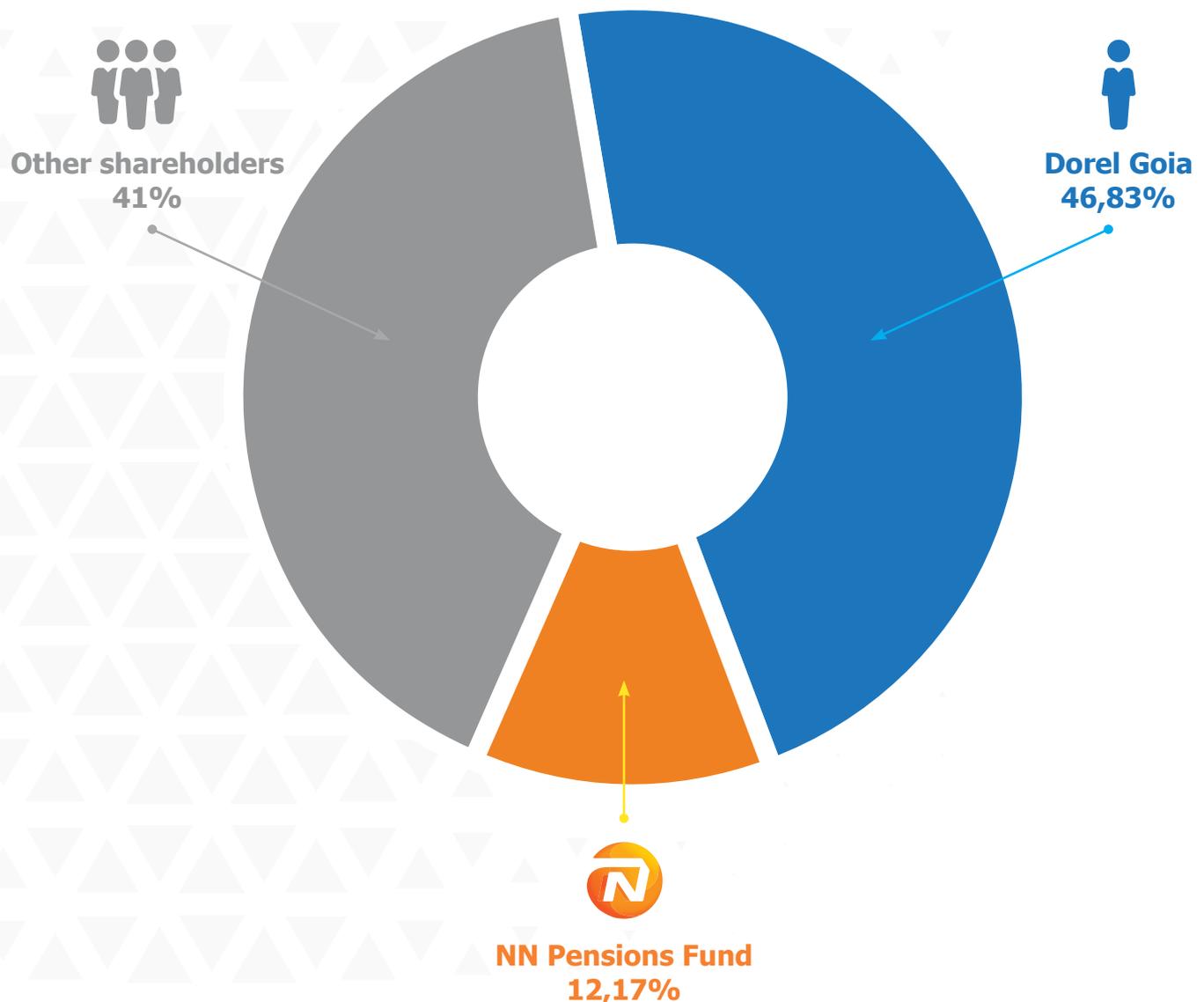
VI. TERAPLAST ON THE CAPITAL MARKET

The year 2020 was dynamic both for the businesses of TeraPlast Group and for the evolution of TRP shares on the Bucharest Stock Exchange.

In 2020, TeraPlast entered into a market making contract with BRK Financial Group, one of the most active brokers in the segment of structured products traded on the Bucharest Stock Exchange. The collaboration with BRK Financial Group is in line with the company's goal to create value for its shareholders by improving liquidity and minimizing volatility. BRK's commitment consists in listing a minimum volume of 750,000 shares for sale and purchase, with a 1% spread.

As regards the trading of TRP shares in the Romanian capital market, 510,685,283 TRP shares were traded in total in the main market of BVB in 2020, the equivalent of EUR 39,170,662 (RON 189,884,226).

TeraPlast's shareholding structure at 31.12.2020 is:



In the first half of the year, the entire market was impacted by the Coronavirus generated context. TRP shares were no exception, however they maintained a predominantly positive trend, over the performance recorded by the BET index, throughout 2020.

Published on TradingView.com, April 26, 2021 14:51:19 EEST
 BVB:TRP, D O:0,8210 H:0,8260 L:0,8170 C:0,8200



TradingView

The evolution of shares was influenced by the prospects of TeraPlast Group, communicated in the announcements published during the year, as well as by their inclusion in the BET reference index (in March 2020) and in the FTSE Russell MicroCap and TotalCap indexes (in September 2020).

Among the announcements published in 2020, we mention: the notifications regarding the share ownership thresholds of NN Pensii, Allianz SE, Marley Magyarorszag and, at the end of the year, of KJK Balkan Holding, the granting of 1 free share for every 3.3 shares held, the Board of Director's proposal to distribute dividends, the investment plan worth EUR 33 million co-financed under the state aid scheme, the inclusion in the FTSE Russell indexes, the sale of the window profiles business line and the acquisition of Somplast.

TeraPlast's capitalisation at 30.12.2020 was of RON 765,265,010, the equivalent of EUR 156,996,761.

The number of shares outstanding at the same date was 1,743,200,478. The result attributable to TRP share holders for 2020 is RON 0.02/share.

The minimum adjusted price of TRP shares in 2020 was RON 0.1830 at 23 March 2020, and the maximum adjusted price reached by TRP shares in 2020 was RON 0.4650 at 9 November 2020.

In the General Meeting of Shareholders of 29.04.2020, the company shareholders approved the share capital increase by the amount of RON 40,539,546, by the issuing of 405,395,460 new shares with a nominal value of RON 0.10/share, as well as the determination of a price of RON 0.28 in order to compensate for the share fractions resulting from the application of the algorithm and the rounding of results to the lower integer, in accordance with the provisions in force.

Therefore, every shareholder registered in the Shareholders Register at the reference date 18 August 2020 was granted 1 free share for every 3.3 shares held and the payment date was 19 August 2020. In August, the Board of Directors announced the preliminary proposal to distribute quarterly dividends based on the interim financial statements for the period 1 January 2020 – 30 September 2020. The proposal was approved in the General Meeting of Shareholders of 27 November 2020; the distributed dividends totalled RON 45,323,187.31 and were paid on 24 December 2020. The amount of the gross dividend distributed in 2020 was RON 0.026/share, with a 6.1% yield.

While developing the businesses of TeraPlast Group, the company management is also focused on the communication with investors. The priority in the relations with investors is to provide complete and accurate information in due time in order to ensure that stakeholders in the capital market are provided with all the elements required to make fully informed investment decisions.

At the end of May, TeraPlast launched the new platform dedicated to investors - <https://investitori.teraplast.ro/> - with a new design and improved functionalities. The new platform provides stakeholders with all the information about the company's activity in the capital market, as well as with a new instrument to be up to date with the latest news - the newsletter dedicated to investors. The company's IR activity was publicly recognised in the ARIR Gala of November 2020, where TeraPlast was designated one of the best companies in investor relations by the vote of individual investors (Best company in IR, retail choice). At the same time, TeraPlast obtained a score of 10 in the Vektor assessment based on 15 criteria related to communications with investors.



VII. CORPORATE GOVERNANCE

TeraPlast implemented and monitors recommendations of the Corporate Governance Code of the Bucharest Stock Exchange by establishing governance principles and structures mainly aimed at protecting the rights of shareholders and ensuring fair treatment.

Reports are periodically submitted to the Board of Directors with the aim to ensure transparency and the sustainable development of the company, in addition to the Corporate Governance Statute and the Articles of Incorporation of the company, available on the website dedicated to TeraPlast's investors, in the section Corporate Governance Documents. These documents provide guidelines and, where appropriate, specify the principles under which the company operates as issuer listed on the Bucharest Stock Exchange, in terms of protecting the interests of all of the company's shareholders, ensuring the equal access of all stakeholders to relevant information and the compliance with Romanian capital market regulations and good corporate governance practices.

The Board of Directors of TeraPlast is composed of five directors; one director is independent from other important shareholders, and another director carries out executive functions. Members were elected so as to ensure the efficiency of the company's decision-making process and of the review and assessment of the efficiency of TeraPlast's executive management, as well as of the annual development plan.

The main goal of the Board of Directors is to promote and protect the interests of the company's shareholders.

At the same time, in accordance with the recommendations of the Corporate Governance Code, strict rules were established within the company with regard to the internal dissemination and the disclosure to third parties of confidential documents and privileged information, with a particular focus on the data and/or information that might influence market evolution and/or the price of securities issued by TeraPlast. In this regard, specific non-disclosure agreements have been concluded with the company's management and directors, as well as with the employees who, due to their functions and/or responsibilities, have access to such confidential/privileged information.



Corporate Governance Statement

Principle	Requirement	Complies / Does not comply	If does not comply, actions towards compliance
A1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	Complies	
A2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Complies	
A3	The Board of Directors should have at least five members	Complies	
A4	The majority of the members of the Board of Directors should be non-executive. Not less than two non-executive members of the Board of Directors should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors should submit a declaration that he/she is independent at the moment of his/her nomination for election or reelection as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment in practice and according to the criteria from the BVB Corporate Governance Code	Complies	
A5	A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	Complies	
A6	Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board	Complies	
A7	The company should appoint a Board secretary responsible for supporting the work of the Board	Complies	
A8	The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	Does not comply	The procedure is currently being evaluated to be formalized
A9	The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities	Does not comply	It is included in the sustainability report

A10	The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors	Complies	
A11	The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent	Does not comply - TRP is in Standard category	
B1	The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	Complies	
B2	The audit committee should be chaired by an independent non-executive member.	Complies	
B3	Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	Complies	
B4	The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board	Complies	
B5	The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties	Complies	
B6	The audit committee should evaluate the efficiency of the internal control system and risk management system	Complies	
B7	The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	Complies	
B8	Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards	Complies	
B9	No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties	Complies	
B10	The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	Complies	
B11	The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity	Complies	

B12	To ensure the fulfilment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer	Complies	
C1	The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. The remuneration policy should be formulated in such a way that allows stakeholders to understand the principles and rationale behind the remuneration of the members of the Board and the CEO, as well as of the members of the Management Board in two-tier board systems. It should describe the remuneration governance and decision-making process, detail the components of executive remuneration (i.e. salaries, annual bonus, long term stock-linked incentives, benefits in kind, pensions, and others) and describe each component's purpose, principles and assumptions (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should disclose the duration of the executive's contract and their notice period and eventual compensation for revocation without cause. The remuneration report should present the implementation of the remuneration policy vis-à-vis the persons identified in the remuneration policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	Complies	The declaration is part of the sustainability report
D1	The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including: D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions; D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code; D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports	Complies	
D2	A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website	Does not comply	On its way to be implemented

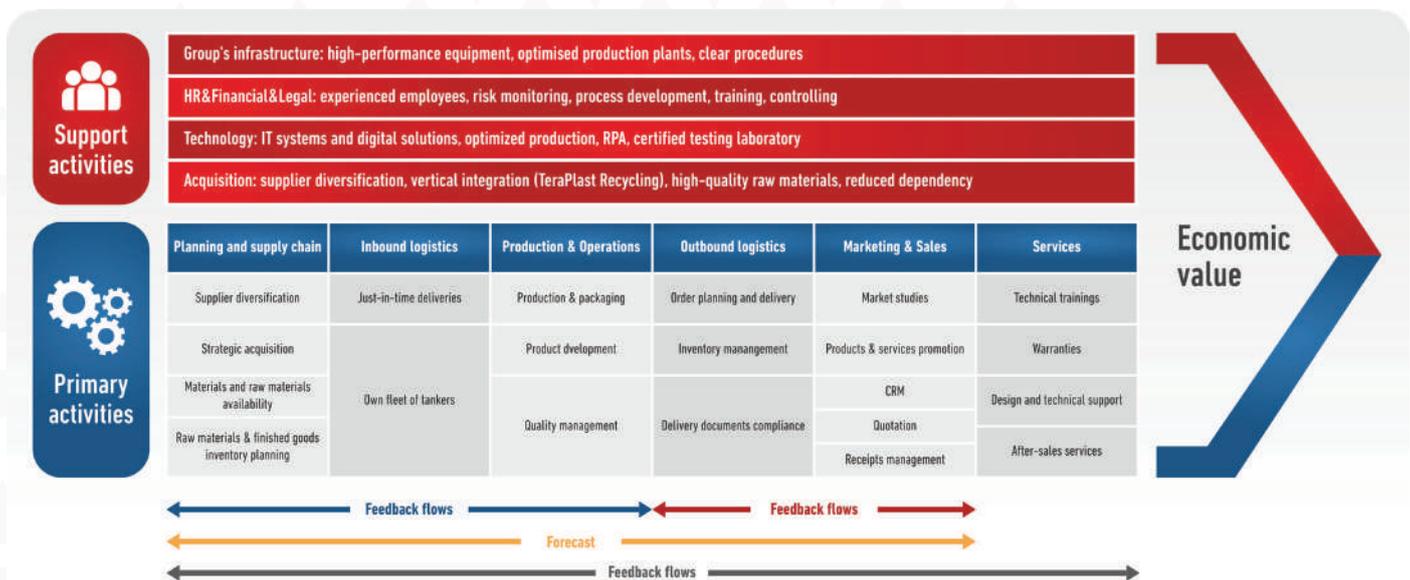
D3	A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.	Complies	
D4	The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders	Complies	
D5	The external auditors should attend the shareholders' meetings when their reports are presented there	Complies	
D6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting	Complies	
D7	Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	Complies	
D8	The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms	Complies	
D9	A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls	Complies	
D10	If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area	Does not comply	The policy is in the process of being formalized.

VIII. RESPONSIBLE DEVELOPMENT

Considering the size of TeraPlast Group, the activities of the businesses in its portfolio and the potential impact of the Group’s daily activity on the environment and the community, responsible development is a central element of the Group’s annual strategy.

A healthy business goes beyond financial performance. As such, TeraPlast Group wishes to collaborate with partners who share its values and business principles and include non-financial performance goals in their strategy.

The Group’s business model is focused on accelerated growth, therefore responsibility in the development of its businesses is even more important. Every area of activity contributes to the economic value generated by the Group and continuous feedback flows ensure information availability, efficient planning, promptness and harmony in the development of the entire business.



TeraPlast published in 2020 its first sustainability report. With this report, TeraPlast aligns to the international best practices and the continuous improvement objectives in order to create value for its employees, customers and shareholders. The company promotes transparency in its relations with stakeholders and considers that it is vital to inform completely, correctly and in due time its investors, shareholders, employees, business partners and the local community.

This report is based on the guidelines provided by the GRI (Global Reporting Initiative) standards, Core option, which complies with the Orders no. 1938/2016 and no. 2844/2016 issued by the Ministry of Public Finance regarding the reported information.

The topics addressed and analysed in this report relate to the impact of TeraPlast SA activity on the economy, the environment and the society in which it operates. The topics relevant for the sustainability report were determined in consultation with stakeholders.

TeraPlast’s sustainability report will be published annually after the renewed application of the stakeholder consultation methodology in order to reassess and address the topics of interest. These will be treated in the chapters of the report depending on the level of interest and the performance indicators monitored by TeraPlast.

The following sustainability report, containing detailed information about non-financial matters, will be published by 30.06.2021 and will be available on the company's website.

In the sustainability report, TeraPlast Group analyses and reports the actions taken in relation to its responsibility for the environment, society, resource management, corporate governance and sustainable development.

The material topics identified in the Group's materiality analysis are:

Item no.	Material topic
1	Professional training, promotion at the workplace
2	Equal opportunities, rights and freedoms
3	Health and safety at work
4	Recruitment and retention policy; staff turnover; awarded benefits
5	Supply of raw materials from responsible sources and use of recycled raw materials
6	Energy
7	Water
8	Waste management
9	Environmental impact
10	Business ethics and best practices
11	Corporate governance
12	Innovation and development
13	Taxes/duties
14	The impact of investments in the local and national economy
15	Involvement in local projects and own initiatives in local community development

In addition, all the companies of TeraPlast Group have implemented the Environmental Management System in accordance with the ISO 14001 standard – a component of the integrated quality-environment-health and operational safety management system. TeraPlast's Environmental Management System was certified for the first time in 2009, by the certification body SGS, and it was recertified in 2018 by the same body. The activities regulated under this system are maintained, continuously improved and systematically verified through both internal audit and the certification body.

Following inspections, internal and external audits and management reviews, action programs are established. The Group is thus confident that it thoroughly assesses its impact, that the risk assessment procedures are complied with, and that it identifies potential risks in time to implement proactive measures.

IX. KEY FIGURES OF TERAPLAST GROUP

TeraPlast Group results in 2020

TeraPlast Group, with the 2 divisions, plastics and metal, exceeded RON 1 billion in turnover in 2020. Net profit doubled in the same period, reaching RON 79 million.

The Plastics Division, which remains part of TeraPlast Group, includes the businesses Installations, Recycling, Compounds, and Windows and Doors. These will be joined in 2021 by TeraPlast Folii Biodegradabile and the Somplast company.

The turnover of the Plastics Division of TeraPlast was RON 396,2 million, increasing by 16% compared to the previous year, and generated an EBITDA of RON 54,5 million, higher by 60% than in 2020.

The business of the Plastics Division has an EBITDA margin of 13,7%, with low indebtedness, which reflects the stability of the Group's business and its potential for development. The investments worth RON 157 million to be implemented in 2021 will create added value for the company's shareholders.

The Group aims to reach soon the level of 2019 results, which included the figures obtained by the Steel Division and the PVC window profiles line. Having undertaken this goal, the Group will continue to grow organically by mergers and acquisitions in the markets in which it operates, as well as in new markets.

As of 31st December 2020	Installation & Recycling	Compounds	Windows & Doors	Total
Turnover	290.795.338	70.497.436	34.887.604	396.180.378
EBITDA	41.005.732	12.068.977	1.380.667	54.455.377
EBITDA %	14,1%	17,1%	4%	13,7%

The evolution of the production volumes in 2020 for the businesses that continue their activity within the Group:

		2020	vs. 2019
Pipes (PVC, PP, PE)	linear meters	>19,3 million	+19%
Compounds	tons	>17,4 thousand	+15%
Rigid PVC recycling	tons	>9 thousand	+19%
Fittings & Rotomoulding	pcs	>11 million	+37%
Windows & Doors	pcs	>125 thousand	+7%

The best performance in 2020 was obtained by the Installations and Recycling segment of TeraPlast's Plastics Division, which saw an increase of 72% in EBITDA, representing RON 41 million and a profitability margin of 14,1%. The turnover of this segment increased by 16% in the same period, up to RON 290,1 million.

The turnover increase would have been higher if the production capacity had not been limited.

As regards exports, these accounted for 9% of the turnover, and the Group aims to reach 15%.

The Compounds business line stands out by a 59% increase in EBITDA, which reached RON 12 million in 2020. For this business line, the source of future growth is fire-resistant halogen-free compounds. TeraPlast Group is the largest producer of compounds in 10 neighbouring countries and the only producer of fire-resistant halogen-free compounds in Romania.

The Windows and Doors business line remains in the attention of the management with the aim to improve performance; although it recorded a turnover increase by 21% in 2020, its profitability was below expectations. The measures taken will enable to obtain an EBITDA increase up to 11% in order to become one of the top 10 producers in Romania.

Goals for 2021

For 2021, the budgeted EBITDA of TeraPlast Group is RON 89.7 million, higher by 57% than in 2020, while the turnover is estimated at RON 636.2 million, higher by 65% than in 2020. The budget includes the activity of the business lines: Installations & Recycling, Compounds, Windows and Doors, Flexible Packaging and Biodegradable Sheets.

TeraPlast estimates for the end of the year a comfortable indebtedness level, between 1 and 2 (total net bank debts / EBITDA).

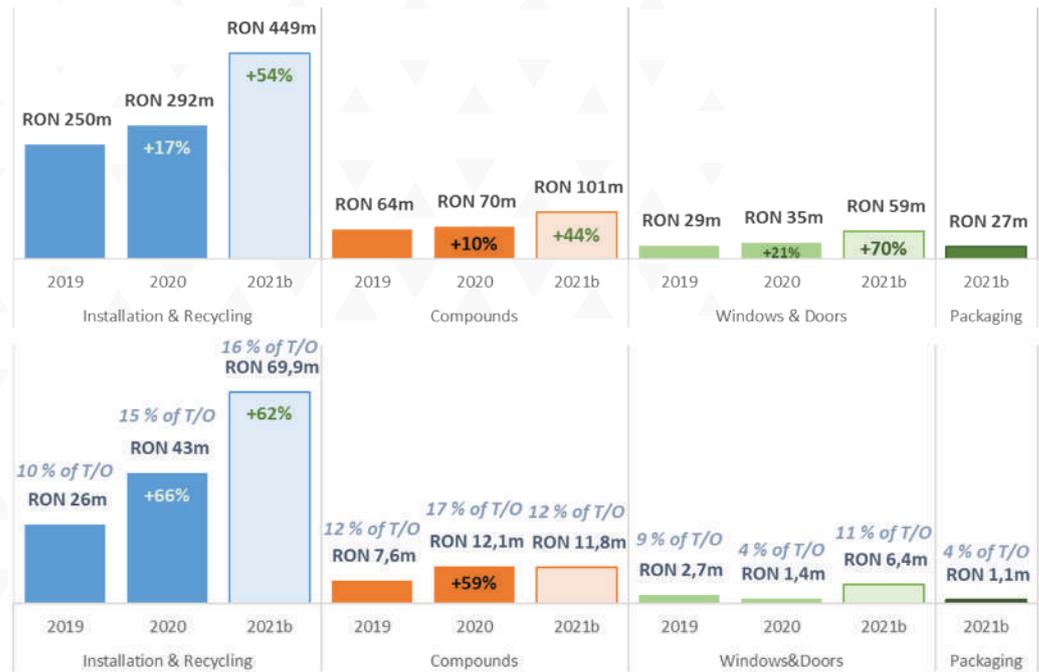
The increases budgeted in 2021 rely on:

- The increase of production capacities for TeraPlast following the implementation of the projects co-financed under the state aid scheme
- The launching of production at TeraPlast Folii Biodegradabile
- The integration of Somplast after receipt of the Competition Council approval The Group estimates average increases of 9% in sale prices, generated by the increased prices of raw materials.

Additional turnover and EBITDA increases may also originate from future acquisitions. The EBITDA margin of the Plastics Division decreases compared to 2020 in the context of the commissioning of new investments.



Turnover & increase rate



EBITDA and % in Turnover

Installations and Recycling

- The improvement of the EBITDA margin is mainly due to increased volumes, operations streamlining measures, increased demand from the market, which allowed implementing price policies, and the favourable variation in the price of raw materials;
- The new projects implemented in 2021/2022 contribute by approximately RON 12 million to the increase of EBITDA in 2021;

Compounds

- After a year during which the Group focused on improving margins, the next period will be dedicated to gaining market shares;

Window profiles

- After several improvements in operations, the turnover is expected to grow, with a significantly improved profit margin;

Packaging

- The new project to be implemented in 2021 will bring a significant contribution when it reaches maturity (EBITDA between RON 12 and 15 million per year);

Information about the projects

This year, the Group is performing investments worth more than EUR 32 million, co-financed by state aid.

The first project worth EUR 7,9 million aims to increase the production capacity for PVC pipes and fittings. The second project, worth EUR 10,8 million, is aimed at building and equipping a new state of the art factory for the production of polyethylene systems for water, gas and irrigation. The third project, worth EUR 12 million, covers the building of the biodegradable sheets factory. The total amount of the state aid is EUR 14 million.

In addition, the Group is investing in the increase of the production capacity for rigid PVC recycling. Following this investment, the recycling factory will reach a processing capacity of 31.000 tons/year. The implementation of these projects started in November 2020 and production is to start from the 3rd quarter of 2021.

TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

**Prepared in accordance with
Minister of Public Finance Order
no. 2844/2016 approving the accounting regulations compliant with
the International Financial Reporting Standards,**

**AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2020**

TERAPLAST SA
Consolidated Financial Statements
Prepared in accordance with the
International Financial Reporting Standards
31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Teraplast SA and its subsidiaries ("the Group"), 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 consolidated statement of financial position as at December 31, 2020, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.
2. The consolidated financial statements as at December 31, 2020 are identified as follows:
 - Total equity: RON 334,198,504
 - Net profit for the financial year: RON 77,500,798
3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
<p>Business lines that do not continue their activity within the Teraplast Group</p> <p>At 31 December 2020, the Group has two business lines, i.e. the Steel Division, consisting of Terasteel SA, Terasteel Serbia Doo and Wetterbest SA, and the Joinery profiles consisting of TeraPlast Hungaria, distributor of the joinery profiles division and the assets and liabilities of TeraPlast SA that relate to the joinery profiles division, as held for sale. The Steel division was sold to Kingspan Group, transaction which was completed in February 2021. The joinery profiles line was sold to Dynamic Selling Group, transaction which was completed in March 2021.</p> <p>Given the significance of these two business lines, and the significance of the professional judgment applied for classifying them as held for sale and making the restatement required by IFRS 5 Assets held for sale (herein after "IFRS 5") in the consolidated statement of comprehensive income and the consolidated statement of cash flows, we have found that such matter of the financial statements constitutes a key audit matter.</p> <p>The purpose of establishing that this matter represents a key audit matter is to determine whether the Company has complied with the classification conditions provided by IFRS 5:</p> <ol style="list-style-type: none"> a. the Group's management is committed to a plan to sell such assets; b. the group of assets is available for immediate sale; c. an active program to identify a buyer is initiated; d. the sale is highly likely; e. the group of assets is put on sale actively at a reasonable price compared to its fair value; f. the actions required to execute the plan indicate that it is unlikely that it will significantly change or will be abandoned. <p>The treatment applied and the restatement of the statement of comprehensive income and the statement of cash flows are presented in Note 28 to the consolidated financial statements of the Group.</p>	<p>In order to address such key audit matter, we have conducted several audit procedures, such as:</p> <ul style="list-style-type: none"> - We have discussed with the Group's management and analysed the reasons that led to the sale of the Steel division and the Joinery profiles division in accordance with IFRS 5. - We have checked the analysis performed by the Group regarding the registered value and the fair value at 31 December 2020; - We have checked the descriptions of such treatment and the restatement disclosed in the financial statements, also involving our in-house specialists.



Other information – Administrators’ Consolidated Report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators’ consolidated report, but does not include the consolidated financial statements and our auditor’s report thereon.

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

In connection with our audit of the consolidated financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators’ consolidated report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of 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.

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

- a) the information included in the Administrators’ consolidated report for the financial year for which the consolidated financial statements have been prepared is consistent, in all material respects, with these consolidated financial statements;
- b) the Administrators’ consolidated report has been prepared, in all material respects, in accordance with the provisions of 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.

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrators’ consolidated report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the 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.
8. In preparing the consolidated financial statements, management is responsible for assessing the Group’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 Group or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Group’s financial reporting process.



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

10. Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements.
11. 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
 - Obtain sufficient and adequate audit evidence regarding the financial information of the Group entities or business lines in order to express an opinion on the consolidated financial statements. We are responsible for the coordination, supervision and performance of the group audit. We are solely responsible for our audit opinion.
12. 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.
13. 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.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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

15. We have been appointed by the General Assembly of Shareholders on 2 September 2019 to audit the consolidated financial statements of Teraplast SA for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 1 year, covering the financial year ending 31 December 2020.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Group that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited Group.
- No non-audit services referred to in Article 5 (1) of EU Regulation No.537/2014 were provided.

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

Alina Mirea, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
April 21, 2021

TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2020

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

	Not e	Financial year:	
		31 December 2020	31 December 2019 <i>(restated)*</i>
Total Revenue from customer contracts, <i>out of which:</i>	4	396,180,378	342,816,083
<i>Revenue from sale of finished products</i>		349,938,671	299,911,598
<i>Revenue from the sale of merchandise</i>		44,939,927	42,163,826
<i>Revenue from services</i>		1,301,780	740,659
Other operating income	5	622,666	325,835
Income from investment subsidies		2,054,541	149,595
Changes in inventory of finished goods and work in progress		(1,731,653)	(1,174,690)
Raw materials, consumables used and merchandise	6	(238,958,599)	(227,045,829)
Employee benefit expenses	9	(49,866,847)	(40,432,477)
Amortization and the adjustments for impairment of non-current assets, net	8	(18,641,137)	(15,740,384)
Impairment of current assets, net	8	(1,671,212)	803,613
Reversal of provisions, net	8	223,303	(1,273,400)
Gains / (Losses) from the disposal of tangible and intangible assets	7	(75,417)	(305,112)
Gains from the disposal of assets held for sale	7	-	15,034
Losses from the disposal/fair value measurement of investment properties	7	(166,632)	(133,370)
Other expenses	10	(49,892,780)	(40,735,244)
Sponsorships		(226,575)	(265,022)
Operating result		37,850,036	17,004,632
Financial expenses	5	(721,519)	(1,114,170)
Interest expense, net	5	(4,927,448)	(5,753,922)
Financial income	5	1,439,731	856,651
Income from dividends	5	60,328	88,742
Financial result, net		(4,148,908)	(5,922,699)
Profit before tax		33,701,128	11,081,933
Income tax expense	11	(3,999,294)	(1,324,913)
Profit of businesses that continue their activity within the Group		29,701,834	9,757,020
Profit of Steel and Profiles businesses	28	47,798,964	29,150,510
Profit for the year		77,500,798	38,907,530
Other comprehensive income:			
<i>OCI that will not be reclassified subsequently to profit or loss</i>		-	-
Revaluation of fixed assets, net		(3,214,699)	205,310
Deferred tax, net		514,352	(32,850)

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
31 December 2020

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

	Financial year:		
	Not e	31 December 2020	31 December 2019 <i>(restated)*</i>
Profit or loss for the year		(2,700,348)	172,460
<i>Attributable to</i>			
Parent entity equity holders		74,800,450	39,079,990
Non-controlling interests		-	-
Profit or loss for the year		74,800,450	39,079,990
Number of shares (weighted average)		1,487,336,130	1,114,838,813
Basic and diluted earnings per share corresponding to business that continues its activity		0,020	0,009

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
 CEO

IOANA BIRTA
 CFO

TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

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

	Note	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	12	164,230, 946	280,815,1 52
Investment property	18	3,686, 767	6,913,4 60
Right of use of the leased assets			9,172,6
Intangible assets	14	5,157,915	09
Long-term receivable	13	1,112,186	43,953,509
Other long-term equity investments		304, 521	771,7 48
		15,400	16,4 72
Total non-current assets		174,507,73 5	341,642, 950
Current assets			
Inventories	16	65,049, 188	181,596,4 24
Work and services in progress		-	806,5 90
Trade receivables	17	115,859,276	138,795,2 52
Prepayments		572,570	1,066,2 86
Cash	26	16,620, 936	29,472,7 44
Total current assets		198,101, 970	351,737, 296
Assets held for sale – Joinery profiles	28	25,399,520	-
Assets held for sale – Steel division	28	333,788, 087	-
Total assets		731,797,31 2	693,380, 246
EQUITY AND LIABILITIES			
Equity			
Share capital	19	174,320, 048	133,780, 651
Share premium		-	27,384,7 26
Treasury shares		-	(139)
Revaluation reserves		13,394, 410	17,871,0 14
Legal reserve		16,627, 688	16,096,5 74
Translation reserve		-	(436,298)

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

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

	<u>Note</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Retained earnings		129,200,928	79,198,291
Capital attributable to controlling interests		333,543,074	273,894,819
Non-controlling interests		655,430	2,253,580
Total equity		334,198,504	276,148,399
Non-current liabilities			
Bank loans	22	27,234,942	62,930,173
Lease liabilities	23	2,829,732	6,329,949
Other non-current liabilities	21	9,376,689	-
Employee benefit liabilities	20	1,321,041	1,636,529
Investment subsidies - long-term portion	27	17,836,056	15,329,362
Deferred tax liabilities	11	1,313,416	9,690,589
Total non-current liabilities		59,911,876	95,916,602
Current liabilities			
Trade and other payables	21	66,337,280	166,287,099
Bank loans	22	100,408,930	149,434,903
Lease liabilities	23	1,261,591	2,615,110
Income tax payable		1,335,867	6,445
Investment subsidies - current portion	27	2,051,447	1,920,804
Provisions for risks and charges	20	563,170	1,050,884
Total current liabilities		171,958,285	321,315,245
Liabilities related to assets held for sale and discontinued activities	28	165,728,647	-
Total liabilities		397,598,808	417,231,847
Total equity and liabilities		731,797,312	693,380,246

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

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

Signed and approved:

23 March 2021

Board of Administration

ALEXANDRU STANEAN

CEO

IOANA BIRTA

CFO

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2020

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

	Total share capital	Legal reserves	Revaluation reserve	Share premiums	Treasury shares	Reserve for FX differences upon consolidation	Cumulated retained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance as at 1 January 2020	133,780,651	16,096,574	17,871,014	27,384,726	(139)	(436,298)	79,198,291	273,894,816	2,253,580	276,148,399
Result for the year	-	-	-	-	-	-	77,299,408	77,299,408	201,390	77,500,798
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	77,299,408	77,299,408	201,390	77,500,798
Share capital increase from reserves (Note 19)	40,539,537	-	-	(27,384,726)	-	-	(13,154,820)	(9)	-	(9)
Legal reserve setting	-	531,114	-	-	-	-	(531,114)	-	-	-
Reserves representing revaluation surplus (Note 12)	-	-	(4,476,605)	-	-	-	820,641	(3,655,964)	(820,641)	(4,476,605)
Write-off of 1,490 own shares redeemed	(139)	-	-	-	139	-	-	-	-	-
Dividends granted in Q3 2020	-	-	-	-	-	-	(14,640,657)	(14,640,657)	-	(14,640,657)
Other equity items increases / (reductions)	-	-	-	-	-	436,298	209,185	645,483	(978,900)	(333,417)
Balance as at 31 December 2020	174,320,048	16,627,688	13,394,410	-	-	-	129,200,928	333,543,074	655,430	334,198,504

TeraPlast SA distributed dividends in amount of RON 45,323,187, based on the results of September 2020, of which RON 14,640,657 from reserves and the rest from the profit of January - September 2020. The dividends were paid in December 2020 (the Company did not distribute dividends in 2019).

The gross dividend of RON 0.026/share represents a return of 6.2%.

As of 31 December 2019 and 31 December 2020, the revaluation reserves include amounts representing the surplus from the revaluation of tangible assets, land and buildings.

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN

IOANA BIRTA

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2020

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

CEO

CFO

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2020

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

	Total share capital	Other equity reserves	Legal reserves	Revaluation reserve	Share premiums	Treasury shares	Reserve for FX differences upon consolidation	Cumulated retained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance as at 1 January 2019	107,024,527	1,472,925	15,516,164	17,698,554	27,384,726	(1,472,925)	-	68,526,436	236,150,407	1,965,458	238,115,864
Result 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)
Total comprehensive income	-	-	-	172,460	-	-	(436,298)	38,218,540	37,518,404	1,125,288	28,543,692
Share capital increase from reserves (Note 19)	26,756,124	-	-	-	-	-	-	(26,756,123)	-	-	-
Legal reserve setting	-	-	580,410	-	-	-	-	(580,410)	-	-	-
Reserves representing revaluation surplus (Note 12)	-	-	-	-	-	-	-	-	-	-	-
Employee benefits in the form of financial instruments	-	-	-	-	-	1,207,036	-	-	1,207,037	-	1,207,037
Losses on sale of own shares	-	-	-	-	-	265,750	-	(265,750)	-	-	-
Redemption of own shares	-	-	-	-	-	-	-	-	-	-	-
Dividends granted	-	-	-	-	-	-	-	-	-	(837,166)	(837,166)
Other equity items increases / (reductions)	-	(1,472,925)	-	-	-	-	-	55,596	(981,031)	-	(981,031)
Balance as at 31 December 2019	133,780,651	-	16,096,574	17,871,014	27,384,726	(139)	(436,298)	79,198,291	273,894,819	2,253,580	276,148,399

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
for the financial year ended 31 December 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

TERAPLAST SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

INDIRECT METHOD	Year ended 31 December 2020	Year ended 31 December 2019
Cash flows from operating activities:		
Profit before tax *	89,334,858	44,752,733
Losses from disposal of fixed assets	579,355	124,645
Impairment and amortization of non-current assets	36,305,495	32,773,395
Provisions for risks and charges, net	(133,810)	1,182,096
Allowance for doubtful debts	3,693,987	2,713,577
Inventory impairment	(1,416,492)	(1,976,608)
Income from dividends	(60,328)	(88,742)
Loss from the revaluation of investment property	166,632	133,370
Interest expense	6,958,723	9,005,774
Goodwill impairment	-	25,204,000
Income from write-down of debt	-	(24,269,035)
Operating profit before changes in working capital	135,428,419	89,555,206
(Decrease)/ Increase in gross trade receivables	28,729,409	(14,888,529)
Decrease in gross inventories	4,672,985	16,349,736
(Decrease)/ Increase in trade and other payables	9,776,080	(1,378,897)
Income tax paid	(9,446,640)	(6,020,336)
Interest paid, net	(6,958,723)	(9,005,774)
Income from subsidies	(3,437,762)	888,234
Cash from operating activities	158,763,768	75,499,640
Cash flows used for investment:		
Payments for acquisition of non-current assets	(62,474,858)	(95,271,858)
Receipts under State aid	15,859,039	12,310,357
Payment for investments - Wetterbest SA, net of purchased cash	(19,034,400)	(4,769,350)
Payments for financial investments	(6,548,015)	-
Receipts from the sale of tangible assets	10,867,180	1,014,840
Losses related to SOP	-	(265,750)
Net cash used for investment	(61,331,054)	(86,981,761)
Cash inflows from financing activities:		
Repayment of lease liabilities	(2,753,954)	(1,206,100)
Dividends received	(45,323,187)	(837,166)
Dividends paid	60,328	88,742
Repayment of investment loans	(55,854,487)	(22,993,561)
Drawdowns from investment loans	79,013,502	32,709,424
(Repayments)/ Drawdowns from credit lines, net	(47,946,900)	10,376,096
Own share redemption net of exercising the options	-	(139)

The accompanying notes are an integral part of these consolidated financial statements.

TERAPLAST SA
CONSOLIDATED STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

INDIRECT METHOD	Year ended 31 December 2020	Year ended 31 December 2019
	<hr/>	<hr/>
Net cash from finance activities	(72,804,699)	18,137,296
Net increase in cash	24,628,015	6,655,173
Cash at the beginning of the financial year	29,472,744	22,817,571
Cash at the end of the financial year	54,100,759	29,472,744

* *The 2020 cash flows, disaggregated for the Plastic division, which continues its activity within the Group and for the Steel and Joinery Profiles businesses, whose activity will no longer continue within the Group, are presented in Note 28.*

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

1. GENERAL INFORMATION

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

Teraplast SA (or 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.

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

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

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors,
- TeraPlast Recycling SA - specialised in recycling following the spin-off of the recycling line from Teraplast (in May 2020, following the fulfilment of the legal requirements, Politub SA was deregistered further to the merger by absorption with TeraPlast Recycling SA),
- TeraPlast Folii Biodegradabile SRL (manufacturer of biodegradable packaging, biodegradable bags and waste bags), with a share of 100% of TeraPlast SA, established in August 2020
- Teramed Sante SRL (manufacturer of soap, detergents and care products), established in August 2020, with a share of 90% of TeraPlast SA. At the date of the financial statements, the company is in liquidation.

Steel business:

- TeraSteel SA (Romania) and TeraSteel D.o.o. (Serbia) (manufacturers of sandwich panels and galvanized steel purlins),
- Wetterbest SA (manufacturer of metal tiles),

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group, based on a contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received a price of RON 373 million.

Joinery profiles business

- TeraPlast Hungaria Kft. (distributor) along with the joinery profiles business of TeraPlast SA were in process of transfer to Dynamic Selling Group. The transfer was completed in March 2021.

Thus, the businesses that continue their activity are:

- The installations and compounds businesses of TeraPlast SA
- TeraPlast Recycling SA
- Teraglass Bistrita SRL

The bioplastic flexible packaging business (TeraPlast Folii Biodegradabile SRL) will enter production in the second half of 2021. It is a EUR 12 million greenfield investment, co-financed by State aid.

Teraplast SA has been preparing consolidated financial statements since 2007. These financial statements are available on the Company website (www.TeraPlast.ro).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of accounting

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

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

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

2.3. Going concern

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

At 31 December 2020, the Group's current assets exceed the current liabilities by RON 26,143,685 (31 December 2019: RON 31,227,838). In 2020, the Group registered net profit from the businesses that continue their activity in the Group in amount of RON 29,701,834 (2019: RON 9,757,020). The Group depends on bank financing.

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

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

The rapid development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please see Note 30 for the management assessment of the impact of COVID-19 over the activity of the Group.

Basis for consolidation

The financial statements comprise the financial statement of the parent and of its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Business combinations

The purchases of businesses are accounted for by using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is computed as the sum of the fair values at the purchase date of the assets transferred by the Company, the liabilities registered by the Company towards the former owners of the acquire and the investments in the equities issued by the Company in exchange for the control over the obtained entity. The costs related to the purchase are, in general, recognized in profit or loss when incurred.

As of the purchase date, the purchased identifiable assets and the undertaken liabilities are recognized at their fair value at the purchase date, except for assets held for sale, in accordance with IFRS 5, which are recognised according to the standard.

Goodwill is measured as the positive difference between the transferred consideration, the value of any non-controlling interests in the obtained entity, the fair value at the date of purchasing the investment in the equities previously held by the acquirer in the acquired entity (if any), and the net values at the date of purchasing the identifiable assets purchased and the liabilities undertaken. If the difference mentioned above is negative, it is recognized in profit or loss as gains from a bargain purchase.

Non-controlling interests which represent investments in equity and entitle the holders to a proportional share of the entity's net assets in case of liquidation can be measured either according to the fair value or according to the proportional share of the non-controlling interests of the recognized values of the net assets of the obtained entity. The measurement basis is chosen depending on the transaction. Other types of non-controlling interests are measured at fair value or, when applicable, according to the basis specified in other IFRS standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulted from a commitment with a contingent consideration, the contingent consideration is measured at the fair value at the date of purchase and it is included as a part of the consideration transferred in a business combination. The amendments to the fair value of the contingent consideration which are qualified as adjustments of the measurement period are adjusted retroactively against goodwill. The adjustments of the measurement period are adjustments that arise from additional information during the "measurement period" (which cannot exceed a year from the purchase date) concerning the facts and circumstances existing at the date of purchase.

The subsequent accounting of the changes in fair value of the contingent consideration which is not included in the adjustments for the assessment period depends on the manner in which it is classified. The contingent consideration classified as equity is not revalued at subsequent reporting dates. The contingent consideration classified as asset or liability is revalued at subsequent reporting dates in accordance with IFRS 9, the corresponding gain or loss being recognized in profit or loss.

When a business combination is performed in stages, the investment into the equities held previously by the Company in the obtained entity is remeasured at fair value at purchase date (i.e. the Group obtains control) and the resulted gains or losses, if any, is recognized in profit and loss. The values resulting from interests in the entity obtained prior to the date of purchase which were previously recognized in other comprehensive income are reclassified in profit and loss on the same basis that would be required if the acquirer had directly disposed of the previously held investment in equities.

If the initial accounting of a business combination is incomplete at the end of the reporting period when the combination takes place, the Company reports temporary values for the items for which the accounting is incomplete. These temporary values are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect the new information obtained concerning the facts and circumstances existing at the date of purchase which, if recognized, would have influenced the values recognized at the respective date.

Goodwill

The goodwill generated by a business combination is accounted for at cost as determined at the purchase date minus the cumulated impairment losses, if any. For the purpose of the impairment test, the goodwill is allocated to each cash generating unit of the group (or to the groups of cash generating units) which are expected to benefit from the combination's synergies. A cash generating unit that was allocated goodwill is tested annually for impairment or more often when there is an indication that the unit may be impaired. If the recoverable value of the cash generating unit is lower than its book value, the impairment is allocated, first of all, to decrease the book value of any goodwill allocated to the unit and then to the other unit assets, proportionally to the book value of each asset in the unit. Any goodwill impairment is recognized directly in profit and loss. The impairment recognized for goodwill cannot be reversed in the following periods.

At the sale date of the relevant cash generating unit, the attributable value of goodwill is included in determining the gains or losses from the sale.

Intangible assets purchased in a business combination

Intangible assets purchased as part of a business combination and recognized separately from the goodwill are recognized initially at their fair value at the purchase date (which is considered as their cost). Subsequent to initial recognition, intangible assets purchased as part of a business combination are presented at cost minus the accumulated amortization and the cumulated impairment loss on the same basis as intangible assets that are purchased separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of intangible assets

An intangible asset is derecognized upon disposal or when no other future economic benefits are expected to be obtained from its use or disposal. Gains or losses resulted from the derecognition of an intangible asset, measured as difference between the net receipts from the sale and the book value of the asset, are recognized in statement of comprehensive income.

Non-current assets held for sale and discontinued operations

Long-term assets held for sale are recognized at the lower of carrying amount and fair value less costs to sell and depreciation of those assets.

The Group classifies a non-current asset (or a group of assets) as held for sale if its carrying amount will be hedged, primarily as a result of a sale transaction, rather than as a result of continued use. To this end, the asset (or group of assets) must be available for immediate sale in its current state, exclusively under normal and current conditions of sale existing for such assets (or groups of assets), and the sale of the asset must present a high degree of certainty.

In order for the sale of the asset to have a high probability, the appropriate management level must have drawn up a plan for the sale of the asset (or group of assets), and an effective buyer identification program must have been initiated, as well as finalization of the sales plan. Moreover, the asset (or group of assets) must be able to be sold in an active market at a price that is reasonably related to the current fair value. In addition, the sale is expected to qualify for recognition as a "closed, completed sale" within 1 year from the date of classification, and the actions required to complete the sale plan reflect the fact that it is unlikely that significant changes to the plan will occur, or the plan will be withdrawn.

When the Group implements a sale plan that involves the loss of control over a subsidiary, all its assets and liabilities are classified as held for sale, regardless of whether the Group will continue to hold minority interests in the subsidiary after the sale.

2.4. Standards, amendments and new interpretations of the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020.

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

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards (continued)

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

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

The adoption of amendments to the existing standards has not led to any material changes in the Group's financial statements.

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

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2020 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective

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date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 - 2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards (continued)

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

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

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

Cash and cash equivalents

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

Revenue recognition

Revenues from contracts with customers

Teraplast Group operates in the field of production and trading of products intended for the construction market, namely: PVC pipes and profiles, plasticized and rigid compounds, polypropylene and polyethylene pipes, fittings, steel cables and parts, metal roofing systems, wood joinery, heat insulating panels and metal structures.

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

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

Services provided mostly consist of **light structure industrial turnkey halls** provided by TeraSteel. The construction contracts are shorter than one year and are entered into before construction begins. Clients own the land and are responsible for obtaining all necessary construction authorizations.

Income from construction of turnkey halls is recognised over time based on the actual costs incurred for work performed to date, under Income from turnkey halls in progress. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of the performance obligation under IFRS 15.

The Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. The Group will previously have recognised a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer.

If the consideration promised in a contract includes a variable component, the Group estimates the value of the consideration it would be entitled to, in exchange for the transfer of the goods or services promised to a customer. The value of a consideration may vary as a result of discounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from contracts with customers (continued)

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

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

Leases

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term. The Group leases warehouses and property that is used for show rooms and vehicles.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments and the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, in case of vehicles.

The lease liability is presented under the line "Lease liabilities" in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest

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on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (continued)

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
- The Group did not make any such adjustments during the periods presented.

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

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

The Group does not act as lessor.

Foreign currency transactions

For the preparation of the Group's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

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

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

	31 December 2020	31 December 2019
EUR 1	4.8694	4.7793
USD 1	3.9660	4.2608
CHF 1	4.4997	4.4033

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to long-term borrowings

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

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

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

Government grants

Government grants are not recognized until there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Group.

The Government grants the main condition of which is that the Group acquire, build or obtain otherwise long-term assets are recognized as deferred income in the statement of financial position and presented as 'investment subsidies'. The deferred income is amortized in the statement of comprehensive income systematically and reasonably over the useful life of the related assets or at the time the assets acquired from the subsidy are retired or disposed of.

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

Based on the collective labour contract, the Group is under the obligation to pay retirement benefits to its employees depending on their seniority within the Group, amounting to 2 - 3.5 salaries. The Group also grants jubilee bonuses as a fixed amount on work anniversaries.

The Group uses an external actuary to compute the value of the retirement benefits and jubilees related liability and reviews the value of this liability each year depending on the employees' seniority within the Group. The value of the retirement benefits and jubilees is recognized as a provision in the statement of financial position.

For defined benefit retirement benefit plans, the cost of providing benefits is determined as mentioned above, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurements comprising actuarial gains and losses, and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in the statement of comprehensive income when the plan amendment or curtailment occurs, or when the Group recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

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

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

The adjustments resulting from the annually review of the jubilee provisions are recognized in the statement of comprehensive income.

The retirement benefits provision is reversed in the statement of comprehensive income when the Group settles the obligation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries and in joint ventures, except for the cases in which the Group is able to control the reversal of the temporary difference and it is likely for the temporary difference not to be reversed in the foreseeable future. The deferred tax assets resulted from deductible temporary differences associated with such investments and interests are recognized only in the extent in which it is likely for sufficient taxable income to exist on which to use the benefits related to temporary differences and it is estimated that they will be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the statement of comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

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

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

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

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

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

Assets held in finance lease are depreciated over the useful life, similarly to assets held or, if the lease period is shorter, during the respective lease contract.

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

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

Years

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

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

	<u>Years</u>
Licenses	1 - 5
Brand	20
Client lists	20

Impairment of tangible and intangible assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Group assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the Group assets are also allocated to other separate cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Goodwill is tested for impairment at the same level as the goodwill is monitored by management for internal reporting purposes, which is at the individual cash generating unit level. In case of a cash generating unit with allocated goodwill, any impairment loss first adjusts the goodwill.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in the profit or loss. Impairment losses arising in respect of goodwill are not reversed following recognition.

Inventories

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

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

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

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

A provision is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

Share capital

Common shares are classified in equity.

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

Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Segment reporting

The Group's accounting policy for identifying segments is based on internal management reporting information that is routinely reviewed by the Board of Administration and management. The measurement policies used for the segment reporting under IFRS 8 are the same as those used in the consolidated financial statements. Segment results that are reported to the directors and management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has determined that it has six operating segments: Sandwich Panels, Metal Tiles, Installations (systems for sewage, water and gas), Joinery Profiles, Compounds and PVC windows and doors.

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

Sandwich Panels sales account for more than 85% of the segment's revenue. The segment includes the two TeraSteel legal entities, from Romania and Serbia, which provide complete solutions for industrial buildings. The rest of the items that TeraSteel sells (steel structures, trapezoidal roofs, accessories) are presented under this segment because are sold through the same distribution channel, to the same customers.

The Metal tile segments includes the complete roof solution provided by Wetterbest: metal tiles, drainage system, metal and other accessories. This is a business to consumer segment, though the Group's clients are roofers and distributors.

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

PVC windows and doors are produced and sold by TeraGlass, mostly in European DIY chains.

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

A financial asset is classified as measured at amortized cost or fair value with any movement being reflected through other comprehensive income or the statement of comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the

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practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the statement of comprehensive income, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.5.2 Revenues from contracts with customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments). The Group's financial assets at amortized cost includes trade receivables and long term receivable.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through the statement of comprehensive income

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition.

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

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

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

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, a simplified approach is adopted in which impairment losses are recognized based on lifetime expected credit losses at each reporting date. If there are loan insurances or guarantees for the outstanding balances, the computation of expected losses from receivables is based on the probability of default related to the insurer / guarantor for the insured / guaranteed portion of the outstanding balance, while the amount remaining not covered will have the counterparty's probability of default. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk

Clients' credit risk is updated constantly. In assessing the IFRS 9 allowance, the Group uses the risk of a default occurring on the financial instrument at the reporting date.

In making the credit risk assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing the credit risk deterioration of debtors:

- an actual or expected significant deterioration in the financial instrument's external (KeysFin and Coface) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an evaluation of the main projects and clients of the debtor and the sources of financing those projects.

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

A financial instrument is determined to have low credit risk if:

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

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

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

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a payment incident reported; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Any recoveries made to doubtful receivables are recognised in the statement of comprehensive income, together with the reversal of the allowance.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

The Group recognises an impairment gain or loss in the statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance accounts.

Derecognition of assets and liabilities

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

The Group derecognizes financial liabilities only if the Group's liabilities have been significantly modified, paid, cancelled or they have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the statement of comprehensive income. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in the statement of comprehensive income as the modification gain or loss within other gains and losses.

Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 24 j).

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

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

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

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

Use of estimates

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

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

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the Group accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated 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 Group 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 Group for each cash generating unit for impairment measuring purposes was represented by its value in use.

The Group analysed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets, except for goodwill related to the roof tiles business. When reviewing for indicators of impairment, the Group considers, among other factors:

- The relationship between its market capitalization and its book value
- The operating performance, for which the group used EBITDA as KPI, improved to 14% compared to 10% in the prior year, while revenue increased on all business lines, through organic growth
- Utilization of production capacity increased on all CGUs

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

The sale of the Joinery Profiles business

As in 2020, TeraPlast concluded the contract for the sale of equipment and related stocks of the Joinery profiles division to Dynamic Selling Group, the results of such business are reflected in accordance with IFRS 5 – Assets and businesses held for sale. As part of such contract, the employment contracts with the employees dedicated to such activity and the contracts with customers are also transferred.

The joinery profiles business includes the TeraPlast segment and the subsidiary TeraPlast Hungary, which is a distributor of profiles.

The Company presented in Note 28 the Consolidated statement of comprehensive income, Consolidated statement of financial position and Consolidated statement of cash flows generated by the Joinery Profiles line in 2020 and the comparatives for 2019. Regarding the comparatives for 2019 for the Consolidated statement of cash flows, the Group has decided that the restated presentation of this statement, in the sense of presenting the activities that continue within the Group, will not be reflected. The presentation chosen by the Group is in accordance with IAS 7:10 but contrasts with the impact of IFRS 5 on the structure of the consolidated statement of comprehensive income, which results in the division of the statement into separate sections for continued and discontinued operations without disclosing aggregate amounts (other than total profit for the year). The Group decided that this restated presentation of the Consolidated Statement of Cash Flows for continued operations within the Group would not bring added value or additional information relevant to readers of the financial statements and would not influence their decisions..

The sale of the Steel business

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group based on the contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received the price of RON 373 million. Therefore, the ownership of TeraPlast in the companies of the Steel division, TeraSteel Romania and Serbia and Wetterbest, is classified according to IFRS 5.

The accumulated value of the exchange differences related to TeraSteel Serbia, in amount of RON 436,298, previously recognised to Other comprehensive income and accumulated in a separate component of equity, was reclassified from equity to the statement of comprehensive income (as a reclassification adjustment as per IAS 21).

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

Acquisition of majority shares in Somplast SA

TeraPlast has enforced the sale order of former majority shareholder of Somplast SA on 29 December 2020.

At the date of these financial statements, the Competition Council did not endorse the transaction, which means that TeraPlast does not have access to privileged information pertaining to the operations of Somplast, nor does it exercise control over the company.

Estimates and assumptions

The main assumptions regarding future sources and other key sources of uncertainty in the estimates at the reporting date, which present a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the next financial year, are described below. The Group based its assumptions and estimates on the parameters available in preparing the separate financial statements. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances beyond the Group's control. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment property

The Group measures investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income.

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

Investment property and land 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 2020, 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 of land and buildings was deemed unnecessary.

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	Year ended 31 December 2020	Year ended 31 December 2019
	RON	RON
Sales of finished goods	355,276,202	306,474,584
Sale of merchandise	44,939,927	42,163,826
Revenues from other activities	1,301,780	740,659
Trade discounts granted	<u>(5,337,531)</u>	<u>(6,562,986)</u>
Total	<u>396,180,378</u>	<u>342,816,083</u>

The information on the operational policy as reported to the management from the perspective of resource allocation and segment performance analysis is classified according to the type of products delivered. The reporting segments of the Group 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 businesses that continue their activity within the Group are structured on three business lines:
installations and recycling, compounds and windows and doors.

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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).

4. REVENUE AND OPERATING SEGMENTS (continued)

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

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

BUSINESS LINES

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.

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 the Windows and Doors business line, TeraGlass offers windows and doors.

Over 70% of its production is intended for export, the main destination markets being Germany, Hungary and Slovakia. The TeraGlass products are present mostly in the DIY networks.

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4. REVENUE AND OPERATING SEGMENTS (continued)

Year ended 31 December 2020	Installation s and recycling	Compounds	Joinery profiles	Total
Turnover	290,795,338	70,497,436	34,887,604	396,180,378
Other operating income	609,803	-	12,863	622,666
Income from subsidies	1,247,947	-	806,594	2,054,541
	292,653,088	70,497,436	35,707,061	398,857,585
Operating income, total				
Raw materials, consumables used and merchandise	(173,527,938)	(48,239,656)	(18,922,658)	(240,690,252)
Employee benefits expenses	(35,905,595)	(5,750,009)	(8,211,244)	(49,866,847)
Amortization and adjustments for the impairment of assets and provisions	(15,003,107)	(1,811,382)	(1,845,394)	(18,659,883)
Adjustments for the impairment of current assets	(1,730,820)	66,710	(7,102)	(1,671,212)
Sponsorships	(209,790)	-	(16,785)	(226,575)
Other expenses	(39,025,265)	(4,505,504)	(6,362,010)	(49,892,780)
Expenses related to indirect sales and administrative expenses	(265,402,515)	(60,239,841)	(35,365,193)	(361,007,549)
Operating result	27,250,573	10,257,595	341,867	37,850,036
EBITDA	41,005,732	12,068,977	1,380,667	54,455,377
EBITDA %	14,1%	17,1%	4,0%	13,7%

31 December 2020	Installation s and recycling	Compounds	Joinery profiles	Unallocated amounts	Total
Assets					
Total assets, out of which	259,199,090	42,820,105	39,907,981	30,682,530	372,609,705
Non-current assets	127,844,037	21,038,771	25,624,927	-	174,507,735
Current assets	131,355,053	21,781,333	14,283,054	30,682,530	198,101,970
Liabilities					
Total liabilities, out of which:	142,532,102	32,767,971	24,036,959	32,533,129	231,870,161
Non-current liabilities	45,424,967	4,655,526	9,831,383	-	59,911,876
Current liabilities	97,107,135	28,112,445	14,205,576	32,533,129	171,958,285
Additions of fixed assets	26,123,358	2,963,233	726,817	-	29,813,408

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Unallocated current assets are the dividends paid in December 2020 from the profit of January - September 2020. Unallocated current liabilities are the investment loans contracted by TeraPlast SA to purchase the ownership in Wetterbest. Such loans were repaid in March 2021, after the sale of the Steel division was complete.

In 2020, TeraPlast started investments in increasing the production capacity for sewage installations.

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4. REVENUE AND OPERATING SEGMENTS (continued)

Year ended 31 December 2019 (restated)	Installation s and recycling	Compoun ds	Joinery profiles	Total
Turnover	249,740,479	64,200,791	28,874,813	342,816,083
Other operating income	307,016	-	18,819	325,835
Income from subsidies	132,144	-	17,451	149,595
	250,179,639	64,200,791	28,911,083	343,291,513
Operating income, total				
Raw materials, consumables used and merchandise	(164,873,499)	(47,501,334)	(15,845,685)	(228,220,518)
Employee benefits expenses	(29,328,332)	(4,560,275)	(6,543,870)	(40,432,477)
Amortization and adjustments for the impairment of assets and provisions	(15,138,600)	(1,541,375)	(757,257)	(17,437,232)
Adjustments for the impairment of current assets	689,820	-	(89,687)	600,133
Sponsorships	(172,039)	(53,896)	(39,087)	(265,022)
Other expenses	(32,544,566)	(4,504,008)	(3,686,669)	(40,735,244)
Expenses related to sales, indirect and administrative expenses e	(241,367,216)	(58,160,889)	(26,962,255)	(326,490,360)
Operating result	8,812,422	6,039,902	1,948,828	16,801,153
EBITDA	23,818,878	7,581,278	2,688,634	34,088,790
EBITDA %	9,5%	11,8%	9,3%	9,9%

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

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

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4. REVENUE AND OPERATING SEGMENTS (continued)

2019	Sandwich panels	Metal tiles	Installations	Joinery profiles	Compounds	PVC windows and doors	Unallocated amounts	Total
Assets								
Total assets, out of which	136,320,875	197,410,757	212,277,770	52,818,321	39,752,366	47,886,697	6,913,460	693,380,246
Non-current assets	53,116,775	101,293,573	101,956,914	30,037,519	21,590,023	26,734,686	6,913,460	341,642,950
Current assets	83,204,099	96,117,184	110,320,856	22,780,803	18,162,343	21,152,010	-	351,737,296
Assets held for sale	-	-	-	-	-	-	-	-
Liabilities								
Total liabilities, out of which:	72,532,759	145,344,717	120,851,604	27,065,016	26,768,012	24,669,740	-	417,231,847
Non-current liabilities	11,866,884	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
Additions of non-current assets	3,727,587	31,778,473	32,054,090	4,206,018	7,783,519	16,334,314	-	95,884,001

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

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

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

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

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

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5. SUNDRY INCOME AND EXPENSES

Financial income and costs

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Interest expense	(4,929,578)	(5,753,921)
Interest income	2,130	-
Loss from foreign exchange differences, net	730,657	(272,446)
Dividend income	60,328	88,742
		14,92
Other financial income/ expenses	(12,445)	8
Net financial loss	(4,148,908)	(5,922,698)

The Group did not capitalize any borrowing cost in 2020 and 2019 because the investments financed through bank debt were non qualifying assets.

Interest expense is for loans from banks which are measured at amortized cost.

Dividend income includes the dividends received from CERTIND in amount of RON 60,328 (2019: RON 88,742).

Other operating income

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Compensations, fines and penalties	210, 874	155,593
Other income	411, 792	170,242
Total	622, 666	325,835

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Raw materials expenses	188,487,324	180,412,821
Consumables expenses	17,720,262	15,835,672
Merchandise expenses	31,572,540	29,649,944
Packaging expenses	1,178,472	1,147,392
Total	238,958,599	227,045,829

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7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Income from the disposal of the tangible and intangible assets and investment property	10.867.180	3.361.229
Expenses with the disposal of tangible and intangible assets and investment property	(11.109.229)	(3.784.677)
Net loss from the disposal of tangible and intangible assets	(242.049)	(423.448)

In 2020, the Company sold the warehouse in Braşov.

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
(Expenses)/Income with/from non-current assets impairment (IAS 36)	(2,786,643)	2,997,482
Income from reversal of non-current assets impairment (IAS 36)	1,649,554	482,434
Amortization and depreciation expenses (Notes 12 and 13) (IAS 36)	(17,504,048)	(19,220,300)
Net adjustments for non-current assets impairment	(18,641,137)	(15,740,384)
Inventory impairment expenses (IAS 36)	(3,262,871)	(4,268,022)
Income from inventory impairment reversal (IAS 36)	3,893,323	5,979,008
Net adjustments for inventory impairment (Note 16)	630,452	1,710,986
Expenses with allowance for doubtful debts (IFRS 9)	(3,211,207)	(996,635)
Income from impairment reversal (IFRS 9)	1,846,150	871,495
Receivables charged to expenses (IFRS 9)	(936,608)	(782,233)
Net adjustments for doubtful debts (Note 17)	(2,301,664)	(907,373)
Provisions (IAS 36)	(9,419)	(1,442,119)
Revenues from provisions reversal / cancellation (IAS 36)	232,722	168,719
Net adjustments for provisions (Note 20)	223,303	(1,273,400)

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8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION
(continued)

Impairment of non-current assets

The Group 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.

During 2020, the Group incurred a loss of RON 75,417 (2019: loss of RON 305,112) on disposal of non-current assets, presented on line "Gains / (Losses) from the disposal of tangible and intangible assets".

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.

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

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Wages	45,230,769	36,426,835
Contributions to the public social security fund	1,750,729	1,743,727
Meal tickets	2,885,350	2,261,915
Total, as presented on line "Employee benefit expenses"	49,866,847	40,432,477

Remuneration of the Board of Administration

The Chairman and the Members of the Board have a monthly gross salary of RON 8,443.

The total remuneration in 2020 and 2019 was of RON 506,580 per year.

They do not receive any other benefits.

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10. OTHER EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)*
Transport costs	18,028,567	16,345,782
Expenses with utilities and green certificates	11,231,599	10,284,093
Expenses with third party services	11,721,611	5,226,498
		285,43
Expenses with compensations, fines and penalties	190,380	3
Entertainment, promotion and advertising expenses	1,593,112	1,567,232
Other general expenses	538,802	676,887
Expenses with other taxes and duties	1,976,743	1,339,540
Repair expenses	2,653,379	2,221,200
Travelling expenses	396,842	741,183
Rent expenses	(13,848)	491,820
Mail and telecommunication expenses	344,751	392,985
Insurance premium expenses	1,231,103	1,162,592
	4	4
Total	9,892,780	0,735,244

In 2020, Expenses with third party services include expenses with the sale of the Steel division in amount of RON 3,483,100. The Group also registered non-recurrent expenses with the 3 State aid projects, for which it concluded financing agreements.

11. INCOME TAX

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

	Year ended 31 December 2020	Year ended 31 December 2019 (restated)*
Profit before tax	33,701,128	11,081,933
Income tax calculated (2020: 16%; 2019: 16%)	5,392,180	1,773,109
Items assimilated to income	932,395	25,728
Deductions	(3,653,346)	(3,190,082)
Not taxable income	(1,536,098)	(1,276,855)
Non-deductible expenses	5,162,911	4,899,009
Sponsorship (tax credit)	(1,836,484)	(110,089)
Credit from tax loss used	(66,468)	(795,906)
Bonus as per GEO 33/2020	(395,796)	-
Total income tax at the effective rate 16.4% (2019: 12%)	3,999,294	1,324,914
Current income tax recognized in the profit and loss account - expense	5,515,464	522,765
Deferred income tax - expense/ (benefit)	(1,516,170)	802,148
Total income tax - expense	3,999,294	1,324,913

The tax rate applied for the reconciliation above for 2020 and 2019 is 16% and is payable by Romanian legal entities.

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11. INCOME TAX (continued)

The components of the deferred tax:

2020	Opening balance	Recorded in statement of comprehen sive income	Registered in other comprehen sive income	Related to discontinued operations	Closing balance
Tangible and intangible assets and investment properties	(3,885,456)	1,553,529	382,438	(784,225)	(1,165,264)
Acquisition of Wetterbest	(5,789,790)	-	(5,637)	(5,765,286)	(30,141)
Reinvested profit facility and tax loss	(787,137)	(282,123)	-	-	(1,069,260)
Deferred tax liabilities recognized	(10,462,382)	1,271,406	376,802	(6,549,510)	(2,264,664)
Investments in subsidiaries	15,936	(22)	-	-	15,914
Employee benefit liabilities	318,177	-	-	9,210	308,967
Trade and similar payables	437,679	244,786	-	56,097	626,368
Deferred tax assets recognized	771,791	244,764	-	65,307	951,248
Net liabilities with deferred tax recognized	(9,690,591)	1,516,170	376,802	(6,484,204)	(1,313,416)
2019		Opening balance	Recorded in statement of comprehen sive income	Registered in other comprehen sive income	Closing balance
Tangible and intangible assets and investment properties		(10,423,669)	(72,332)	(32,850)	(10,528,850)
Deferred tax liabilities recognized		(10,423,669)	(72,332)	(32,850)	(10,528,850)
Tax loss		795,906	(729,438)	-	66,468
Investments in subsidiaries		15,936	-	-	15,936
Employee benefit liabilities		177,288	140,889	-	318,177
Trade and similar payables		578,946	(141,268)	-	437,678
Deferred tax assets recognized		1,568,076	(729,817)	-	838,259
Net liabilities with deferred tax recognized		(8,855,594)	(802,148)	(32,850)	(9,690,590)

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12. PROPERTY, PLANT AND EQUIPMENT

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment and vehicles</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress</u>	<u>Total</u>
COST						
Balance at 1 January 2019	13,832,218	98,040,028	242,216,342	2,677,936	14,393,983	371,160,508
Increases:	319,885	387,931	13,029,097	209,565	80,245,320	94,191,799
Out of which:						
Increases from the internal production of non-current assets	-	-	-	-	1,578,283	1,578,283
Transfers in / from non-current assets in progress	-	24,199,335	59,644,743	394,668	(83,904,414)	334,332
Transfers to non-current assets held for sale	-	-	(2,145,494)	-	-	(2,145,494)
Disposals and other decreases	(24,539)	-	(2,678,205)	(18,317)	(455,217)	(3,176,278)
Exchange differences on translating foreign operations	-	530,937	400,172	-	102,719	1,033,827
Balance as at 31 December 2019	14,127,564	123,158,231	310,466,655	3,263,853	11,960,673	462,976,976
Balance at 1 January 2020	14,127,564	123,158,231	310,466,655	3,263,853	11,960,673	462,976,976
Increases:	827,753	20,281,221	5,823,301	1,037,969	41,122,389	69,092,634
Out of which:						
Transfers in / from non-current assets in progress	-	838,559	20,821,416	414,498	(22,074,473)	-
Transfers to non-current assets held for sale	-	-	259,096	-	-	259,096
Disposals and other decreases	(5,531,500)	(14,934,252)	(6,461,538)	(256,709)	(18,827,235)	(46,011,234)
Non-current assets related to Steel and Joinery Profiles businesses	(2,327,749)	(68,014,038)	(123,111,604)	(2,479,721)	(2,060,212)	(197,993,324)
Balance as at 31 December 2020	7,096,069	61,329,721	207,797,326	1,979,890	10,121,142	288,324,148

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

	<u>Land</u>	<u>Buildings</u>	<u>Plant and equipment and vehicles</u>	<u>Installations and furniture</u>	<u>Tangible assets in progress</u>	<u>Total</u>
ACCUMULATED DEPRECIATION						
Balance at 1 January 2019	692	7,377,247	146,820,594	1,262,604	1,504,490	156,965,627
Depreciation recorded during the year	346	4,571,166	21,381,054	378,623	-	26,331,188
Disposals and decreases	23,615	-	(2,117,390)	(11,410)	-	(2,105,185)
Impairment	-	(31,979)	760,816	-	(200,512)	528,325
Transfers of right-of-use assets	-	-	264,982	-	-	264,982
Exchange differences on translating foreign operations	-	40,616	136,272	-	-	176,888
Balance as at 31 December 2019	24,652	11,957,050	167,246,327	1,629,817	1,303,978	182,161,824
Balance at 1 January 2020	24,652	11,957,050	167,246,327	1,629,817	1,303,978	182,161,824
Depreciation recorded during the year - businesses that remain in the Group (Note 8)	346	2,650,286	14,507,836	190,026	-	17,348,492
Depreciation recorded during the year - Steel and Profiles (Note 28)	5,904	1,982,845	15,335,225	340,384	-	17,664,358
Disposals and decreases	(29,518)	(2,628,590)	(5,118,946)	(187,642)	-	(7,964,696)
Impairment	-	321,648	(1,922,399)	-	(48,803)	(1,649,554)
Transfers of right-of-use assets	-	-	142,502	-	-	142,502
Cumulated depreciation of non-current assets related to Steel and Joinery Profiles business	-	(4,284,486)	(78,381,804)	(943,435)	-	(83,609,725)
Balance as at 31 December 2020	1,382	9,998,752	111,808,743	1,029,150	1,255,176	124,093,203
NET CARRYING AMOUNT						
Net carrying amount as at 1 January 2020	14,102,912	111,201,182	143,220,328	1,634,035	10,656,696	280,815,152
Net carrying amount as at 31 December 2020	7,094,687	51,330,969	95,988,583	950,740	8,865,966	164,230,946

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12. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2020, the Group had pledged in favour of financial institutions non-current assets and investment properties with a net carrying amount of RON 114,617,982 (31 December 2019: RON 143,432,083).

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

As at 31 December 2018 and 2019, the management analysed, 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 Group 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.

13. INTANGIBLE ASSETS

	Goodwill	Licenses and other intangible assets	Intangible assets in progress	Total
Cost				
	35,230,83			
Balance at 1 January 2019	9	43,489,085	404,897	79,124,821
Increases	-	428,624	1,263,578	1,692,202
Transfers into / from tangible assets in progress	-	1,168,494	(1,502,826)	(334,332)
Exchange differences on translating foreign operations	-	16,566	-	16,566
Balance at 31 December 2019	9	45,102,769	165,649	80,499,257
	35,230,83			
Balance at 1 January 2020	9	45,102,769	165,649	80,499,257
Increases	291,876	600,701	43,110	935,687
Transfers into / from tangible assets in progress	-	5,868	(5,868)	-
Disposals and other decreases	-	(84,250)	(3,320)	(87,570)
Non-current assets related to Steel and Joinery Profiles businesses	(35,522,715)	(38,446,171)	-	(73,968,885)
Balance at 31 December 2020	-	7,178,916	199,572	7,378,488
Accumulated amortisation				
Balance at 1 January 2019	-	8,110,874	-	8,110,874
Amortization expense	-	2,969,498	-	2,969,498
Impairment	25,204,000	256,347	-	25,460,347
Decreases	-	-	-	-
Exchange differences on translating foreign operations	-	5,027	-	5,027
Balance at 31 December 2019	25,204,000	11,341,747	-	36,545,747
	25,204,000			
Balance at 1 January 2020	0	11,341,747	-	36,545,747
Amortization expense (Note 8)	-	1,292,644	-	1,292,644
Impairment	-	(39,051)	-	(39,051)
Decreases	-	(58,270)	-	(58,270)

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Cumulated amortisation of non-current assets related to Steel and Joinery Profiles business (Note 28)	(25,204,000)	(6,270,768)	-	(31,474,768)
Balance at 31 December 2020	-	6,266,302	-	6,266,302
Net carrying amount				
At 31 December 2019	10,026,839	33,761,022	165,649	43,953,510
At 31 December 2020	-	912,615	199,572	1,112,186

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14. RIGHT-OF-USE ASSETS

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

Cost	Buildings	Equipment	Vehicles and	Equipment	Total
		from previous operating leases	equipment from previous operating leases		
Balance at 1 January 2020	7,225,441	407,899	4,536,103	4,944,002	12,169,443
Additions	1,669,934	-	-	-	1,669,934
Disposals	(937,817)	-	(284,376)	(284,376)	(1,222,193)
Transfers to assets held for sale and discontinued operations	(2,470,091)	(407,899)	(1,428,275)	(1,836,174)	(4,306,265)
Balance at 31 December 2020	5,487,467	-	2,823,452	2,823,452	8,310,919
Amortisation					
Balance at 1 January 2020	1,930,279	43,317	1,023,238	1,066,554	2,996,833
Amortisation expenses (Note 8)	715,506	-	401,363	401,363	1,116,869
Amortization of equipment transferred to assets held for sale and discontinued operations (Note 28)	(500,867)	(43,317)	(416,515)	(459,832)	(960,699)
Balance at 31 December 2020	2,144,918	-	1,008,085	1,008,085	3,153,003
Carrying amount at 1 January 2020	5,295,162	364,583	3,512,865	3,877,448	9,172,610
Carrying amount at 31 December 2020	3,342,549	-	1,815,367	1,815,367	5,157,915

The amount recognized in the statement of comprehensive income in respect of the right of use assets were:

	2020	2019
Amortization expense	1,116,869	2,731,851
Interest expense on lease liabilities	164,886	260,361

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15. SUBSIDIARIES AND FINANCIAL INVESTMENTS

As at 31 December 2020 and 31 December 2019, the parent company has the following investments:

Subsidiary	Country	Shareholdin g %	31 December 2020 LEI	Shareholdin g %	31 December 2019 LEI
TeraSteel S.A. Bistrița	Romania		held for sale	97.95	10,960,083
Teraglass Bistrița SRL	Romania	100	50,000	100	50,000
Politub SA	Romania	deregistered		99.99	11,677,250
TeraPlast Recycling SA	Romania	99	11,766,350	99	89,100
TeraPlast Ungaria	Hungary		held for sale	100	43,167
Wetterbest SA	Romania		held for sale	67	80,822,897
TeraSteel DOO Serbia	Serbia		held for sale	100	8,192,369
TeraPlast Folii Biodegradabile SRL	Romania	100	100.000	-	-
		-	11,916,350	-	111,834,865

In 2020, the Company sold the Steel division to the Kingspan group, which resulted in a decrease in the investments held of RON 101,377,430 from TeraSteel Romania, Wetterbest, TeraSteel Serbia and TeraPlast Hungary:

Investments in the Steel division reclassified to assets held for sale:

Subsidiary	Country	Shareholding %	31 December 2020 LEI
TeraSteel S.A. Bistrița	Romania	98.72	12,027,298
Wetterbest SA	Romania	99	81,114,597
TeraSteel DOO Serbia	Serbia	100	8,192,369
		-	101,334,263

The investment in the profile business reclassified to assets held for sale:

Subsidiary	Country	Shareholding %	31 December 2020 LEI
TeraPlast Ungaria	Hungary	100	43,167
		-	43,167

In 2020, TeraPlast concluded a contract with the shareholders of Somplast SA for the purchase of 70% of the shares, by an investment of RON 4,897,400. Then, the Company invested in TeraPlast Folii Biodegradabile SRL an amount of RON 100.00.

Company	Country	Shareholdin g %	31 December 2020 LEI	Shareholdin g %	31 December 2019 LEI
Somplast SA	Romania	70	4,897,400	-	-
		-	4,897,400	-	-

On 29 December 2020, TeraPlast executed the sale order of 70,7511% of the shares of Somplast SA on the spot market, at a price of RON 4,897,400. At 31 December 2020, TeraPlast SA does not exercise

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control over Somplast, thus, the investment was presented as an investment in financial assets, and Somplast SA was not included in the consolidation.

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15. SUBSIDIARIES AND FINANCIAL INVESTMENTS (continued)

Other long-term equity investments

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

Investment name	Country	Investment share	31	Investment share	31
			December 2020		December 2019
		%	RON	%	RON
CERTIND SA	Romania	7.50	14,400	7.5	14,400
Partnership for sustainable development	Romania	7.14	1,000	7.14	1,000
Tera Tools SRL	Romania	24	72	24	72
The Association of Metal Panels Producers	Romania	11.11	1,000	11.11	1,000
		-	16,472	-	16,472

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

Teraplast SA did not undertake any obligations and did not make any payment on behalf of the entities in which it holds securities in the form of investments.

The other Group companies do not have any equity investments.

16. INVENTORIES

	Balance at 31 December 2020	Balance at 31 December 2019
Finished goods	23,248,828	41,392,276
Raw materials	29,437,932	117,168,073
Commodities	8,423,038	13,626,441
Consumables	3,313,139	3,886,442
Inventory items	316,062	312,482
Semi-finished goods	2,390,562	8,251,520
Residual products	460,074	470,187
Goods to be purchased	728,921	845,314
Packaging	235,467	2,048,296
Inventories - gross value	68,554,024	188,001,031
Value adjustments for raw materials and consumables	(1,460,849)	(2,600,884)
Value adjustments for finished products	(849,869)	(2,751,569)
Value adjustments for merchandise	(1,194,118)	(1,052,154)
Total value adjustments	(3,504,836)	(6,404,607)
Total inventories - net value	65,049,188	181,596,424

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16. INVENTORIES (continued)

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 depreciated in full.

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

17. TRADE AND OTHER RECEIVABLES

	Balance at 31 December 2020	Balance at 31 December 2019
Short-term receivables		
Trade receivables	66,079,006	109,600,270
Trade notes not exigible	28,865,223	36,018,240
Advances paid to suppliers of assets	3,959,699	4,482,479
Advances paid to suppliers of inventories and services	475,504	4,490,544
Advances paid to employees	129	(85,707)
Other receivables	34,686,689	10,328,287
Loss allowance	(18,206,973)	(26,038,861)
Balance at the end of the year	115,859,276	138,795,252

The changes in adjustment for impairment on doubtful receivables

	Year ended 31 December 2020	Year ended 31 December 2019
	RON	RON
Balance at the beginning of the year	(26,038,861)	(25,096,230)
Receivables written-off during the year	936,608	1,770,945
Impairment adjustment charged to statement of comprehensive income for trade receivables	(2,301,664)	(2,713,576)
Impairment adjustment for assets held for sale and discontinued operations	9,196,944	-
Balance at the end of year	(18,206,973)	(26,038,861)

When determining the recoverability of a receivable, the Group 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 Group's receivables are pledged in full in favour of the financing banks.

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18. INVESTMENT PROPERTY

At 31 December 2020, TeraPlast holds 36 thousand sqm of land in Bistrița for value appreciation, classified as investment property. The production unit of TeraPlast used to be located on this land, before the Company moved to TeraPlast Industrial Park. The land has a fair value of RON 3,687 thousand.

In 2020, the investment located at Drumul Cetății Bistrița was sold, which generated a decrease of the Company's investment property by RON 3,227 thousand.

The Group 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 2020 by an external independent valuator. The valuation method used was the market comparison.

19. SHARE CAPITAL

	Balance at 31 December 2020	Balance at 31 December 2019
	RON	RON
Common shares paid in full	174,320,048	133,780,650
Total	174,320,048	133,780,650

As at 31 December 2020, the value of the share capital subscribed and paid up of the Company included 1,743,200,478 (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 RON 1,743,200.478 (2019: RON 1,337,806.508). Common shares bear a vote each and give the right to dividends.

On 19.08.2020, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 40,539,546, through the issuance of 405,395,460 new shares, at a nominal value of RON 0.1 /share.

On 18.09.2019, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 26,756,123.40, through the issuance of 267,561,234 new shares, at a nominal value of RON 0.1 /share.

Shareholding

	Balance at 31 December 2020		Balance at 31 December 2019	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	816,343,691	46.83	626,496,322	46.83
Viciu Emanoil	42,532,210	2.44	33,677,814	2.52
Marley Magyarorszag (Gemencplast Szekszard)	-	-	106,073,412	7.93
KJK BALKAN HOLDING S.a.r.l.	-	-	134,413,359	10.05
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	212,147,484	12.17	89,131,396	6.66
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIANZ PP	108,133,988	6.2	57,218,659	4.28
LCS IMOBILIAR SA	62,902,621	3.61	48,274,105	3.61
Other natural and legal persons	501,140,484	28.75	242,521,441	18.12
Total	1,743,200,478	100	1,337,806,508	100

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20. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

The Group grants its employees a retirement benefit according to the seniority within the Group when they turn the retirement age of 65 for men and of 61 for women.

The provision represents the present value of the retirement benefit as calculated on an actuarial basis.

	Short-term		Long-term	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Employee benefits	-	-	1,321,041	1,636,529
Provisions for risks and charges	563,170	1,050,884	-	-
Total	563,170	1,050,884	1,321,041	1,636,529

	Financial year ended 31 December 2020
Long-term employee benefits	
Opening balance	1,559,097
Movements	(238,056)
Closing balance	1,321,041

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

The Group has established a benefits plan through which employees are entitled to receive retirement benefits based on their seniority in the Group, upon reaching 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 liability calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2020. Future salary increases are estimated in the long term at 1.1% in the first year, 1.4% in the second year, 1.6% in the third year and 1.37% for the rest.

The latest actuarial valuations were performed on September 30, 2020 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute.

The current value of the defined benefit liabilities and the current and past cost of the related services were measured using the projected credit unit method.

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21. TRADE AND OTHER PAYABLES

	Balance at 31 December 2020	Balance at 31 December 2019
Trade payables	48,506,108	117,526,712
Trade notes payable	535,957	1,027,752
Liabilities from the purchase of non-current assets	11,534,913	1,779,442
Other current payables	13,572,034	36,430,880
Advance payments from clients	1,564,957	9,522,315
Total	75,713,969	166,287,099

Contractual liabilities reflect the Company's obligation of transferring goods or services to a client from which it has received the counter value of the good/service or from which the amount due is outstanding.

Liabilities from the purchase of non-current assets include Other long-term liabilities in amount of RON 9,376,689, which represents the debt to E.On for the solar cells.

22. OTHER CURRENT LIABILITIES

	Balance at 31 December 2020	Balance at 31 December 2019
Salary-related payables to employees and social security payables	6,566,338	8,581,177
VAT payable	1,398,995	6,912,167
Unclaimed employee rights	72,778	93,138
Other creditors	1,297,178	19,107,985
Deferred income	-	-
Commercial guarantees received	978,978	386,027
Other taxes payable	2,125,656	967,689
Dividends payable	1,132,111	382,695
Total	13,572,034	36,430,878

At 31 December 2019, RON 19 million included in line "Other creditors" represents the short-term liability in relation to the minority shareholders of Wetterbest SA according to the SPA concluded in April 2019 for the acquisition of additional 32% ownership in Wetterbest.

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22. LOANS FROM BANKS

The bank loans at 31 December 2019 and 31 December 2020 are as follows:

Financing bank	Type of financing	Originati on date	Balance at 31 December 2020	Balance at 31 December 2019	Short term at 31 December 2020	Long term at 31 December 2020	Period
Banca Transilvania	Working capital	07.06.2017	37,244,594**	30,569,874*	30,569,874*	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	12,266,144**	7,412,233	2,725,810	4,686,423	84 MONTHS
Banca Transilvania	Investments	07.06.2017	23,500,000	18,800,000	18,800,000	-	84 MONTHS
Banca Transilvania	Investments	19.07.2017	11,747,950	-	-	-	84 MONTHS
Banca Transilvania	Investments	24.07.2017	2,723,529	1,634,118	1,089,412	544,706	60 MONTHS
Banca Transilvania	Investments	31.07.2017	5,942,682	3,565,609	2,377,073	1,188,536	60 MONTHS
Banca Transilvania	Investments	07.11.2017	4,500,000	3,000,000	1,500,000	1,500,000	60 MONTHS
Banca Transilvania	Investments	04.04.2018	5,172,953	4,138,362	4,138,362	-	72 MONTHS
Banca Transilvania	Working capital	01.07.2017	18,504,243	-	-	-	12 MONTHS
Banca Transilvania	Investments	07.03.2019	8,834,164	8,576,679	2,450,479	6,126,200	60 MONTHS
Banca Transilvania	Investments	05.12.2019	1,194,700	9,594,767	9,594,767	-	60 MONTHS
Banca Transilvania	Investments	18.03.2019	7,941,303	-	-	-	12 MONTHS
Banca Transilvania	Investments	30.03.2020	-	9,210,915	1,848,215	7,362,700	60 MONTHS
Banca Transilvania	Investments	23.12.2020	-	20,000,000	20,000,000	-	12 MONTHS
Banca Transilvania	Investments	23.12.2020	-	2,222,900	-	2,222,900	
Banca Transilvania	Investments	23.12.2020	-	2,778,626	2,778,625	-	12 MONTHS

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BANCA ROMANEASCA	Working capital	29.12.2020						
		0	-	-	-	-	-	12 MONTHS
TOTAL			<u>139,572,262</u>	<u>121,504,083</u>	<u>97,872,617</u>	<u>23,631,466</u>		

** Includes the amount of RON 8,389,451 for the Joinery Profiles segment.*

*** Include the amount of RON 16,535,287 for the Joinery Profiles segment.*

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22. LOANS FROM BANKS (continued)

Teraglass Bistrita SRL

Finnacing bank	Type of financing	Origination date	Balance at 31 December 2019	Balance at 31 December 2020	Short term at 31 December 2020	Long term at 31 December 2020	Period
Transilvania Bank	Working capital	07.12.2017	-				12 MONTHS
Transilvania Bank	Investments	07.12.2017	539,583	354,583	185,000	169,583	60 MONTHS
Transilvania Bank	Investments	08.03.2019	4,172,796	4,180,392	746,499	3,433,893	60 MONTHS
Transilvania Bank	Working capital	14.05.2019	3,001,262	3,664,072	3,664,072	-	12 MONTHS
Transilvania Bank	Investments	08.03.2019	7,363,889	-	-	-	24 MONTHS
BCR Bank	Working capital	23.12.2020	-	6,330,193	6,330,193	-	
TOTAL			15,077,530	14,529,240	10,925,764	3,603,476	

At 31 December 2019, bank loans include the loans contracted by the businesses that do not continue their activity within the Group:

	Short term	Short term	Total bank debts at 31 December 2019
TeraPlast S.A.	81,721,328	57,682,317	139,572,262
TeraSteel S.A.	8,939,856	-	8,939,856
Teraglass Bistrita S.R.L.	11,282,796	3,794,734	15,077,530
Wetterbest S.A.	37,849,339	1,323,281	39,004,003
TeraSteel Doo Serbia	9,572,054	-	9,572,054
Cortina WTB S.R.L.	69,527	129,841	199,371
Total	149,434,903	62,930,173	212,365,076

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The stocks, receivables and cash of the Group are pledged in favour of financing banks, as well as a part of the Group's non-current assets.

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23. LEASE LIABILITIES

Lease contracts as recognised under IFRS 16 for the financial year ended:

	Minimum lease payments	
	31 December 2020	31 December 2019
Present value of minimum lease payments		
Amounts payable in one year	1,261,591	2,615,110
More than one year but less than five years	2,829,732	6,329,949
Above 5 years	-	-
Total lease liabilities	4,091,323	8,945,059

24. FINANCIAL INSTRUMENTS

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

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

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

	At amortised cost 31 December 2020	At amortised cost 31 December 2019
	Financial assets	
Non-current		
Long term receivable	304,521	771,748
Investment in Somplast SA shares	4,879,400	-
Other financial instruments measured at amortized cost	15,400	16,472
Current		
Trade receivable	115,859,276	138,795,252
Cash	16,620,936	29,472,744
Prepayment	572,570	1,066,286

(a) Capital risks management

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

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

Managing the Group's risks also includes a regular analysis of the capital structure. As part of the same analysis, management considers the cost of capital and the risks associated to each class of capital.

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Based on the management recommendations, the Group may balance its general capital structure through the payment of dividends, by issuing new shares and repurchasing shares, as well as by contracting new liabilities and settling the existing ones.

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24. FINANCIAL INSTRUMENTS (continued)

(a) Capital risks management (continued)

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

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

	<u>2020</u>	<u>2019</u>
Bank loans and finance lease liabilities (Notes 22 and 23)	131,735,195	221,310,135
Less cash and cash equivalents	(16,620,936)	(29,474,903)
Net debt	<u>115,114,259</u>	<u>191,835,232</u>
Total equity	<u>334,198,504</u>	<u>276,847,565</u>
Total equity and net debt	<u>449,312,763</u>	<u>468,682,797</u>
Gearing ratio	<u>26%</u>	<u>41%</u>

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

The treasury department of the Group provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyse the exposure to and extent of the risks. These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

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

The Group management continuously monitors its exposure to risks. However, the use of this approach does not protect the Group from the occurrence of potential losses beyond the foreseeable limits in case of significant fluctuations on the market. There was no change from the prior year in relation to the Group exposure to the market risks or to how the Group manages and measures its risks.

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24. FINANCIAL INSTRUMENTS (continued)

(e) Foreign currency risk management

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

	TOTAL	
Profit or (loss)	(2,674,622)	2,674,622

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.

More than 90% of the Group's sales are in Romania, in RON (see Note 4). Foreign sales are mainly with payment upon delivery. Thus, the Group's exposure to the exchange rate following transactions with foreign clients is insignificant.

Translation risk

This exists due to the fact that the Group has operations whose functional currency is not the RON, the Group's presentation currency. Changes in the exchange rate between the reporting currencies of these operations and the RON, have an impact on the Group's consolidated reported result. For 2020, the impact of changing currency rates versus RON compared to the average 2019 rates was RON 0.7 million (2019: (RON 0.4 million)).

(f) Interest rate risk management

The interest-bearing assets of the Group, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Group's interest rate risk relates to its bank loans. The Group performed no hedging operation with a view to reducing its exposure to the interest rate risk.

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

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

(g) Other price risks

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

(h) Credit risk management

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

Group's maximum exposure to credit risk is represented by the carrying value of each financial asset:

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The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Group.

24. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management (continued)

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

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

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

The Group considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analysing the receivables individually and making impairment adjustments. The Group had more than four thousand clients in 2020, with the highest exposure on one client not exceeding 5% (2019: 3%).

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

	Balance at 31 December 2020
	RON
Analysis of trade receivables and bills of exchange is the following:	
Not exigible	107,330,868
Overdue but not impaired	8,528,407
Impaired and fully provisioned	18,206,974
Total	134,066,250
Overdue but not impaired	
less than 3 months	7,048,811
3 - 6 months	596,730
6 - 9 months	578,664
more than 9 months	304,207
Total	8,528,411
Impaired and fully provisioned	
less than 6 months	2,120,683
6 - 12 months	1,156,094
more than 12 months	14,930,198

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Total

18,206,974

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24. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

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

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
2020							
Non-interest bearing		(29,420,0		(2,184,84	(2,184,84		(75,713,96
Trade receivables and other liabilities	(30,723,353)	22)	(6,193,905)	0)	0)	(5,007,009)	9)
Interest-bearing instruments							
Short and long-term loans	(50,782,411)	(48,082,7	(2,890,783)	(22,615,6	(6,884,87	(478,769)	(131,735,1
Future interest on loans	(154,193)	32)	(372,911)	27)	1)	(2,830)	95)
		(511,217)		(3,143,86	(1,842,84		(6,027,864)
		7)		5)	9)		
Non-interest bearing							
Cash and cash equivalents	16,620,936	-	-	-	-	-	16,620,936
Receivable	40,888,327	40,584,58	34,386,361	-	-	-	115,859,27
		7					6
2019							
Non-interest bearing		(46,329,5		(9,538,13			(166,287,0
Trade receivables and other liabilities	(101,341,635)	89)	(9,077,742)	2)	-	-	99)
Interest-bearing instruments							
Short and long-term loans	(129,297,798)	(2,881,92	(18,187,857)	(39,422,2	(25,042,0	(718,935)	(215,550,7
Future interest on loans	(618,615)	6)	(6,865,120)	53)	04)	(6,335)	73)
		(1,764,64		(3,648,05	(922,886)		(13,825,65
		7)		0)			3)
Leases	(180,504)	(511,081)	(990,850)	(3,299,84	(451,352)	(325,730)	(5,759,361)
Future interest on leases	(21,118)	(59,372)	(135,079)	(289,135)	(47,413)	(14,923)	(567,040)

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Non-interest bearing

Cash and cash equivalents	29,472,745	-	-	-	-	-	29,472,745
Receivable		56,884,64					138,795,25
	78,729,768	0	3,131,402	20,784	20,784	7,874	2
	(123,257,157	5,338,02		(56,176,6	(26,442,8		(233,721,9
Net cash outflows)	5	(32,125,246)	30)	71)	(1,058,049)	29)

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24. FINANCIAL INSTRUMENTS (continued)

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

25. REALTED PARTY TRANSACTIONS

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

31 December 2020

Subsidiaries

- Teraglass Bistrita SRL
- TeraSteel SA
- TeraPlast Recycling SA
- TeraPlast Hungaria Kft
- Wetterbest SA
- TeraSteel Doo Serbia
- Cortina WTB SRL
- TeraPlast Folii Biodegradabile Srl
- Teramed Sante 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
- undus Services AD Bulgaria
- NEW CROCO PIZZERIE SRL
- Parc SA
- PARCSERV SRL
- RSL Capital Advisors SRL
- Sphera Franchise Group SA
- Dedal As s.r.l.
- Rematinvest s.r.l.
- Remat Salaj s.a.
- Remat s.a. Satu Mare
- Remat Alba s.a.
- Recomet s.r.l.
- Paziv s.r.l.
- Anda Imobiliare s.r.l.
- Colina Construct s.r.l.

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

In 2020 and 2019, the Group did not enter into significant transactions with related parties.

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26. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2020	31 December 2019
	RON	RON
Cash in bank accounts	16,446,405	26,710,537
Cash in transit	-	192,795
Cash on hand	111,019	244,817
Cash in bank accounts, restricted	63,511	2,324,595
Total	16,620,936	29,472,744

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

27. SUBSIDIES FOR INVESTMENTS

Subsidies for investments refer to non-reimbursable funds for investments made by TeraSteel SA, Wetterbest SA, TeraPlast SA and TeraGlass SRL for production equipment and personal protective equipment. There are no unfulfilled conditions or other contingencies associated with such subsidies.

	2020	2019
At 1 January	17,250,166	2,468,187
Acquisition of Wetterbest SA		1,268,290
Additions of subsidies	10,043,865	14,097,963
Transferred to statement of comprehensive income	(2,054,541)	(584,273)
Transferred to assets held for sale	(5,351,987)	-
At 31 December	19,887,503	17,250,166
Current	2,051,447	1,920,804
Non-current	17,836,056	15,329,362

At 31 December 2020, the total value of outstanding subsidies is RON 19,887,503 (2019: RON 17,250,166) recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis, throughout the lifetime of the related assets. The amount of 5,351,987 relates to assets held for sale/discontinued operations.

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28. RESTATEMENT OF COMPARATIVE

Sale of the Steel business

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group, based on a contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received a price of RON 373 million.

Sale of the joinery profiles business

At 31 December 2020, TeraPlast Hungaria Kft. (distributor) and the joinery profiles business of TeraPlast SA were pending transfer to Dynamic Selling Group. In March 2021, TeraPlast transferred the joinery profile business to Dynamic Selling Group, and the transfer of ownership to TeraPlast Hungary will be completed in April 2021.

Statement of profit or loss of the Steel business to be transferred:

	Financial year	
	2020	2019
Total revenue from customer contracts, <i>out of which:</i>	644,232,206	578,655,145
<i>Revenue from sale of finished products</i>	570,280,5	493,410,5
	18	19
<i>Revenue from the sale of merchandise</i>	63,143,38	73,413,12
	7	1
<i>Revenue from services</i>	10,808,30	11,831,50
	0	6
Other operating income	3,569,159	960,273
Income from investment subsidies	1,383,221	738,639
Changes in inventory of finished goods and work in progress	1,668,947	53,122
Raw materials, consumables used and merchandise	690,318	310,752
Employee benefit expenses	(483,207,828)	(440,047,776)
Amortization and the adjustments for impairment of non-current assets, net	(45,762,154)	(38,396,241)
Impairment of current assets, net	(13,553,941)	(12,322,514)
Reversal of provisions, net	(606,283)	(1,540,582)
Gains / (Losses) from the disposal of tangible and intangible assets	(63,613)	91,304
Gains from the disposal of assets held for sale	(503,938)	180,467
Losses from the disposal/fair value measurement of investment properties	1,007,688	-
Other expenses	(50,905,203)	(48,151,238)
Sponsorships	(1,315,866)	(807,632)
Operating result	56,632,713	39,723,719
Impairment of goodwill from the acquisition of Wetterbest, net	-	(934,965)
Financial expenses	(3,864,910)	(2,534,215)
Interest expense, net	(1,962,438)	(3,215,016)
Financial income	1,537,254	1,674,991
Financial result, net	(4,290,095)	(4,074,240)
Profit before tax	52,342,6	34,714,51
	18	5
Income tax expense	(7,701,359)	(4,713,903)
	44,641,259	30,000,612

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Profit of Steel division

28. RESTATEMENT OF COMPARATIVE (continued)

Statement of profit or loss of the Joinery Profiles business to be transferred:

	Financial year	
	2020	2019
Total Revenue from customer contracts, <i>out of which:</i>	49,625,903	51,111,179
<i>Revenue from sale of finished products</i>	40,084,307	42,219,112
<i>Revenue from the sale of merchandise</i>	9,541,596	8,892,067
<i>Revenue from services</i>	-	-
Other operating income	16	14
Income from investment subsidies	-	-
Changes in inventory of finished goods and work in progress	(1,394,916)	(2,012,494)
Work and services in progress	-	-
Raw materials, consumables used and merchandise	(27,595,798)	(30,948,560)
Employee benefit expenses	(7,316,740)	(7,324,086)
Amortization and the adjustments for impairment of non-current assets, net	(4,110,417)	(4,710,497)
Impairment of current assets, net	-	-
Reversal of provisions, net	(25,880)	-
Other expenses	(5,642,770)	(6,962,371)
Operating result	3,539,397	(846,814)
Financial expenses	(208,170)	(180,701)
Interest expense, net	(68,836)	(36,836)
Financial income	28,720	20,634
Financial result, net	(248,286)	(196,902)
Profit/ (Loss) before tax	3,291,112	(1,043,716)
Income tax expense	(133,407)	193,614
Profit/ (Loss) of Joinery Profiles business	3,157,705	(850,102)

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28. RESTATEMENT OF COMPARATIVE (continued)

Statement of financial position of the Steel and Joinery Profiles businesses to be transferred:

	31 December 2020	31 December 2020
	Steel	Joinery Profiles
ASSETS		
Non-current assets		
Property, plant and equipment	107,581,953	9,281,662
Right of use of the leased assets	1,605,709	883,234
Intangible assets	42,406,235	-
Long-term receivable	90,794	3,856
Other long-term equity investments	1,000	-
Total non-current assets	151,685,691	10,168,752
Current assets		
Inventories	100,360,198	12,240,227
Work and services in progress	1,496,908	-
Trade receivables	42,927,254	2,006,361
Prepaid expenses	449,675	85,573
Income tax recoverable	-	287,144
Cash	36,868,361	611,463
Total current assets	182,102,396	15,230,768
Total assets	333,788,087	25,399,520
Non-current liabilities		
Bank loans	30,597,846	-
Lease liabilities	323,527	466,344
Employee benefit liabilities	114,139	247,476
Investment subsidies – long-term portion	8,435,902	-
Deferred tax liabilities	6,224,776	119,551
Total non-current liabilities	45,696,191	833,371
Current liabilities		
Trade and other payables	75,913,420	7,634,968
Bank loans	21,107,806	8,384,190
Lease liabilities	1,268,999	1,197,867
Income tax payable	1,682,637	120,662
Investment subsidies - current portion	1,348,038	-
Provisions for risks and charges	273,008	267,493
Total current liabilities	101,593,907	17,605,179
Total liabilities	147,290,098	18,438,549

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28. RESTATEMENT OF COMPARATIVE (continued)

Statement of cash flows of the Steel business

Indirect method	Year ended 31 December 2020	Year ended 31 December 2019
<i>Cash flows from operating activities:</i>		
Profit before tax	52,342,618	35,649,480
Losses from disposal of fixed assets	503,938	(180,467)
Impairment and amortization of non-current assets	13,553,941	12,322,514
Provisions for risks and charges, net	63,613	(91,304)
Allowance for doubtful debts	1,392,323	1,806,204
Inventory impairment	(786,040)	(265,622)
Impairment of goodwill from the acquisition of Wetterbest, net	-	934,965
Interest expense	1,962,438	3,215,016
Operating profit before changes in working capital	69,032,832	53,390,786
(Decrease)/ Increase in trade receivables	8,908,051	(7,106,244)
Decrease in gross inventories	11,073,177	11,734,872
(Decrease)/ Increase in trade and other payables	(14,004,618)	10,074,458
Income tax paid	(7,730,080)	(5,375,001)
Interest paid, net	(1,962,438)	(3,215,016)
Income from subsidies	(1,383,221)	(738,639)
Cash from operating activities	63,933,702	58,765,216
<i>Cash flows used for investment:</i>		
Payments for acquisition of non-current assets	(40,172,528)	(36,886,175)
Receipts under State aid	5,815,174	2,050,189
Proceeds from sale of property, plant and equipment	-	811,764
Net cash used for investment	(34,357,354)	(34,024,222)
<i>Cash inflows from financing activities:</i>		
Repayment of lease liabilities	(601,765)	(999,100)
Dividends paid	-	(12,730,486)
Drawdowns/ (Repayments) from investment loans, net	30,976,017	(1,701,440)
(Repayments)/ Drawdowns from credit lines, net	(37,142,172)	(4,284,276)
Net cash (for) finance activities	(6,767,920)	(19,715,303)
Net increase in cash	22,808,428	5,025,692
Cash at the beginning of the financial year	14,059,932	9,034,240
Cash at the end of the financial year	36,868,361	14,059,932

28. RESTATEMENT OF COMPARATIVE (continued)

Statement of cash flows of the Joinery profiles business

	<u>2020</u>	<u>2019</u>
Indirect method		
<i>Cash flows from operating activities:</i>		
Profit/ (Loss) before tax	3,291,112	(1,043,716)
Impairment and amortization of non-current assets	4,110,417	4,710,497
Provisions for risks and charges, net	25,880	-
Operating profit before changes in working capital	<u>7,427,409</u>	<u>3,666,781</u>
<i>Changes in working capital</i>		
Decrease/ (Increase) in trade and other receivables	1,169,692	(2,812,932)
Decrease in inventories	2,952,016	5,853,898
(Decrease)/ Increase in trade and other payables	(3,834,219)	563,374
Income tax paid	(12,745)	-
Cash from operating activities	<u>7,702,153</u>	<u>7,271,121</u>
<i>Net cash flows used for investment</i>		
Payments for acquisition of tangible and intangible assets	-	(1,532,325)
Net cash used for investment	<u>-</u>	<u>(1,532,325)</u>
<i>Cash inflows from financing activities:</i>		
Repayment of loans	(8,151,098)	(6,387,140)
Net cash used for finance activities	<u>(8,151,098)</u>	<u>(6,387,140)</u>
Net changes in cash and cash equivalents	<u>(448,945)</u>	<u>(648,345)</u>
Cash and cash equivalents at the beginning of the financial year	<u>1,060,408</u>	<u>1,708,753</u>
Cash and cash equivalents at the end of the financial year	<u>611,463</u>	<u>1,060,408</u>

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28. RESTATEMENT OF COMPARATIVE (continued)

Statement of cash flows in 2020 of the businesses that continue their activity within TeraPlast Group, i.e. Plastics Division and the 2 businesses whose activity will be interrupted

	Joinery Profile	Steel division	Plastics division	Cash flows, total
Cash flows from operating activities:				
	3,291,11	52,342,6	33,701,1	89,334,8
Profit before tax	2	18	28	58
Losses from disposal of fixed assets	-	503,938	75,417	579,355
Impairment and amortization of non-current assets	4,110,41	13,553,94	18,641,13	36,305,49
	7	1	7	5
Provisions for risks and charges, net	25,880	63,613	(223,303)	(133,810)
Allowance for doubtful debts	-	1,392,323	2,301,664	3,693,987
Inventory impairment	-	(786,040)	(630,452)	(1,416,492)
	-	-	-)
Income from dividends	-	-	(60,328)	(60,328)
Loss from the revaluation of investment property	-	-	166,632	166,632
Interest expense	-	1,962,438	4,996,284	6,958,723
Operating profit before changes in working capital	7,427,40	69,032,8	58,968,1	135,428,
	9	32	79	419
(Decrease)/ Increase in trade receivables	1,169,69	-	(4,568,17	28,729,40
	2	8,908,051	6)	9
Decrease / (Increase) in gross inventories	2,952,01	11,073,17	(9,352,20	4,672,985
	6	7	8)	-
(Decrease)/ Increase in trade and other payables	(3,834,21	(14,004,6	27,614,91	9,776,080
	9)	18)	7	-
Receivables from Steel group, received in 2020	-	-	23,219,84	-
	-	-	2	-
Income tax paid	(12,745)	(7,730,08	(1,703,81	(9,446,640
	-	0)	5))
Interest paid, net	-	(1,962,43	(4,996,28	(6,958,723
	-	8)	4))
Income from subsidies	-	(1,383,22	(2,054,54	(3,437,762
	-	1)	1))
Cash from operating activities	7,702,15	63,933,7	87,127,9	158,763,
	3	02	13	768
Cash flows used for investment:				
Payments for acquisition of non-current assets	-	(40,172,5	(22,302,3	(62,474,85
	-	28)	30)	8)
Receipts under State aid	-	5,815,174	10,043,86	15,859,03
	-	-	5	9
Payment for investments - Wetterbest SA, net of purchased cash	-	-	(19,034,40	(19,034,40
	-	-	0)	0)
Payments for financial investments	-	-	(6,548,015	(6,548,015
	-	-))
Receipts from the sale of tangible assets	-	-	10,867,18	10,867,18
	-	-	0	0
Net cash used for investment	-	(34,357,3	(26,973,	(61,331,0
	-	54)	700)	54)
Cash inflows from financing activities:				
Repayment of lease liabilities	-	(601,765)	(2,152,19	(2,753,954
	-	-	0))
Dividends paid	-	-	(45,323,1	(45,323,18
	-	-	87)	7)
Dividends received	-	-	60,328	60,328

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Repayment of investment loans	(8,151,098)	-	(47,703,390)	(55,854,487)
Drawdowns from investment loans	-	30,976,017	48,037,485	79,013,502
Repayments from credit lines, net	-	(37,142,172)	(10,804,727)	(47,946,900)
Net cash used for finance activities	(8,151,098)	(6,767,920)	(57,885,681)	(72,804,699)
Net increase in cash	(448,945)	22,808,428	2,268,532	24,628,015
Cash at the beginning of the financial year	1,060,408	14,059,932	14,352,404	29,472,744
Cash at the end of the financial year	611,463	36,868,361	16,620,936	54,100,759

29. COMMITMENTS AND CONTINGENT LIABILITIES

TeraPlast SA

Unused credit facilities

The Company signed a contract with Banca Transilvania for multi-currency bank letter of guarantee with multiple use, extended for 24 months from August 8, 2019. The value of the ceiling is RON 1,750,000, letters of credit amounting to RON 400.000 are issued.

At December 31, 2020, the Company has unused credit facilities of RON 40,930,126 (31 December 2019: RON 17,190,916) and unused investment loans in amount of RON 28,581,216 (31 December 2019: RON 0),

Guarantees for bank loans

At 31 December 2020, tangible assets and investment properties with a net book value of RON 55,273,234 (December 31, 2019: RON 77,420,197) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

State aid for investments in the production of fireproof compounds and interior sewage systems

In November 2018, the company signed a financing agreement for an investment project of RON 28,987 thousand, within the State aid scheme for stimulating investments with major impact on the economy, 50% of the project value being financed from State aid. The project of TeraPlast SA aims to create a new product in the field of compounds and equip a line that will allow the extension of the production capacity of polypropylene systems.

On 7 March 2019, the Company contracted a loan of RON 14,493,278 from Banca Transilvania, in order to support the investments it undertook under the State Aid Scheme to stimulate investments with major impact on the economy, for which TeraPlast SA received the financing agreement in November 2018.

At 31 December 2020, the Company submitted four reimbursement applications amounting to RON 14.43 million, fully collected up to the date of these financial statements.

State aid to enhance the production capacity for sewage, water and gas installations

In November 2020, the company signed a financing agreement for an investment project of RON 38,165,486, within the State aid scheme for stimulating investments with major impact on the economy, 50% of the project value being financed from State aid. The project of TeraPlast SA aims to expand the production capacity within the existing site for certain categories of products in the current manufacturing of the company, namely fittings (PP and PVC), PE pipes and PVC pipes, by making investments in tangible assets (construction of new buildings and purchase of facilities, machinery and equipment), located in the same perimeter, as a result of which 45 new jobs will be created.

In December 2020, the company signed a financing agreement for an investment project of RON 47,936,892, within the State aid scheme for stimulating investments with major impact on the economy, 50% of the project value being financed from State aid. The project of TeraPlast SA aims to start a new production unit for the manufacture of plastic products on the product segments representing PE pipes and rotationally moulded products (PE), by making investments in tangible assets (construction of new buildings and purchase of facilities, machinery and equipment), located in the same perimeter, as a result of which 80 new jobs will be created.

On 23 December 2020, the Company contracted a loan of RON 19,082,743 from Banca Transilvania in order to support the investments it undertook under the State Aid Scheme to stimulate investments with major impact on the economy, for which TeraPlast SA received the financing agreement in November 2020.

29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Teraglass Bistrita SRL

At 31 December 2020, the Company has unused credit facilities, amounting to RON 1,335,928 (December 31, 2019: RON 1,998,737).

In November 2018, the company signed a financing agreement for an investment project of RON 16,057 thousand, within the State aid scheme for stimulating investments with major impact on the economy, 50% of the project value being financed from State aid. The project of Teraglass Bistrita SRL aims to create a new, fully automated flow for the production of PVC windows and doors, a process that will contribute both to increasing production capacity and labour productivity, and to meeting rising demand.

On 08.03.2019, the Company contracted a loan of RON 8,028,744 from Banca de Export Import a Romaniei EximBank, in order to support the investments it undertook under the State Aid Scheme to stimulate investments with major impact on the economy, for which Teraglass Bistrita SA received the financing agreement in November 2018.

At 31 December 2020, the Company submitted reimbursement applications amounting to RON 7.66 million, fully collected up to the date of these financial statements.

Potential tax liabilities

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

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

At the date of these financial statements, the ANAF is conducting a tax inspection at TeraSteel Romania regarding the corporate tax for the period 2014 - 2019 and VAT for the period January 2015 - June 2020. The inspection is ongoing and management cannot currently estimate whether the outcome of such inspection will materialise in additional taxes and penalties for TeraSteel.

Environmental matters

The main activity of the group companies have inherent effects on the environment. The environmental effects of the companies' activities are monitored by the local authorities and by the management. The group companies permanently aim at complying with the environmental obligations. As a result, no provisions were set for any kind of potential obligations currently unquantifiable in relation to environmental matters or actions for their remedy.

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 Group 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. It could be significant for the Group's financial position and / or operations.

TERAPLAST SA
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

30. COMMERCIAL IMPACT OF THE SPREAD OF CORONAVIRUS

In 2020, the Group's results were not affected by the pandemic. The rapid spread of the Covid-19 virus and its social and economic impact in Romania and globally may generate assumptions and estimates that require reanalysis that may lead to adjustments in the carrying amount of assets and liabilities in the next financial year.

All production units of the Group operated at normal capacity.

The additional risks identified at this time are the continuity of supply of raw materials and the availability of staff. The Group has alternative suppliers for all raw materials to make sure it will not run out of supplies.

There are strict sanitary measures to ensure the safety of the staff and some of the Group's employees work from home, by rotation.

Moreover, the Group is in constant contact with its customers in Romania and abroad and has no indication that, in the short term, the demand for TeraPlast Group products could be significantly affected.

The Group has business continuity plans, which have been updated to address the current situation. In addition, an analysis committee has been set up to monitor developments and implement new measures, if necessary. The members of the Committee are representatives of the Board of Administration and the senior management of the Group.

31. SUBSEQUENT EVENTS

On February 26, 2021, the sale of the Steel division to Kingspan was completed. TeraPlast received the price of RON 373 million, of which the Board of Directors proposed the granting of a special dividend of RON 226,615,937. In addition to the cash distribution, the Board of Directors proposed to increase the share capital of TeraPlast by the amount of RON 43,579,988. Thus, a free share will be distributed for every 4 shares held by shareholders from the registration date in connection with the share capital increase. The allocation of these amounts will be subject to the approval of the GMS which will be convened for June 25, 2021.

On 1 March 2021, TeraPlast repaid loans of RON 32,533,129, contracted for the acquisition of the stake in Wetterbest, which is part of the Steel division, and the loan of RON 20 million, contracted for the payment of dividends from December 2020. These loans were classified as short-term at 31 December 2020.

In March 2021, TeraPlast transferred the joinery profile business to Dynamic Selling Group, and the transfer of ownership to TeraPlast Hungary will be completed by 30 April 2021.

Declaration of management

We confirm to the best of our knowledge that the preliminary and unaudited financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the consolidated financial statements of the 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.

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

Report of the Board of Administration on the consolidated financial statements of TeraPlast Group, prepared in accordance with the International Financial Reporting Standards (“IFRS”)

Registered office: Sieu-Magherus commune, Saratel village, Teraplast Industrial Park, DN 15A, KM 45+500

Sole registration code with the Trade Registry Office: 3094980

Registration number with the Trade Registry: J06/735/1992

Regulated market where the securities issued are traded: Bucharest Stock Exchange

Subscribed and paid in share capital: RON 174,320,047.80

Securities issued by the Company: 1,743,200,478 shares, at a nominal value of RON 0.1/share.

The Board of Directors of TeraPlast SA, appointed by the General Meeting of Shareholders, prepared, for the financial year 2020, this report on the balance sheet, profit and loss account, statement of changes in equity, statement of cash flows, accounting policy and explanatory notes included in the financial statements of 2020.

The financial statements for 2020, presented together with the Audit Report and this Administrators' Report, refer to:

Equity thousand	RON 334,198
Turnover	RON 396,180 thousand
Net result for the year - profit	RON 77,500 thousand
Of which, the profit of the businesses that carry on their activity within the Group:	RON 29.701 thousand

The consolidated financial statements have been prepared in accordance with:

- (i) Accounting Law 82/1991, as republished in June 2008 („Law 82)
- (ii) Ministry of Public Finance Order no. 2844/2016 approving the Accounting Regulations compliant with International Financial Reporting Standards

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

Where necessary, corrections were made to the financial statements of the subsidiary to bring the accounting policies in line with those of the Group.

All intra-group transactions, income and expenses are eliminated in the consolidation. Non-controlling interests in the assets (excluding goodwill) of consolidated subsidiaries are

identified separately from the Group's equity. The non-controlling interests represent the value of these interests at the initial combination of the companies and of the part held by the non-controlling interests in the changes in equity starting with the date of the combination.

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

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1. About TeraPlast Group

Structure of the Group

TeraPlast has a 125-year tradition, its origins dating back to 1896 when the Saxon craftsman Walter Schuster opened the first ceramic tile processing workshop in Bistrita.

After a century and a quarter of continuous development, adaptation and innovation, characteristics such as reliability, determination and passion for a job well done are part of the company's organizational culture.

2020 brought significant changes in the activity of TeraPlast Group. Although it had an atypical year, which brought a lot of uncertainty and many challenges, the Group managed to stay true to its development plans.

The structure of the TeraPlast Group has changed as a result of the events below:

- Conclusion of the agreement for the sale of Steel division - Wetterbest, TeraSteel Romania and Serbia - to Kingspan Group --> in July 2020¹;
- Sale of the joinery profiles business of TeraPlast SA --> December 2020²;
- Purchase of 70% of the shares of flexible packaging manufacturer Somplast --> December 2020³.

As the priority of the management of TeraPlast Group is to provide accurate information that reflects both the evolution of the Group's businesses so far, and the future evolution, this report has been prepared based on a going concern basis.

Thus, the structure of TeraPlast Group as far as the businesses that continue their activity within the Group is concerned, is:



¹ The transaction was completed after the respective conditions were fulfilled, namely, the approval of the European Commission and the Competition Authority in Serbia, according to the provisions of the sale agreement, on 26 February 2021.

² The transaction was approved by the Competition Council in February 2021, and the transfer took place on 15 March 2021.

³ At the time this report was prepared, TeraPlast SA had not received the approval of the Competition Council to complete the transaction yet.

1. About TeraPlast Group (continued)

TeraPlast SA

It is the parent company of TeraPlast Group, with majority holdings in the rest of the Group's companies. The company's business lines are PVC Installations and Compounds. The Installations segment includes water and gas supply and distribution systems, indoor and outdoor sewers, rain water management and cable protection. PVC compounds are adaptable to customer requirements.

TeraPlast is the market leader in exterior sewerage and PVC compounds. Through the Compound segment, TeraPlast is the main supplier for cable production in Romania. In 2021, the company is investing over EUR 15 million in expanding the production capacity of the Installations business line.

Since July 2008, TeraPlast SA has been listed on the Bucharest Stock Exchange (TRP). Since March 2020, TRP shares have been included in BVB's BET benchmark, and since September 2020 in FTSE Russell MicroCap and TotalCap indexes.

TeraGlass Bistrița

It has the portfolio of PVC and aluminium windows and doors and has over 15 years of experience in the thermal insulation joinery market. In 2020, 66% of the company's production was exported to Western European countries, such as Germany, Austria, Slovenia, Czech Republic, Slovakia, Hungary. The company's objective is to enter the top 10 manufacturers of thermal insulation joinery on the Romanian market, a very fragmented market, consisting of approximately 1,000 players.

TeraPlast Recycling

It is the largest rigid PVC recycler in Romania and the 8th in Europe. The company recycles rigid post-consumer and post-industrial PVC, with an annual processing capacity of 12,000 tons. The TeraPlast Group's investment plan also includes doubling the processing capacity of TeraPlast Recycling.

Somplast

In december 2020, TeraPlast purchased 70% of the shares of Somplast – a manufacturer of flexible packaging from Năsăud. The portfolio of products of Somplast adds to the production capacity of polyethylene pipes in the portfolio of TeraPlast and is the gateway of TeraPlast Group on the market of flexible packaging. The company is currently implementing investment projects for modernisation and expansion of the production capacity.

TeraPlast will exercise control over Somplast starting April 2021, after receiving the approval of the Competition Council.

TeraPlast Folii Biodegradabile

The EUR 12 million investment involves the construction and endowment of a state-of-the-art factory for the production of biodegradable bags and sacks. The production process is vertically integrated, and the company's products will eliminate imports from the Romanian profile market

By 2022, the Group plans to become the leader of the polyethylene pipe market and leader of the flexible packaging market.

On 26 February 2021, the Steel division comprising Wetterbest, TeraSteel Romania and Serbia was sold. The sale price of the division to Kingspan Group was RON 373 million. Of such money, the company will submit for the company's shareholders' approval the granting of dividends worth RON 226 million.

1. About TeraPlast Group (continued)

Group's production capacity

Currently, the products of TeraPlast Group are obtained in the 6 plants located in Romania (Sărățel, Bistrița and Năsăud).

The production facilities cover a total surface area of 316,849 sqm, and the built surface area reaches 83,513 sqm in 2020.

Thus, the operations of TeraPlast Group are carried out in the following plants:

1. PVC plant, Saratel (TeraPlast)
2. Polypropylene plane, Saratel (TeraPlast)
3. Polyethylene plant, Saratel (TeraPlast)
4. PVC windows and doors plant, Bistrița (TeraGlass)
5. Rigid PVC recycling plant, Saratel (TeraPlast Recycling)
6. Polyethylene systems and flexible packaging plant, Năsăud (Somplast)

To which two new plants will be added starting 2021:

7. Polyethylene systems plant, Sărățel (TeraPlast)
8. Biodegradable film and bag plant, Sărățel (TeraPlast Folii Biodegradabile)

The PVC plant has a processing capacity of more than 50 thousand tons / year.

- 4 100% automatic proportioning / mixing installations;
- 6 PVC pipe extrusion lines for interior and exterior sewers, as well as for water supply;
- 16 extrusion and rolling lines for PVC profiles;
- 4 granulators for the production of plasticized compounds (especially for the production of electrical cables) and rigid compounds (for the production of fittings or other injected parts);

The polyolefin plant has a production capacity of 3,800 tons / year for extruded polyethylene, polypropylene and PVC products, injected and rotationally moulded, for interior and exterior sewers, water supply, storage of liquids (tanks) and water treatment solutions (septic tanks, purifying micro-installations) and includes:

- 8 injection machines for the production of PP and PVC fittings
- 3 lines for polypropylene pipes;
- 1 rotational moulding machine;
- 1 line for thermally moulded fittings;

The polyethylene pipes plant, with a production capacity of 11,500 tons / year, produces high density polyethylene pipes for water and gas networks, but also for telecommunications, sewerage or irrigation, as well as corrugated polyethylene pipes.

- 5 extrusion lines for water, gas and irrigation pressure pipes;
- 1 line for the production of corrugated pipes for sewers, drainage and cable protection

The PVC windows and doors plant, with a production capacity of 250,000 pieces/ year, produces PVC and aluminium thermally insulated joinery (Al),

- 1 Lisec line for glass processing
- 1 automated centre for cutting and processing PVC profiles
- 2 cutting centre;
- 1 trimmer;
- 3 automated processing centres,
- 5 welding lines and 5 fettling lines;
- semi-automated line for hardware and internal logistic.

1. About TeraPlast Group (continued)

The rigid PVC recycling plant is a complex PVC recycling plant for rigid post-consumer and post-industrial PVC and electrostatic separation of recycled materials, with a processing capacity of 12,000 tons / year, thus being the largest rigid PVC recycler in Romania and one of the top 10 rigid PVC recyclers in Europe.

Clients and markets

TeraPlast Group operates in the construction materials market, addressing the infrastructure, thermal insulation joinery, granules, residential and non-residential constructions market, and with the acquisition of Somplast and investment in biodegradable films, it will also be present on the flexible packaging market.

TeraGlass is the biggest exporter of TeraPlast Group, its products being sold more than 60% to countries like Germany, Austria, Slovakia, Hungary or the Czech Republic. Somplast also contributes to the exports of TeraPlast Group, its products going to Western Europe.

The clients of TeraPlast Group are sub-contracting companies, distributors, home development stores and producers which use PVC compounds as raw material.

Products and business lines

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

Installations

The Installations business line includes external sewerage systems, indoor sewerage, water and gas transmission and supply, rain water and domestic water management, irrigation, drilling, telecommunications, electrical network accessories, individual connections to utilities.

TeraPlast is the leader of the external sewerage market in Romania.

At present, Romania has significant funds for investments in infrastructure works. The potential is very high because, according to INS data and estimates of the Romanian central authorities:

- 52.9% of the Romanian population is connected to a sewage network equipped with a treatment plant;
- 54.2% of the Romanian population is connected to a public sewage network;
- 35% of the Romanian population is connected to the natural gas network;
- 70,9% of the Romanian population is connected to the public water supply system;
- 11,5% of the total surface area of Romania that can be irrigated is contracted for irrigation works.

In terms of available funds, the LIOP (Large Infrastructure Operational Programme) is nearing the end of financing, which led to an acceleration of investment in 2020 and, consequently, an increase in demand.

In addition, Romania is allocated funds of EUR 18 billion under the National Recovery and Resilience Programme (PNRR) for objectives that involve in various degrees the product portfolio of TeraPlast Group.

TeraPlast is constantly investing in improving the solutions it offers. This involves obtaining systems with features that meet customer needs, but also reflect a sustainable development - one of the main directions of the company in this field. In 2020, the company launched the PE 100-RC pipe with PP protection layer, which offers a lifespan of up to 100 years, ease of installation and superior properties.

1. About TeraPlast Group (continued)

Product portfolio development remains a priority. The company has approved for co-financing through the State aid scheme, investments of over RON 73 million in the Installations business line. This involves both the development of new products and the expansion of the existing production capacity and the construction of a new factory.

Compounds

With a market share of over 34%, TeraPlast is the leader on the Romanian compound market and the main supplier of PVC compounds for the Romanian cable industry. The portfolio includes plasticized and rigid compounds, with applications in the extrusion and injected products industry.

From 2021, TeraPlast brings an innovation on the Romanian granules market - halogen-free, fire-resistant compounds (HFFR).

Windows and Doors

The production and sale of windows and doors includes 2 families of products:

1) PVC windows, doors and accessories, with the following groups of products:

- TeraGlass windows and doors systems with 4, 6 and 7 chambers;
- Salamander windows and doors systems with 5 and 6 chambers;

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

The State aid project of TeraGlass Bistrita SRL, completed in 2019 and fully operational in 2020, has created a new fully automated flow for the production of PVC windows and doors, a process that contributes to both increasing production capacity and productivity, in order to meet rising demand. At the same time, it allows the company to access new market segments.

Rigid PVC recycling

TeraPlast Recycling is the largest rigid PVC recycler in Romania and among the first 10 in Europe.

The finished product is obtained from PVC pipes or profiles and can be PVC regranulated or PVC Micronized at 1,000 microns.

Recycled PVC can be used successfully in the production of sewer pipes or in the production of PVC joinery.

This line of business is the subject of an investment to double the production capacity in 2021.

Group's employees

In 2020, the Group had 687 employees (2019: 632 employees).

According to the applicable collective employment agreement, the minimum wage within the Group is above the national minimum wage. Moreover, TeraPlast has implemented various salaries for several structures to keep employees motivated.

TeraPlast Group aims to hire and retain the best professionals in the labour market, so as to continuously improve operations and create added value.

The human resources strategy is determined by the business strategy and aims to meet the requirements of business objectives through actions in the field of human resources, such as organization, recruitment and selection, performance, development and remuneration. In this respect, the Group has specific internal procedures for each of these stages.

1. About TeraPlast Group (continued)

The guidelines for implementing the policy are:

- recruitment and hiring of staff on the basis of skills;
- rapid integration of new employees;
- the development of training and development programs appropriate to the objectives of each organization in the group;
- developing incentive plans to encourage efficiency and reduce costs;
- elaboration of non-financial incentivisation systems;
- development of career programs and succession plans;
- standardization of human resources policies at the level of the TeraPlast group.

We aim to provide a trained and motivated workforce that contributes, through the continuous improvement of individual and team performance, to achieving the objectives of group companies. We know that every member of the team is important and can add value to the group, which is why we always try to have the right person in the right place.

Our values are: quality, commitment, performance. These values have been incorporated into our organizational culture and have been incorporated into the continuous improvements of the group companies.

The human resources policy focuses on the following areas:

- providing the necessary trained staff in the context of competition in the context of the free movement of labour force within the European Community and achieving a balanced distribution of human resources at group level;
- increasing the level of professional competence of employees;
- strengthening the internal system for promoting staff with performance potential;
- anticipating fluctuations in staff shortages or surpluses;
- covering the operational needs of the organization through the efficient use of human resources;
- constant adjustment of the workforce plan with the expected performance of the company;

The Group's responsibility to employees means ensuring a safe and healthy work environment, providing opportunities for professional and personal development and establishing an ongoing dialogue to monitor their satisfaction and expectations. Every employee has a responsibility to maintain a safe and healthy workplace for all employees, complying with occupational health and safety regulations and practices, and reporting accidents, injuries, and unsafe equipment, practices, and conditions.

The main strategic directions for occupational safety and health management that TeraPlast is planning and is committed to fulfilling are: prevention and continuous reduction of the risks of accidents and occupational diseases, creating the necessary conditions for continuous improvement of health and safety performance in work and the involvement of all staff in achieving the proposed objectives.

Effective solutions for people and the environment

Responsibility for the environmental and the community in which we operate are an important part of the principles we adhere to. We constantly allocate resources to identify and minimize the adverse impact that our activity may have on the environment and we are actively involved in the community.

Efficient management of the impact that our activity has on the environment means:

- Waste management, recycling and keeping the percentage of waste / ton of finished product below 1%
- Optimizing the consumption of electricity, water and natural gas

- Monitoring environmental factors

TeraPlast Group has implemented and certified, at each company level, the integrated management system quality-environment-occupational health and safety according to ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007.

1. About TeraPlast Group (continued)

TeraPlast Recycling is proof of this responsible attitude towards sustainability. We have an annual processing capacity of 12,000 tons, which makes us leaders in Romania and among the first 10 in Europe.

In addition, the partnership with E.ON Energie materialized in the photovoltaic plant, which will provide up to 11.45% of the total energy required in the industrial park. The energy systems are installed on the roof of the workshops of the TeraPlast Industrial Park and, in the long run, will make it possible to reduce CO2 emissions by up to 660 tons per year.

Involvement in the community means supporting initiatives in the fields of sport, health, welfare and education, both locally and nationally. The group supports local community initiatives through long-term partnerships within the concept Together we Build Romania based on 3 pillars of action.

Minimizing the environmental impact of our activities, involvement in local communities, creating attractive working conditions and collaborating with responsible suppliers are the main guiding principles in our daily work.

2. Results of the Group

Year ended 31 December 2020	Installation s and recycling	Compounds	Joinery products	Total
Turnover	290,795,338	70,497,436	34,887,604	396,180,378
Other operating revenues	609,803	-	12,863	622,666
Income from subsidies	1,247,947	-	806,594	2,054,541
Operating revenues, total	292,653,088	70,497,436	35,707,061	398,857,585
Raw materials, consumables used and merchandise	(173,527,938)	(48,239,656)	(18,922,658)	(240,690,252)
Employee benefit expenses	(35,905,595)	(5,750,009)	(8,211,244)	(49,866,847)
Amortization and the adjustments for impairment of non-current assets and provisions	(15,003,107)	(1,811,382)	(1,845,394)	(18,659,883)
Impairment of current assets	(1,730,820)	66,710	(7,102)	(1,671,212)
Sponsorships	(209,790)	-	(16,785)	(226,575)
Other expenses	(39,025,265)	(4,505,504)	(6,362,010)	(49,892,780)
Expenses with indirect and administrative sales	(265,402,515)	(60,239,841)	(35,365,193)	(361,007,549)
Operating result	27,250,573	10,257,595	341,867	37,850,036
EBITDA	41,005,732	12,068,977	1,380,667	54,455,377
EBITDA %	14,1%	17,1%	4,0%	13,7%

2. Results of the Group (continued)

Year ended 31 December 2019 (restated)	Installations and recycling	Composites	Joinery products	Total
Turnover	249,740,479	64,200,791	28,874,813	342,816,083
Other operating revenues	307,016	-	18,819	325,835
Income from subsidies	132,144	-	17,451	149,595
Operating revenues, total	250,179,639	64,200,791	28,911,083	343,291,513
Raw materials, consumables used and merchandise	(164,873,499)	(47,501,334)	(15,845,685)	(228,220,518)
Employee benefit expenses	(29,328,332)	(4,560,275)	(6,543,870)	(40,432,477)
Amortization and the adjustments for impairment of non-current assets and provisions	(15,138,600)	(1,541,375)	(757,257)	(17,437,232)
Impairment of current assets	689,820	-	(89,687)	600,133
Sponsorships	(172,039)	(53,896)	(39,087)	(265,022)
Other expenses	(32,544,566)	(4,504,008)	(3,686,669)	(40,735,244)
Expenses with sales, overheads and administrative expenses	(241,367,216)	(58,160,889)	(26,962,255)	(326,490,360)
Operating result	8,812,422	6,039,902	1,948,828	16,801,153
EBITDA	23,818,878	7,581,278	2,688,634	34,088,790
EBITDA %	9,5%	11,8%	9,3%	9,9%

EBITDA = Operating result + amortization and the adjustments for the impairment of non-current assets and provisions - Income from subsidies - impairment of goodwill and write-off of debts, net.

The increase in turnover is organic, and the improvement in profitability is the result of improving operational efficiency, increasing the use of production capacity and strengthening the customer base.

95% of the Group's sales are in the domestic market. The group has a sales system that includes its own network of rented or owned warehouses, as well as partnerships with distributors, construction companies, plasticized and rigid PVC processors, as well as with door and window manufacturers across the country and roof fitters.

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

Under these conditions, the peak activity covers about 6 months (from May to October).

The Group's distribution policy targets specialised clients in the installations and constructions sectors and the distribution channels are:

- Distributors and resellers (domestic and exports)
- Specialised networks (DIY stores - domestic and exports)
- Contractors and builders (infrastructure projects tenders)
- Direct sales to producers of cables or other profiles (domestic and exports);

The Group has a maximum exposure of 7% of turnover towards its largest client. During 2020 and 2019, the receivables from one client did not exceed 2% of turnover.

3. Risk management

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

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

(a) Capital risks management

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

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

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

(b) Objectives of the financial risk management

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

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

(c) Foreign currency risk management

The Group concludes transactions expressed in various currencies. Hence, the risk of fluctuations in the exchange rate. Exposures to exchange rate are managed in accordance with the approved policies.

(d) Interest rate risk management

The interest-bearing assets of the Group, the revenues, and the cash flows from operating activities are exposed to the fluctuations of market interest rates. The Group's interest rate risk relates to its bank loans. Loans with floating rate interest rate expose the Group to interest cash flow risk. The Group performed no hedging operation with a view to reducing its exposure to the interest rate risk.

3. Risk management (continued)

(e) Other price risks

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

(f) Credit risk management

The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Group. The Group has adopted a policy of performing transactions with trustworthy parties, and obtaining sufficient guarantees, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Group exposure and the credit ratings of third parties to contracts are monitored by the management.

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.

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

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

The Group considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analysing the receivables individually and making impairment adjustments with the client loans management department.

(g) Liquidity risk management

The final responsibility for liquidity risk management rests with the board of administration, which has built an appropriate liquidity risk management framework for securing the Group's short-, medium- and long-term funds and liquidity management requirements. The Group manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows and by correlating the maturity profiles of financial assets and liabilities.

(h) Fair value of financial instruments

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

4. Budget for 2020

The likely evolution of the Group is included in the income and expenditure budget for 2021:

- Turnover: RON 636 million
- Operating profit: RON 89 million

The full presentation of the budget may be seen by accessing:

<https://investitori.teraplast.ro/wp-content/uploads/2021/03/Buget-2021-Grupul-TeraPlast.pdf>

5. Non-financial declaration

In accordance with the legal regulations on the disclosure of non-financial information, the Group prepares and publishes a separate sustainability report, which includes the information required by the non-financial declaration and describes our sustainability initiatives. The TeraPlast sustainability report for 2019 is available on the company's website: teraplast.ro -> Investors -> Reports and information -> Annual reports. The report can also be accessed via the link: <https://investitori.teraplast.ro/wp-content/uploads/2020/11/Raport-de-sustenabilitate-Grup-TeraPlast-2019.pdf>

The sustainability report covers in detail the topics below and the concrete measures implemented, the information below representing a summary of the principles on which the TeraPlast Group guides its activity.

The sustainability report for 2020 will be published on the teraplast.ro website, the path mentioned above, until 30.06.2021.

Environmental policy

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

Integrated management system

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

Rigorous implementation of environmental policy

In order to carry out the policy, the commitment assumed and to achieve the environmental objectives and targets, (annual or long-term) management programs are established, which include general and specific objectives, deadlines and means of achievement, responsibilities and persons designated for the relevant functions.

In order to achieve the objectives and targets, Environmental Management Plans are established, and the environmental manager monitors the stage of their implementation during the year, depending on their evolution.

When preparing management programs, the introduction of new technologies and the opinions of stakeholders are considered. These programs are periodically reviewed by the people

responsible for determining the stage of their implementation or are monitored directly by the environmental manager and brought to the attention of management.

5. Non-financial declaration (continued)

In the case of projects and / or developments (changes in product design, introduction of new working conditions), management programs are adapted to suit the situation and actions are put in place to ensure management involvement. The changes resulting from the implementation of these projects / developments, as well as the new requirements of the applicable legal and regulatory norms, are documented so as to ensure the continuous operation of the management system.

Sustainable Development

Teraplast is actively involved in the development of sustainable systems, and the Research and Development Centre carries out annual research activities to improve existing products and obtain new products.

In the development of products, their impact on the environment is also taken into account. Our goal is to offer the highest quality products, internationally certified, at a fair price and without having a negative impact on the environment and communities.

At the same time, all hazardous chemicals used in activities are carefully monitored, accompanied by the safety data sheet, and their requirements are transposed into internal measures (allocation of special space, storage / handling, use, training, etc.).

Preventing and combatting pollution

To prevent soil contamination, all tanks are properly sealed. At the same time, both the inner surfaces in which productive activities take place and part of the outer surfaces, such as the surface of the transport routes, are concreted. The rest of the land is partly green areas. Loading and unloading of the material takes place in designated areas, protected against leaks such as liquid leaks or dust dispersion. In storage areas, there are adequate amounts of absorbent material suitable for the control of any accidental spillage in such an unlikely event. The water on the platform is circulated through an oil separator.

Over 80% of the technological water is recirculated, and the wastewater is passed through the treatment plant. Wastewater quality indicators are determined quarterly. In 2020, investment was made in modernizing this station to meet the current needs of the industrial park and to be prepared for future development.

Hazardous chemicals are purchased in accordance with applicable law, and their handling, use and disposal are in accordance with the safety data sheet that allows all measures to be taken to protect the environment, health and safety at work. The storage of various hazardous chemicals is done taking into account the compatibility of the substances. The management of these substances is carried out by trained staff who know the measures to be taken in case of emergency.

Waste management

In the Group companies, recoverable waste (plastic waste, metal waste, packaging waste, paper, cardboard, plastic packaging, wooden packaging, etc.) and non-recoverable waste (industrial waste, contaminated metal packaging and household waste) is generated.

The implemented environmental management system aims to minimize the amounts of waste resulting from production processes. The waste resulting from the company is collected selectively and used / disposed of by authorized economic operators.

Hazardous waste sent off-site is transported only by authorized economic operators, in accordance with the legal provisions in force. Waste is transported only from the place of activity to the disposal site without adversely affecting the environment.

5. Non-financial declaration (continued)

Waste is packaged and labelled in accordance with applicable laws and regulations for mandatory registration. During collection, recovery or disposal, all waste is temporarily stored in specially designed areas and places, adequately protected against spillage into the environment. The waste is clearly labelled and separated accordingly.

The management of all categories of waste is carried out in strict compliance with legal provisions. Waste is temporarily collected and stored by type and category, without being mixed. They are stored separately.

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

Fight against corruption and bribe taking

The internal compliance programs in this field focus on the following:

- anti-competition practices;
- economic sanctions and embargos;
- fight against corruption;
- gift policy;
- conflicts of interest.

Conflicts of interest may arise when the personal interests of staff conflict with their ability to perform their duties properly and effectively. Regarding the relationships or activities that may affect or seem to affect the ability to make objective and correct decisions when carrying out activities on behalf of the Company, there is an internal procedure at the Group level in order to comply with applicable legal provisions, and Law 24 / 2017 on issuers of financial instruments and market operations, which provides: "Managers of issuers whose securities are admitted to trading on a regulated market are obliged to immediately report any legal act concluded by the issuer with officers, employees, controlling shareholders, as well as the persons with whom they act in concerted manner, whose cumulative value represents at least the equivalent in EUR 50,000." (Art. 82 (1) of Law 24/2017)

Sanctions and embargoes restrict transactions with certain countries, individuals and legal entities. These restrictions must be known and analysed before starting any transaction.

When hiring a new employee, according to the New Employee's Guideline, the requirements of the Group companies regarding the expected behaviours regarding the issues listed above are very clear. Our employees have clear limits on the acceptance of gifts, services and benefits of any kind from suppliers or customers in order to facilitate commercial transactions with any of the Group's companies. They are authorized to accept or offer gifts and invitations in the appropriate circumstances, subject to the limitations, approvals and registration requirements defined in our internal rules. No cash or equivalent gifts may be offered or received.

In our business relations with public and state institutions, our employees do not request or accept gifts, services, favours, invitations or any other personal benefits that may affect their impartiality in the performance of their duties. No gifts or other free gifts are offered to government officials or representatives of State bodies, except for low-value promotional items personalized with the Company logo.

Responsible procurement policy

Procurements are essential for the company's competitiveness and its ability to innovate. The main objective of the procurement activity is the complete availability of materials both in terms of quantity and quality, in a timely manner, in conditions of maximum safety and with minimum costs of material resources necessary for the development of productive activities

within the company. At the same time, the work involves proactively managing supply chain risks to reduce their potential impact.

5. Non-financial declaration (continued)

The procurement policy within the Group companies is an integral part of the Group's overall objective of meeting customer requirements, efficiently managing production processes and meeting the requirements of the integrated management system.

An essential role in the continuous improvement of the quality of our products and working standards is played by our carefully selected suppliers for the production process.

We build long-term partnerships with our suppliers, based on trust and responsibility. We constantly evaluate suppliers and apply an internal qualification and acceptance system. Moreover, we are actively looking for alternative suppliers to reduce dependence on a single supplier.

The Group's suppliers must comply with and implement local, national and international environmental regulations. They must have all the environmental permits and approvals required to carry out the activity. Suppliers must systematically manage the impact on the environment, including: energy, water, waste, chemicals and air pollution.

Suppliers must comply with all applicable anti-corruption laws and regulations and have a zero tolerance policy for any form of bribery, corruption and embezzlement. They must carry out all transactions in a transparent manner and accurately reflect them in the accounting records and ledgers. Suppliers must comply with intellectual property rules and guarantee against any risks that may arise in this area.

The selection and acceptance of suppliers is based both on the evaluation of their ability to deliver products in accordance with our requirements, and: value for money ratio, certified management systems, payment options, availability on delivery, complaints management. The assessment process also involves auditing and visiting suppliers, as far as possible, and assessing compliance with environmental, occupational safety and health and social responsibility requirements.

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

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

It provides the general conditions for:

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

Supplier selection and evaluation seeks the capacity for innovation, continuous process improvement and adaptation of environmental codes.

The procurement policy applies to all suppliers of raw materials, consumables and services at Group level.

The list of approved suppliers includes all public procurement providers and we have ensured that they comply with legal and regulatory requirements both in Europe and in the areas in which they operate, regarding: forced labour, child exploitation, discrimination, environment, bribe taking and corruption, unfair competition, etc. Suppliers are visited before a collaboration begins and are periodically re-evaluated to determine whether they are still able to meet the established requirements.



5. Non-financial declaration (continued)

Responsible sales policy

The Group's sales policy is based on a transparent procedure, adapted to a normal and fair competitive environment, designed to support sales growth through various economic and uneconomic levers, such as: selling price, gross margin on cost of production, profit conditions, transport conditions, collection conditions, discount rate, etc.

The use of these levers forms distinct chapters of the commercial policy for each line of business, category of customers or products. At the same time, trade policy is linked to quality standards and contains specific measures and procedures based on the Group Code of Conduct, as well as measures and procedures to prevent acts of corruption.

The group's sales department is coordinated by the commercial director and follows a simple structure based both on the geographical structure of the market served by the group and on the structure of the group's portfolio on business lines. Each line of business is coordinated by a line of business manager, who additionally coordinates the regional managers, with the sales agents subordinated to them. Each salesperson is assigned its own territory, and is also informed about trade policy. All sales of the Group closely comply with the Commercial Policy, subject to a hierarchical approval system and with its own elements of substantiation and direct action on sales. Changes in the fundamentals of commercial policy, such as the selling price, are re-approved at the appropriate hierarchical level before being displayed on the market by sales agents.

Both our customers and our employees must comply with all applicable anti-corruption laws and regulations and have zero tolerance for any form of bribery, corruption and embezzlement. They must carry out all transactions in a transparent manner and accurately reflect them in the accounting records and ledgers. The main documents underlying customer transactions, i.e. Sales Agreements, are also subject to an internal approval and signing procedure that minimizes the risk of unfair competition.

6. Management of the Group

Administrators

Teraplast is managed on a one-tier system by a board of administration formed of five members appointed by the General Meeting of Shareholders by secret vote. The duration of the administrators' mandates is one year, and they may be reappointed. At the date of this report, the structure of the Board of Administration is:

DOREL GOIA

- Position: chairman of the board
- Experience: entrepreneurship
- First year elected on the Board of Administration: 2008
- Activity: Parc SA; Hermes SA

LUCIAN CLAUDIU ANGHEL

- Position: temporary non-executive administrator
- Experience: banking, capital markets
- First year elected on the Board of Administration: 2021
- Activity: Banca Românească

6. Management of the Group (continued)

VLAD NICOLAE NEACȘU

- Position: independent non-executive administrator
- Experience: financial
- First year elected on the Board of Administration: 2020
- Activity: Sens Unic Imobiliare SRL

MAGDA PALFI

- Position: non-executive administrator
- Experience: banking
- First year elected on the Board of Administration: 2008
- Activity: Raiffeisen Bank (Regional Corporate Officer - Cluj Operative Center), TeraSteel SA (Board of Administration)

ALEXANDRU STÂNEAN

- Position: executive manager
- Experience: business administration
- First year elected on the Board of Administration: 2007
- Activity: TeraPlast SA (Chief Executive Officer)

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

Executive team members

The executive management of TeraPlast is appointed by the Board of Administration, and on the date of this report is delegated to the Chief Executive Officer and the Chief Financial Officer. The chief executive officer and the chief financial officer run the daily activity of the company.

The executive team consists of:

Alexandru Stânean - Chief Executive Officer

Year of birth: 1982

In office: July 2018 - to date

Alexandru Stânean joined the TeraPlast in 2007, holding over the course of time various positions in the TeraPlast group, such as deputy executive officer, chief operations officer, Foreign Development Manager. In 2008, he was part of the team in charge of the IPO of TeraPlast. At present, Mr. Stânean is the chief executive officer of TeraPlast, for a third mandate.

Ioana Birta - Chief Financial Officer

Year of birth: 1983

In office: June 2017 - to date

Ioana Birta has more than 10 years of experience in Big 4 companies. She is a member of ACCA and CAFR.

7. Corporate Governance

Teraplast has implemented recommendations of the Corporate Governance Code of the Bucharest Stock Exchange, establishing governance principles and structures that mainly aim at respecting the rights of shareholders, as well as offering a fair treatment. The corporate governance principles that guide TeraPlast are detailed in the Corporate Governance Statute and aim to ensure the transparency and sustainable development of the Group. The rules of organization and operation also set out the roles of the board of administration, the powers and responsibilities of the board, so as to ensure that the interests of all the company's shareholders are respected, and last but not least, equal access for shareholders and potential investors to the company's relevant information.

Governance structures

To continue the process of implementing the principles of the Corporate Governance Code, the September 2020 General Meeting elected a new Board of Administration consisting of five administrators, one of whom is independent of other major shareholders. Therefore, the members were chosen so as to guarantee the efficiency of the measures and the development strategy of the group's businesses, but also the analysis and evaluation of the efficiency of the executive management of Teraplast. The main objective of the board of directors is to promote and respect the interests of the Group's shareholders.

In accordance with the GCC's recommendations, the Group has established strict rules on internal circulation and disclosure to third parties of confidential documents and privileged information, with particular emphasis on data and / or information that could influence market developments and / or the price of securities issued by Teraplast. In this regard, specific confidentiality agreements have been concluded with the company's management and administrators, as well as with employees who, based on their functions and / or responsibilities, have access to such confidential / privileged information.

CEO
ALEXANDRU STÂNEAN

CFO
IOANA BIRTA

TERAPLAST SA

SEPARATE FINANCIAL STATEMENTS

**Prepared in accordance with
Minister of Public Finance Order
no. 2844/2016 approving the accounting regulations compliant with
the International Financial Reporting Standards,**

**AS OF AND FOR THE YEAR ENDED
31 DECEMBER 2020**

TERAPLAST SA
Separate Financial Statements
Prepared in accordance with the
International Financial Reporting Standards
31 December 2020

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the 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 statement of financial position as at December 31, 2020, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.
2. The separate financial statements as at December 31, 2020 are identified as follows:
 - Total equity: RON 461,337,313
 - Net profit for the financial year: RON 33,104,139
3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year 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 Separate financial statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
<p>Property, plant and equipment held for sale</p> <p>At 31 December 2020, the Company registers a significant portion of financial assets, (the Steel Division, consisting of Terasteel SA, Terasteel Serbia Doo and Wetterbest SA, and TeraPlast Hungaria, distributor of the joinery profiles division) and a portion of the assets and liabilities (those that relate to the joinery profiles division) as held for sale. The Steel division was sold to Kingspan Group, transaction which was completed in February 2021. The joinery profiles line was sold to Dynamic Selling Group, transaction which was completed in March 2021.</p> <p>Given the significance of such assets and liabilities, and the significance of the professional judgment applied for classifying them as held for sale and making the restatement required by IFRS 5 Assets held for sale (herein after "IFRS 5") in the statement of comprehensive income and the statement of cash flows, we have found that such matter of the financial statements constitutes a key audit matter.</p> <p>The purpose of establishing that this matter represents a key audit matter is to determine whether the Company has complied with the classification conditions provided by IFRS 5:</p> <ol style="list-style-type: none"> a. the Company's management is committed to a plan to sell such assets; b. the group of assets is available for immediate sale; c. an active program to identify a buyer is initiated; d. the sale is highly likely; e. the group of assets is put on sale actively at a reasonable price compared to its fair value; f. the actions required to execute the plan indicate that it is unlikely that it will significantly change or will be abandoned. <p>The treatment applied and the restatement of the statement of comprehensive income and the statement of cash flows are presented in Note 30 to the separate financial statements of the Company.</p>	<p>In order to address such key audit matter, we have conducted several audit procedures, such as:</p> <ul style="list-style-type: none"> - We have discussed with the Company's management and analysed the reasons that led to the sale of the Steel division and the Joinery profiles division in accordance with IFRS 5. - We have checked the analysis performed by the Company regarding the registered value and the fair value at 31 December 2020; - We have checked the descriptions of such treatment and the restatement disclosed in the financial statements, also involving our in-house specialists.



Other information – Administrators’ Report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators’ report, but does not include the separate financial statements and our auditor’s report thereon.

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

In connection with our audit of the separate financial statements for the year ended December 31, 2020, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrators’ report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of 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.

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

- a) the information included in the Administrators’ report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;
- b) the Administrators’ report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2020, we are required to report if we have identified a material misstatement of this Administrators’ report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate financial statements

7. Management is responsible for the preparation and fair presentation of the 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.
8. In preparing the 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.
9. Those charged with governance are responsible for overseeing the Company’s financial reporting process.



Auditor's Responsibilities for the Audit of the Separate financial statements

10. Our objectives are to obtain reasonable assurance about whether the 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.
11. 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 separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. 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.
13. 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.
14. 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

15. We have been appointed by the General Assembly of Shareholders on 2 September 2019 to audit the financial statements of Teraplast SA for the financial year ended December 31, 2020. The uninterrupted total duration of our commitment is 1 year, covering the financial year ending 31 December 2020.

We confirm that:

- In conducting our audit, we have retained our independence from the audited Company.
- No non-audit services referred to in Article 5 (1) of EU Regulation No. 537/2014 were provided.

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

Alina Mirea, Audit Partner

For signature, please refer to the original Romanian version.

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
April 21, 2021

TERAPLAST SA
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
31 December 2020

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

Caption	Note	Financial year:	
		31 December 2020	31 December 2019 <i>(restated)*</i>
Total revenues - of which:	4	<u>362,417,107</u>	<u>315,121,918</u>
<i>Revenue from sale of finished products</i>		318,461,657	273,594,022
<i>Revenue from the sale of merchandise</i>		43,694,533	41,096,851
<i>Revenue from services</i>		260,916	431,045
Other operating income (including rent)	5	1,823,400	1,872,284
Income from investment subsidies	31	1,247,947	132,144
Changes in inventory of finished goods and work in progress		2,512,784	1,542,528
Raw materials, consumables used and merchandise	6	(234,270,575)	(221,697,829)
Employee benefit expenses	9	(38,925,704)	(32,094,088)
Amortization and the adjustments for impairment of non-current assets, net	8	(14,255,359)	(13,687,910)
Impairment of current assets, net	8	2,297,270	734,803
Impairment of inventories, net	8	(511,531)	(1,424,362)
Provisions set up, net	23, 24	-	(1,052,686)
Losses from the disposal of tangible and intangible assets	7	(12,357)	(190,023)
Gains from the sale of assets held for sale	16	-	15,034
Gains from fair value measurement of investment properties	16	367,610	205,310
Losses from the disposal of investment properties	16	(166,632)	(133,370)
Sponsorships, donations		(201,630)	(215,585)
Other operating expenses	11	(40,504,379)	(33,520,000)
Operating result		<u>38,246,471</u>	<u>16,987,284</u>
Interest expense, net	10	(4,506,926)	(5,784,967)
Other financial income/(expenses), net	10	200,572	241,724
Dividends received	10	60,328	88,742
Financial result		<u>(4,246,026)</u>	<u>(5,454,501)</u>
Profit before tax		<u>34,000,445</u>	<u>11,532,783</u>
Income tax expense	12	(3,892,245)	(930,974)
Profit of business that continues its activity		<u>30,108,199</u>	<u>10,601,809</u>
Profit/(Loss) of the Joinery Profiles business	30	<u>2,995,940</u>	<u>(932,657)</u>
Profit for the year		<u>33,104,139</u>	<u>9,669,152</u>

The accompanying notes are an integral part of these separate financial statements.

TERAPLAST SA
SEPARATE STATEMENT OF COMPREHENSIVE INCOME
31 December 2020

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

Caption	Note	Financial year:	
		31 December 2020	31 December 2019 <i>(restated)*</i>
Other comprehensive income:			
Other comprehensive income which are not reclassified to profit or loss in future periods (net of tax)		-	-
Revaluation of fixed assets		(3,601,028)	-
Impact of deferred tax		576,164	-
Other comprehensive gains, net, which are not reclassified to profit or loss in future periods		(3,024,863)	-
Total comprehensive income		30,079,276	9,669,152
Average number of shares		1,487,336,130	1,114,838,813
Basic and diluted earnings per share related to the business that continues its activity		0.0182	0.0095

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
 CEO

IOANA BIRTA
 CFO

TERAPLAST SA
SEPARATE STATEMENT OF FINANCIAL POSITION

31 December 2020

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

	Not e	31 December 2020	31 December 2019
ASSETS			
Non-current assets			
Property, plant and equipment	13	129,001,111	131,170,896
Investment property	16	13,841,851	16,700,934
Intangible assets	14	664,903	903,442
Right of use of the leased assets	15	5,270,423	5,855,668
Investments in subsidiaries	17	11,916,350	111,834,865
Investments in financial assets	17	4,897,400	-
Other equity investments	17	15,400	15,472
Long-term receivables	19	3,270,016	18,679,424
Total non-current assets		<u>168,877,454</u>	<u>285,160,702</u>
Current assets			
Inventories	18	53,260,375	54,409,831
Trade and other receivables	19	106,990,305	101,006,306
Prepayments		524,163	557,602
Income tax recoverable		-	439,999
Cash and cash equivalents	28	2,708,894	5,669,112
Investments in the Steel division and TeraPlast Hungary	16	101,377,430	-
Profiles division – assets held for sale	16	27,598,692	-
Total current assets		<u>292,459,859</u>	<u>162,082,849</u>
Total assets		<u>461,337,313</u>	<u>447,243,551</u>
EQUITY AND LIABILITIES			
Equity			
Share capital	20	174,320,048	133,780,651
Share premium		-	27,384,726
Treasury shares		-	(139)
Revaluation reserves		10,646,907	13,671,771
Legal reserve		12,420,088	10,481,647
Retained earnings		42,076,598	34,639,887
Total equity		<u>239,463,641</u>	<u>219,958,543</u>
Non-current liabilities			
Bank loans	21	23,631,466	57,682,317
Lease liabilities	22	2,712,005	3,960,439
Other non-current liabilities	25	9,376,689	-
Employee benefit liabilities	23	1,206,286	1,453,762
Investment subsidies – long-term portion	31	11,803,037	4,902,235
Deferred tax liabilities	12	892,875	3,402,166
Total non-current liabilities		<u>49,622,358</u>	<u>71,400,920</u>
Current liabilities			

The accompanying notes are an integral part of these separate financial statements.

TERAPLAST SA
SEPARATE STATEMENT OF FINANCIAL POSITION

31 December 2020

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

	Not e	31 December 2020	31 December 2019
Trade and other payables	25	60,934,887	71,318,498
Bank loans	21	89,488,426	81,889,947
Lease liabilities	22	1,845,691	1,652,788
Investment subsidies - current portion	31	1,244,853	382,932
Provisions	24	398,312	639,925
Income tax payable		1,409,934	-
Liabilities related to assets held for sale - Joinery Profiles	16	16,929,209	-
Total current liabilities		172,251,312	155,884,090
Total liabilities		221,873,672	227,285,009
Total equity and liabilities		461,337,313	447,243,552

Signed and approved:

23 March 2021

Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

TERAPLAST SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2020

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

	Share capital	Share premiums	Treasury shares	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance as at 1 January 2020	133,780,650	27,384,726	(139)	13,671,772	10,481,647	34,639,887	219,958,544
Net result for the year	-	-	-	-	-	33,104,139	33,104,139
Total comprehensive income	-	-	-	-	-	33,104,139	33,104,139
Legal reserve setting (Note 20)	-	-	-	-	1,938,441	(1,938,441)	-
Share capital increase from reserves (Note 20)	40,539,546	(27,384,726)	-	-	-	(13,154,820)	-
Dividends granted	-	-	-	-	-	(14,640,657)	(14,640,657)
Losses on sale of own shares	(149)	-	139	-	-	-	(10)
Increases/ (Decreases)	-	-	-	576,164	-	465,462	1,041,628
Reserves representing revaluation surplus	-	-	-	(3,601,028)	-	3,601,028	-
Own shares redeemed (Note 23)	-	-	-	-	-	-	-
Balance as at 31 December 2020	174,320,048	-	-	10,646,907	12,420,088	42,076,598	239,463,641

At 31 December 2019 and 31 December 2020, the revaluation reserves include amounts representing the surplus from the revaluation of tangible assets, land and buildings.

TeraPlast SA distributed dividends in amount of RON 45,323,187, based on the results of September 2020, of which RON 14,640,657 from reserves and the rest from the profit of January - September 2020. The dividends were paid in December 2020 (the Company did not distribute dividends in 2019).

The gross dividend of RON 0.026/share represents a return of 6,2%.

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
 CEO

IOANA BIRTA
 CFO

The accompanying notes are an integral part of these separate financial statements.

TERAPLAST SA
SEPARATE STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2020

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

	<u>Share capital</u>	<u>Share premiums</u>	<u>Treasury shares</u>	<u>Revaluation reserves</u>	<u>Legal reserves</u>	<u>Retained earnings</u>	<u>Total</u>
Balance as at 1 January 2019	107,024,527	27,384,726	(1,472,925)	13,671,772	9,919,037	52,555,218	209,082,355
Net result for the year	-	-	-	-	-	9,669,152	9,669,152
Total comprehensive income	-	-	-	-	-	9,669,152	9,669,152
Legal reserve setting (Note 20)	-	-	-	-	562,610	(562,610)	-
Share capital increase from retained earnings (Note 20)	26,756,123	-	-	-	-	(26,756,123)	-
Dividends granted	-	-	-	-	-	-	-
Losses on sale of own shares	-	-	-	-	-	(265,750)	(265,750)
Own shares redeemed (Note 23)	-	-	1,472,786	-	-	-	1,472,786
Balance as at 31 December 2019	133,780,650	27,384,726	(139)	13,671,772	10,481,647	34,639,887	219,958,544

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
 CEO

IOANA BIRTA
 CFO

The accompanying notes are an integral part of these separate financial statements.

TERAPLAST SA
SEPARATE STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2020
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

Indirect method	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Profit before tax (Note 30)	37,129,791	10,600,127
Interest expense	4,618,594	6,670,959
Interest income	(111,668)	(885,991)
Losses from sale or disposal of fixed assets	12,357	308,359
Impairment of trade receivables	2,297,270	734,803
Inventory impairment	(511,531)	(1,627,842)
Impairment and amortization of non-current assets (Note 30)	19,266,936	17,174,798
Impairment of non-current assets, net	(1,089,410)	1,038,583
Provisions, net	-	229,691
Gains from the revaluation of investment property	(200,977)	(205,310)
Expenses with provisions for employee retirement liabilities	(247,476)	822,995
Income from dividends	(60,328)	(88,742)
Operating profit before changes in working capital	<u>61,103,556</u>	<u>34,772,429</u>
<i>Changes in working capital:</i>		
Decrease/ (Increase) in trade and other receivables (Note 30)	14,268,987	(4,558,107)
Decrease in inventories (Note 30)	1,660,986	14,932,848
(Decrease)/ Increase in trade and other payables (Note 30)	13,143,168	(23,103,394)
Interest paid	(4,490,630)	(6,659,349)
Income tax paid (Note 30)	(3,412,375)	(439,999)
Income from subsidies	(1,249,707)	-
Cash from operating activities	<u>81,023,985</u>	<u>14,944,428</u>
<i>Net cash flows used for investment:</i>		
Interest receives	2,477,458	14,447
Dividends received	-	12,243,903
Payments for acquisition of tangible and intangible assets (Note 30)	(39,539,652)	(44,652,120)
Payments for financial investments, net of purchased cash	(6,356,315)	(4,867,560)
Receipts under State aid	9,012,429	5,285,168
Receipts from the sale of tangible assets (Note 30)	11,327,474	203,076
Payments for acquisition of control in Wetterbest	(19,034,400)	-
Losses related to sale of own shares	-	(265,750)
Net cash used for investment	<u>(42,113,006)</u>	<u>(31,940,625)</u>

The accompanying notes are an integral part of these separate financial statements.

TERAPLAST SA
SEPARATE STATEMENT OF CASH FLOWS
for the financial year ended 31 December 2020

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

Indirect method	<u>2020</u>	<u>2019</u>
<i>Cash inflows from financing activities:</i>		
Receipts of loans	48,037,485	21,059,566
Repayment of loans (Note 30)	(40,443,887)	(20,946,938)
Lease payments	(482,814)	(502,348)
(Repayments)/ Drawdowns from credit lines, net	(25,010,346)	13,280,875
Dividends paid	(45,323,187)	-
Receipt of TeraSteel Serbia loan	21,351,550	-
	<u>(41,871,198)</u>	<u>12,891,154</u>
Net cash generated by /(used for) finance activities	<u>8</u>	<u>12,891,154</u>
Net changes in cash and cash equivalents	<u>(2,960,218)</u>	<u>(4,105,045)</u>
Cash and cash equivalents at the beginning of the financial year	28 <u>5,669,112</u>	<u>9,774,157</u>
Cash and cash equivalents at the end of the financial year	28 <u>2,708,894</u>	<u>5,669,112</u>

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
 CEO

IOANA BIRTA
 CFO

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

1. GENERAL INFORMATION

Teraplast SA (or 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 compounds, polypropylene pipes, fittings and the trading of cables, polyethylene pipes, steel parts.

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

At 31 December 2020, TeraPlast SA has the following subsidiaries:

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors,
- TeraPlast Recycling SA - specialised in recycling following the spin-off of the recycling line from Teraplast (in May 2020, following the fulfilment of the legal requirements, Politub SA was deregistered further to the merger by absorption with TeraPlast Recycling SA),
- TeraPlast Folii Biodegradabile SRL (manufacturer of biodegradable packaging, biodegradable bags and waste bags), with a share of 100% of TeraPlast SA, established in August 2020
- Teramed Sante SRL (manufacturer of soap, detergents and care products), established in August 2020, with a share of 90% of TeraPlast SA. At the date of the financial statements, the company is in liquidation.

The Steel business

- Terasteel Romania and Terasteel Serbia (manufacturers of sandwich panels and galvanized steel purlins),
- Wetterbest (manufacturer of metal tiles),

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group, based on a contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received a price of RON 373 million.

Joinery profiles business

- TeraPlast Hungaria Kft. (distributor) along with the joinery profiles business of TeraPlast SA were in process of transfer to Dynamic Selling Group. The transfer was completed in March 2021.

Thus, the businesses that continue their activity are:

- The installations and compounds businesses of TeraPlast SA
- TeraPlast Recycling SA
- Teraglass Bistrita SRL

The bioplastic flexible packaging business (TeraPlast Folii Biodegradabile SRL) will enter production in the second half of 2021. It is a EUR 12 million greenfield investment, co-financed by State aid.

Teraplast SA has been preparing consolidated financial statements since 2007. These financial statements are available on the Company website (www.TeraPlast.ro).

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of accounting

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

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

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

2.3. Going concern

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

At 31 December 2020, the Company's current assets exceed the current liabilities by RON 120,208,545 (31 December 2019: RON 15,715,960). In 2020, registered profit of RON 33,104,139 (2019: RON 9,669,152) and cash flows from operating activities (before changes to working capital) of RON 60,926,409 (2019: RON 34,772,429). The Company depends on the financing of banks, as mentioned in Note 21.

The budget prepared by the Company management and approved by the Board of Administration for 2020 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Company to fulfil 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.

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

The rapid development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please see Note 32 for the management assessment of the impact of COVID-19 over the activity of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2020.

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

The following amendments to the existing standards issued by the International Accounting Standards Board (IASB) are effective for the current reporting period:

- **Amendments to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** - Definition of Material - adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 3 "Business Combinations"** - Definition of a Business - adopted by the EU on 21 April 2020 (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures"** - Interest Rate Benchmark Reform - adopted by the EU on 15 January 2020 (effective for annual periods beginning on or after 1 January 2020),
- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (adopted by the EU on 9 October 2020 and effective at the latest, as from 1 June 2020 for financial years starting on or after 1 January 2020),
- **Amendments to References to the Conceptual Framework in IFRS Standards** adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020).

The adoption of these new standards, amendments to the existing standards and new interpretations has not led to any material changes in the Company's financial statements.

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

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

- **Amendments to IFRS 4 Insurance Contracts "Extension of the Temporary Exemption from Applying IFRS 9"** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 adopted by the EU on 13 January 2021 (effective for annual periods beginning on or after 1 January 2021),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards (continued)

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

At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at 31 December 2020 (the effective dates stated below is for IFRS as issued by IASB):

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022);
- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures"** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),
- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 - 2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

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

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

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

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Revenue recognition

Revenues from contracts with customers

Teraplast SA produces and sells PVC pipes and compounds, polypropylene and polyethylene pipes. The Company also sells related products for the water, sewer and gas systems, which it does not produce internally.

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

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

If the consideration promised in a contract includes a variable component, the Company estimates the value of the consideration it would be entitled to, in exchange for the transfer of the goods or services promised to a customer. The value of a consideration may vary as a result of discounts.

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

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

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

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company as lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term. The Company leases warehouses and property that it uses for show rooms and vehicles.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the fixed lease payments and the exercise price of purchase options, if the lessee is reasonably certain to exercise the options, in case of vehicles.

The lease liability is presented under the line "Lease liabilities" in the separate statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.
- The Company did not make any such adjustments during the periods presented.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. As of December 31, 2019, the Company analysed the terms of the leases where the Company is a lessor and concluded that all are operating leases, as the lease terms do not transfer substantially all the risks and rewards of ownership to the lessee.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. There was no such case for the year ended 31 December 2020 or 31 December 2019.

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

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

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

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

Foreign currency transactions

The Company operates in Romania, and the functional currency is the Romanian leu (RON).

For the preparation of the Group's financial statements, transactions in other currencies (foreign currencies) than the functional one are registered at the exchange rate in force at the date of transaction. Each month, and at each balance sheet date, monetary items denominated in foreign currency are translated at the exchange rate in force at those dates.

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

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

	31 December 2020	31 December 2019
EUR 1	4.8694	4.7793
USD 1	3.9660	4.2608
CHF 1	4.4997	4.4033

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to long-term borrowings

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

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

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

Government grants

Government grants are not recognized until there is reasonable assurance that the grant will be received and all attached conditions will be complied with by the Company.

The Government grants the main condition of which is that the Group acquire, build or obtain otherwise long-term assets are recognized as deferred income in the separate statement of financial position and presented as 'investment subsidies'. The deferred income is amortized in the profit and loss statement systematically and reasonably over the useful life of the related assets or at the time the assets acquired from the subsidy are retired or disposed of.

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

Based on the collective labour contract, the Group is under the obligation to pay retirement benefits to its employees depending on their seniority within the Company, amounting to 2 - 3.5 salaries. The Company also grants jubilee bonuses as a fixed amount on work anniversaries.

The Company uses an external actuary to compute the value of the retirement benefits and jubilees related liability and reviews the value of this liability each year depending on the employees' seniority within the Company. The value of the retirement benefits and jubilees is recognized as a provision in the statement of financial position.

For defined benefit retirement benefit plans, the cost of providing benefits is determined as mentioned above, with actuarial valuations being carried out at the end of each annual reporting period.

Remeasurements comprising actuarial gains and losses, and the return on plan assets (excluding interest) are recognised immediately in the statement of financial position with a charge or credit to other comprehensive income in the period in which they occur. Remeasurements recognised in other comprehensive income are not reclassified. Past service cost is recognised in the separate statement of comprehensive income when the plan amendment or curtailment occurs, or when the Company recognises related restructuring costs or termination benefits, if earlier. Gains or losses on settlement of a defined benefit plan are recognised when the settlement occurs. Net interest is calculated by applying a discount rate to the net defined benefit liability or asset. Defined benefit costs are split into three categories:

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

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

The adjustments resulting from the annually review of the jubilee provisions are recognized in the separate statement of comprehensive income.

The retirement benefits provision is reversed in the separate statement of comprehensive income when the Company settles the obligation.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

Deferred tax liabilities are recognized for temporary taxable differences associated with investments in subsidiaries, except for the cases in which the Company is able to control the reversal of the temporary difference and it is likely for the temporary difference not to be reversed in the foreseeable future. The deferred tax assets resulted from deductible temporary differences associated with such investments and interests are recognized only in the extent in which it is likely for sufficient taxable income to exist on which to use the benefits related to temporary differences and it is estimated that they will be reversed in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and it is decreased to the extent in which it is not likely for sufficient taxable income to exist to allow the full or partial recovery of the asset.

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

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Company depreciates them separately based on their specific useful lives. Likewise, when a major repair is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in the separate statement of comprehensive income as incurred.

The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

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

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

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

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

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

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

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

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

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

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

	<u>Years</u>
Buildings	20 - 50

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Plant and equipment	3 - 15
Vehicles under finance lease	5 - 6
Installations and furniture	3 - 10

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

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

	<u>Years</u>
Licenses	1 - 5

Impairment of tangible and intangible assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If there is such an indication, the recoverable amount of the asset is estimated to determine the size of the impairment loss. When it is impossible to assess the recoverable amount of an individual asset, the Company assesses the recoverable amount of the cash generating unit which the asset belongs to. Where a consistent distribution basis can be identified, the Company assets are also allocated to other separate cash generating units or to the smallest group of cash generating units for which a consistent allocation basis can be identified.

Intangible assets having indefinite useful lives and intangible assets which are not yet available to be used are tested for impairment annually and whenever there is an indication that it is possible for the asset to be impaired.

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

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable amount.

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An impairment loss is recognized immediately in the separate statement of comprehensive income, except for revalued assets for which there is a revaluation that can be decreased with the impairment loss.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

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

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

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount is recovered through a sale transaction, rather than through continued use. This condition is considered to be met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its current state.

Management must engage in the sale, which should qualify for recognition as completed sale within one year of the date of classification.

When the Company commits to a sale plan that involves the loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a controlling interest or not in its former subsidiary, after the sale.

Inventories

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

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

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

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

An impairment allowance is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries represent shares owned in these entities.

These investments are initially recognized as purchase price and subsequently at purchase cost less accumulated impairment losses. IFRS 9 allows for an exemption in case of those interests held in subsidiaries, which are accounted for in accordance with IFRS 10 Consolidated financial statements, IAS 27 Separate financial statements or IAS 28 Investments in associates and joint ventures. Teraplast applies this exemption and continues to assess the interests held in subsidiaries and associates at cost minus any impairment losses.

At each financial statements date, the Company assesses whether there are indications of impairment of the investments in subsidiaries.

These indications refer to important changes that occurred in the economic environment in which the respective entities operate or to important changes in the evolution of the financial position or, respectively, of the financial performance of the entities in which the Company holds interests.

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

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

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

Acquisition of activities from controlled entities

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

Share capital

Common shares are classified in equity.

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

Dividends

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

Provisions

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

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

Installations for infrastructure projects are sold to contractors and installations for residential buildings are sold through a distribution network.

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

A financial asset is classified as measured at amortized cost or fair value with any movement being reflected through other comprehensive income or the statement of comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the separate statement of comprehensive income, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Section 2 Recognition of revenues.

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments). The Company's financial assets at amortized cost includes trade receivables and long term receivable.

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- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through the separate statement of comprehensive income.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition.

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

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

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

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade receivables, a simplified approach is adopted in which impairment losses are recognized based on lifetime expected credit losses at each reporting date. If there are loan insurances or guarantees for the outstanding balances, the computation of expected losses from receivables is based on the probability of default related to the insurer / guarantor for the insured / guaranteed portion of the outstanding balance, while the amount remaining not covered will have the counterparty's probability of default. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Significant increase in credit risk

Clients' credit risk is updated constantly. In assessing the IFRS 9 allowance, the Company uses the risk of a default occurring on the financial instrument at the reporting date.

In making the credit risk assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing the credit risk deterioration of debtors:

- an actual or expected significant deterioration in the financial instrument's external (KeysFin and Coface) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an evaluation of the main projects and clients of the debtor and the sources of financing those projects.

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk (continued)

A financial instrument is determined to have low credit risk if:

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

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

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

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a payment incident reported; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Any recoveries made to doubtful receivables are recognised in the separate statement of comprehensive income, together with the reversal of the allowance.

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

The Company recognises an impairment gain or loss in the separate statement of comprehensive income for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance accounts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of assets and liabilities

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

The Company derecognizes financial liabilities only if the Company's liabilities have been significantly modified, paid, cancelled or they have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the separate statement of comprehensive income. Similarly, the Company accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability.

It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification is recognised in the separate statement of comprehensive income as the modification gain or loss within other gains and losses.

Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 26 j).

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence.

The fair value of the investment property was determined based on the market comparable approach that reflects recent transaction prices for similar properties.

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

Use of estimates

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

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

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3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the consolidated 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 Group for each cash generating unit for impairment measuring purposes was represented by its value in use.

The Company analysed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets, except for goodwill related to the roof tiles business. When reviewing for indicators of impairment, the Company considers, among other factors:

- The relationship between its market capitalization and its book value
- The operating performance, for which the group used EBITDA as KPI, improved to 14% compared to 10% in the prior year, while revenue increased on all business lines, through organic growth
- Utilization of production capacity increased on all CGUs

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

The sale of the Joinery Profiles business

As in 2020, TeraPlast concluded the contract for the sale of equipment and related stocks of the Joinery profiles division to Dynamic Selling Group, the results of such business are reflected in accordance with IFRS 5 - Assets and businesses held for sale. As part of such contract, the employment contracts with the employees dedicated to such activity and the contracts with customers are also transferred.

The joinery profiles business includes the TeraPlast segment and the subsidiary TeraPlast Hungary, which is a distributor of profiles.

The Company presented in Note 30 the separate statement of comprehensive income, the separate statement of financial position and separate statement of cash flows generated by the Joinery Profiles line in 2020 and the comparatives for 2019.

The sale of the Steel business

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group based on the contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received the price of RON 373 million. Therefore, the ownership of TeraPlast in the companies of the Steel division, TeraSteel Romania and Serbia and Wetterbest, is classified according to IFRS 5.

Acquisition of majority shares in Somplast SA

TeraPlast has enforced the sale order of former majority shareholder of Somplast SA on 29 December 2020.

At the date of these financial statements, the Competition Council did not endorse the transaction, which means that TeraPlast does not have access to privileged information pertaining to the operations of Somplast, nor does it exercise control over the company.

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

Estimates and assumptions

The main assumptions regarding future sources and other key sources of uncertainty in the estimates at the reporting date, which present a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the next financial year, are described below. The Company based its assumptions and estimates on the parameters available in preparing the separate financial statements. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances beyond the Company's control. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment property

The Company measures investment property at fair value, with changes in fair value being recognised in the statement of comprehensive income.

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

Investment property and land 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 2020, 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 of land and buildings was deemed unnecessary.

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Company's revenues is detailed below:

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Sales of own goods	320,964,885	276,180,507
Sale of merchandise	43,694,533	41,096,851
Revenues from other activities	260,917	431,045
Trade discounts granted	(2,503,228)	(2,586,485)
Total	362,417,107	315,121,918

Geographical analysis

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Sales on the domestic market (Romania)	349,559,619	298,351,316
Sales on the foreign market	12,857,488	16,770,602
Total	362,417,107	315,121,918

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4. REVENUE AND OPERATING SEGMENTS (continued)

The information to the people in charge of the operational 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 Group 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 portfolio of products of Teraplast that continue their activity is structured on two business lines: **installations 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)

BUSINESS LINES

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.

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.

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4. REVENUE AND OPERATING SEGMENTS (continued)

The Company's reporting segments are aggregated by the main types of activities and are presented below:

Year ended 31 December 2020	Installation s and fittings	Joinery profiles*	Compounds	Non- allocated amounts	Total
Total revenues	294,358,796	-	71,129,658	-	365,488,454
Expenses with indirect sales and administrative	(267,458,461)	-	(59,783,522)	-	(327,241,983)
Operating result	26,900,335	-	11,346,136	-	38,246,471
Financial result	(3,906,604)	-	(339,422)	-	(4,246,026)
Profit before tax	22,993,731	-	11,006,714	-	34,000,445
Operating assets	213,101,655	27,598,692	42,820,105	177,816,861	461,337,313
Non-current assets	101,731,477	-	21,038,771	46,107,205	168,877,454
Current assets	111,370,178	27,598,692	21,781,333	131,709,656	292,459,859
Operating liabilities	129,109,401	16,915,720	32,767,971	42,909,476	221,702,568
Long-term liabilities	29,660,704	-	4,655,526	15,306,128	49,622,358
Current liabilities	99,448,697	16,915,720	28,112,445	27,603,348	172,080,210
Fixed assets additions	26,123,358	1,729,030	2,963,233	-	30,815,621
Year ended 31 December 2019 (restated)*	Installation s and fittings	Joinery profiles*	Compounds	Non- allocated amounts	Total
Total revenues	252,901,408	-	64,224,938	-	317,126,346
Expenses with indirect sales and administrative	(241,659,666)	-	(58,479,396)	-	(300,139,062)
Operating result	11,241,742	-	5,745,542	-	16,987,284
Financial result	(4,550,364)	-	(904,137)	-	(5,454,501)
Profit before tax	6,691,378	-	4,841,405	-	11,532,783
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	151,402,888	285,160,702
Current assets	105,436,635	28,323,107	28,323,107	1	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

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Current liabilities	86,299,315	23,092,543	20,387,726	26,104,505	155,884,090
Fixed assets additions	31,134,953	4,206,018	7,783,519		44,962,764

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

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5. OTHER OPERATING REVENUES

The Company as a lessor

Disclosure required by IFRS 16

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

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

Income from the lease of properties obtained in 2020 were in amount of RON 1,243,518 (2019: RON 1,582,696). Such annual income will be maintained in the following years, assuming that no changes will be made to the lease contract between TeraPlast and TeraGlass, the subsidiary that leases from TeraPlast the production warehouse where it runs its activity.

TeraGlass, which uses the production warehouse leased from TeraPlast is a firm lessee for the following 5 years. The operating lease contains clauses to update the price at market price if the lessee uses its renewal option. The lessee does not have the option to buy the property upon expiry of the lease.

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Raw material expenses	(185,120,163)	(175,020,222)
Consumable expenses	(14,825,645)	(14,208,183)
Commodity expenses	(33,340,519)	(31,496,027)
Consumed packaging	(984,249)	(973,397)
Total	(234,270,575)	(221,697,829)

7. GAINS AND LOSSES FROM THE DERECOGNITION OF ASSETS

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Income from the sale of assets	8,267,414	25,177,077
Expenses with the disposal of tangible and intangible assets and investment property	(8,279,771)	(25,367,100)
Total	(12,357)	(190,023)

In 2020, the Company sold the warehouse in Braşov and transferred a plot of land to its subsidiary TeraPlast Folii Biodegradabile.

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.

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8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2020	Year ended 31 December 2019 <i>(restated)*</i>
Expenses with allowance for doubtful debts (IFRS 9)	934,515	782,233
Income from impairment reversal (IFRS 9)	3,072,655	823,657
Receivables charged to expenses (IFRS 9)	<u>(1,709,900)</u>	<u>(871,087)</u>
Net adjustments for doubtful debts	<u>2,297,270</u>	<u>734,803</u>
Increase carried to the separate statement of comprehensive income (Decrease) carried to the separate statement of comprehensive income	3,065,249 (3,576,780)	3,855,111 (5,279,473)
Inventory impairment	<u>(511,531)</u>	<u>(1,424,362)</u>
Total impairment of current assets	<u>1,785,739</u>	<u>(689,559)</u>
Allowance for inventories (IAS 36)		
Inventory impairment expenses (IAS 36)	-	3,855,111
Revenues from provisions reversal / cancellation (IAS 36)	<u>-</u>	<u>(5,482,953)</u>
Net adjustments for provisions	<u>-</u>	<u>(1,627,842)</u>
Expenses with non-current assets impairment (IAS 36)	1,089,410	(1,038,583)
Amortization and depreciation expenses (Notes 13 and 14) (IAS 36)	<u>(15,344,769)</u>	<u>(12,649,328)</u>
Net adjustments for non-current assets impairment	<u>(14,255,359)</u>	<u>(13,687,910)</u>
Expenses with amortization and depreciation with application of IFRS 16 (Note 15)	(2,138,586)	(1,467,947)

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.

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 in 2019 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 2018 - 2019, namely window seals, PVC decoration elements and PVC rainwater system elements.

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

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Wages	(35,416,183)	(28,931,113)
Contributions to the public social security fund	(862,623)	(873,166)
Subsidies for wages	35,697	5,676
Social aid within the limit of 5% of the salary fund	(539,865)	(552,185)
Meal tickets	(2,142,730)	(1,743,300)
Total, as presented on line "Employee benefit expenses"	(38,925,704)	(32,094,088)

Remuneration of the Board of Administration

The Chairman and the Members of the Board have a monthly gross salary of RON 8,443. The total remuneration in 2020 and 2019 was of RON 506,580 per year.

They do not receive any other benefits.

10. FINANCIAL COSTS AND INCOME

	Year ended 31 December 2020	Year ended 31 December 2019
		<i>(restated)*</i>
Financial costs		
Interest expense	(4,618,594)	(6,670,959)
Expenses with exchange rate differences	(1,180,396)	(1,308,423)
Other financial expenses	(90,072)	(27,477)
Total	(5,889,062)	(8,006,859)
		<i>(restated)*</i>
Financial Income		
Interest Income	111,668	885,991
Income from exchange rate differences	1,190,753	1,576,865
Dividend income	60,328	88,742
Other	280,286	759
Total	1,643,035	2,552,357
Financial result	(4,246,026)	(5,454,501)

Dividend income include dividends received from CERTIND in amount of RON 60,328 (2019: RON 88,742).

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11. OTHER OPERATING EXPENSES

	Year ended 31 December 2020	Year ended 31 December 2019 <i>(restated)*</i>
Transport costs	14,918,908	13,621,109
Expenses with utilities	9,220,227	8,858,983
Expenses with third party services	8,892,141	3,536,111
Expenses with compensations, fines and penalties	3,742	8,663
Entertainment, promotion and advertising expenses	1,298,911	1,448,384
Expenses with other taxes and duties	1,547,863	1,015,353
Repair expenses	2,156,953	1,916,566
Travelling expenses	365,419	683,470
Rent expenses	264,494	352,421
Mail and telecommunication expenses	293,933	340,013
Insurance premium expenses	1,124,266	1,128,856
Other general expenses	417,520	438,355
Total	40,504,379	33,520,000

12. INCOME TAX

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

	Year ended 31 December 2020	Year ended 31 December 2019 <i>(restated)*</i>
Profit before tax (including the joinery profiles line, see Note 30)	37,129,361	10,600,126
Income tax calculated (16%)	5,940,698	1,696,020
Deduction for dividends income not taxable	(3,011)	(14,199)
Non-deductible expenses	91,955	45,059
Credit from tax loss used	(1,615,565)	(795,906)
Total income tax	4,414,077	930,974
Tax on profile activity (Note 30)	(133,407)	-
Bonus for payment on term	(388,425)	-
Deferred income tax - expense/ (benefit)	3,892,245	930,974

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12. INCOME TAX (continued)

The components of the net deferred tax liabilities

2020	Opening balance	Registered in the separate statement of comprehens ive income	Registered in other comprehens ive income	Closing balance
Tangible and intangible assets and investment properties	(2,540,825)	1,394,677	576,164	(577,006)
Reserve from Politub business transfer	(464,453)	-	465,453	-
Fiscal loss	(787,137)	(282,123)	-	(1,069,260)
Deferred tax liabilities recognized	(3,792,415)	1,112,554	1,041,617	(1,646,265)
Employee benefit liabilities	232,602	-	-	232,602
Trade and similar payables	157,647	244,786	-	402,433
Deferred tax assets recognized	390,249	244,786	-	635,035
Net liabilities with deferred tax recognized, including the Joinery Profiles (Note 30)	(3,402,166)	1,357,340	1,041,617	(1,011,231)

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

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13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2020	7,259,229	56,405,984	196,114,586	1,726,156	5,545,340	267,051,295
Increases	1,843,415	14,502	2,110,127	55,601	26,653,855	30,677,498
<i>Out of which: Increases from the internal production of non-current assets</i>	-	-	-	-	1,529,812	1,529,812
Transfers to/from non-current assets in progress	-	527,977	17,808,277	370,526	(18,706,780)	-
Transfers IFRS 16 right of use	-	-	259,096	-	-	259,096
Transfers to non-current assets held for sale	-	(29,038)	(38,201,936)	-	(1,323,375)	(39,554,349)
Transfers from items of inventory	-	-	3,484	-	-	3,484
Disposals and other decreases	(4,053,578)	(4,407,577)	(2,962,930)	(95,031)	-	(11,519,116)
Balance as at 31 December 2020	5,049,065	52,511,848	175,130,702	2,057,252	12,169,040	246,917,907
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2020	1,037	6,710,916	126,851,659	1,061,611	1,255,176	135,880,399
Depreciation recorded during the year (Note 8)	346	2,617,154	13,885,284*	180,995	-	16,683,779
Transfers from non-current assets held for sale	-	(13,240)	(30,490,203)	-	-	(30,503,442)
Transfers IFRS 16 right of use	-	-	142,592	-	-	142,592
Disposals and other decreases	-	(575,514)	(2,576,210)	(87,932)	-	(3,239,656)
Impairment (Nota 8), net	-	321,648	(1,372,007)	-	-	(1,050,359)
Transfers from items of inventory	-	-	3,484	-	-	3,484
Balance as at 31 December 2020	1,382	9,060,965	106,444,599	1,154,675	1,255,176	117,916,798
Net carrying amount as at 1 January 2020	7,258,192	49,695,068	69,262,927	664,545	4,290,164	131,170,896
Net carrying amount as at 31 December 2020	5,047,683	43,450,883	68,686,103	902,577	10,913,864	129,001,111

* As presented in Note 30, RON 3,922,166 represents the depreciation of equipment related to the joinery profiles business, which are held for sale.

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(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	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
<i>Out of which: Increases from the internal production of non-current assets</i>	-	-	-	-	1,549,229	1,549,229
Transfers to/from non-current assets in progress	-	4,165,154	38,215,070	394,668	(42,440,560)	334,332
Transfers IFRS 16 right of use	-	-	(2,834,253)	-	-	(2,834,253)
Transfers to TeraPlast Recycling	-	(671,502)	(12,879,463)	(23,247)	(1,938,629)	(15,512,841)
Disposals and other decreases	-	-	(1,336,521)	(11,604)	-	(1,348,124)
Balance as at 31 December 2019	7,259,229	56,405,984	196,114,586	1,726,156	5,545,340	267,051,295
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2019	691	4,322,421	116,735,866	947,951	1,191,250	123,198,180
Depreciation recorded during the year (Note 8)	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 8)	-	(31,997)	750,307	-	63,926	782,235
Balance as at 31 December 2019	1,037	6,710,916	126,851,659	1,061,611	1,255,176	135,880,399
Net carrying amount as at 1 January 2019	6,939,181	48,589,911	54,857,988	418,388	7,445,240	118,250,709
Net carrying amount as at 31 December 2019	7,258,192	49,695,068	69,262,927	664,545	4,290,164	131,170,896

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13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2020, the Company pledged in favour of financial institutions non-current assets and investment properties with a net carrying amount of RON 55,273,234 (31 December 2019: RON 77,420,197).

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

As at 31 December 2018 and 2019, the management analysed, 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 Group 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 at 1 January 2020	5,905,194	162,328	6,067,523
Increases, out of which	132,900	37,244	170,143
Transfers to non-current assets held for sale	(144,693)	-	(144,693)
Disposals and other decreases	(34,556)	-	(34,556)
Balance at 31 December 2020	5,858,845	199,572	6,058,417
Accumulated amortisation			
Balance at 1 January 2020	5,164,081	-	5,164,081
Amortisation	444,570	-	444,570
Expenses with/(Reversal of) impairment	(39,051)	-	(39,051)
Disposals and other decreases	(34,556)	-	(34,556)
Transfers to non-current assets held for sale	(141,529)	-	(141,529)
Balance at 31 December 2020	5,393,514	-	5,393,514
Net carrying amount as at 1 January 2020	741,114	162,328	903,442
Net carrying amount as at 31 December 2020	465,331	199,572	664,903

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14. INTANGIBLE ASSETS (continued)

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

15. RIGHT-OF-USE ASSETS

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

The total cash outflow for leases amount to RON 264,494 (for low value assets and short term contracts as presented below).

Please see maturity analysis of lease liabilities in note 22.

Cost	Vehicles from previous finance leases		Total
	Buildings		
Balance at 1 January 2020	5,049,127	2,834,253	7,883,380
Additions	1,669,934	-	1,669,934
Transfer to equipment on exercise of the purchase option	(780,420)	(259,095)	(1,039,515)
Balance at 31 December 2020	5,938,640	2,575,157	8,513,798
Accumulated depreciation			
Balance at 1 January 2020	1,467,947	559,765	2,027,711
Depreciation	1,661,083	477,503	2,138,586
Depreciation of equipment transferred to PPE	(780,420)	(142,502)	(922,922)
Balance at 31 December 2020	2,348,610	894,765	3,243,375
Carrying amount at 1 January 2020	3,581,180	2,274,488	5,855,668
Carrying amount at 31 December 2020	3,590,030	1,680,392	5,270,423

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15. RIGHT-OF-USE ASSETS (continued)

The amount recognized to the separate statement of comprehensive income in respect of the right of use assets were:

	<u>Buildings</u>	<u>Equipment</u>	<u>Total</u>
Depreciation expense	1,661,083	477,503	2,138,586
Interest expense on lease liabilities	176,837	-	176,837

In 2020, the Company expensed the lease for low value assets and short term contracts:

Rent expenses	<u>264,494</u>
short term	230,767
low value	33,727

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.

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 2020 by an external independent valuator. The valuation method used was the market comparison.

	<u>Year ended 31 December 2020</u>	<u>Year ended 31 December 2019</u>
Opening balance at 1 January	<u>16,700,934</u>	<u>17,906,553</u>
Reductions	(3,226,692)	(1,410,929)
Net loss from valuation of investment properties at fair value	<u>367,610</u>	<u>205,310</u>
Closing balance at 31 December	<u>13,841,851</u>	<u>16,700,934</u>

In 2020, the investment located at Drumul Cetății Bistrița was sold, which generated a decrease of the Company's investment property by RON 3,227 thousand.

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.

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16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE (continued)

Assets held for sales, discontinued operations

	31 December 2020	31 December 2019
Opening balance at 1 January	-	1,865,560
Inflows by transfer from tangible assets (profiles division)	9,054,071	-
Inflows - investments in the Steel division	101,377,430	-
Inflows by transfer from current assets (profiles division)	18,544,621	-
Outflows by sale	-	1,865,560
Closing balance at 31 December	128,976,122	-

In 2020, the Company reclassified the financial investments in Terasteel group in amount of RON 101,377,430 to assets held for sale, further to the sale of such business to Kingspan group. The transaction was completed in February 2021.

Further to the sale of the joinery profiles division to Dynamic Selling Group, the Company reclassified non-current assets (RON 9,054,071) and current assets (RON 18,544,621) of such division to assets held for sale. The transaction was completed in March 2021.

Investments in the Steel division reclassified to assets held for sale:

Subsidiary	Country	Shareholding	31 December 2020
		%	LEI
Terasteel S.A. Bistrița	Romania	98,72	12,027,298
Wetterbest SA	Romania	99	81,114,597
Terasteel DOO Serbia	Serbia	100	8,192,369
		-	101,334,263

The investment in profiles reclassified to assets held for sale:

Subsidiary	Country	Shareholding	31 December 2020
		%	LEI
TeraPlast Hungary	Hungary	100	43,167
		-	43,167

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

At 31 December 2018, the Company owns land and buildings (previously used as warehouses) in Constanța. The final destination of the land and buildings is for value appreciation, followed by the subsequent sale. In July 2019, the property was sold, registering a net loss of RON 133 thousand.

The profit from the sale of these assets is classified in the separate statement of comprehensive income under "Gains from the disposal of assets held for sale".

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

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17. SUBSIDIARIES AND OTHER FINANCIAL INVESTMENTS

At 31 December 2020 and 31 December 2019, the Company holds the following investments:

Subsidiary	Country	Shareholding %	31 December 2020 LEI	Shareholding %	31 December 2019 LEI
Terasteel S.A. Bistrița	Romania	-	-	97,95	10,960,083
Teraglass Bistrița SRL	Romania	100	50.000	100	50,000
Politub SA	Romania	-	-	99,99	11,677,250
TeraPlast Recycling SA	Romania	99	11.766.350	99	89,100
TeraPlast Ungaria	Hungary	-	-	100	43,167
Wetterbest SA	Romania	-	-	67	80,822,897
Terasteel DOO Serbia	Serbia	-	-	100	8,192,369
TeraPlast Folii Biodegradabile SRL	Romania	100	100.000	-	-
		-	11.916.350	-	111,834,865

In 2020, the Company sold the Steel division to the Kingspan group, which resulted in a decrease in the investments held of RON 101,377,430 from TeraSteel Romania, Wetterbest, TeraSteel Serbia and TeraPlast Hungary.

In 2020, TeraPlast concluded a contract with the shareholders of Somplast SA for the purchase of 70% of the shares, by an investment of RON 4,897,400. Then, the Company invested in TeraPlast Folii Biodegradabile SRL an amount of RON 100.00.

Subsidiary	Country	Shareholding %	31 December 2020 LEI	Shareholding %	31 December 2019 LEI
Somplast SA	Romania	70	4.897.400	-	-
		-	4.897.400	-	-

On 29 December 2020, TeraPlast executed the sale order of 70,7511% of the shares of Somplast SA on the spot market, at a price of RON 4,897,400. At 31 December 2020, TeraPlast SA does not exercise control over Somplast, thus, the investment was presented as an investment in financial assets, and Somplast SA was not included in the consolidation.

Other long-term equity investments

Details concerning other equity investments of the Company are the following:

Investment name	Country	Investment share %	31 December 2020 LEI	Investment share %	31 December 2019 LEI
CERTIND SA	Romania	7.50%	14,400	7.5%	14,400
Partnership for sustainable development	Romania	7.14%	1,000	7.14%	1,000
Tera Tools SRL	Romania	0%	-	24%	72
		-	15,400	-	15,472

CERTIND is an independent certification body accredited by the Greek Accreditation Body – ESYD for the following certification services: certification of quality management systems according to ISO 9001,

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certification of environment management systems according to ISO 14001, certification of food safety management systems according to ISO 22000.

The Company did not undertake any obligations and did not make any payment on behalf of the entities in which it holds securities in the form of investments.

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18. INVENTORIES

	31 December 2020	31 December 2019
Finished goods	21,391,965	25,598,154
Raw materials	21,755,950	20,290,416
Commodities	8,392,728	7,992,078
Consumables	2,260,357	2,318,696
Inventory items	170,148	115,007
Semi-finished goods	876,109	1,163,078
Residual products	450,853	457,159
Goods to be purchased	728,920	52,337
Packaging	104,642	1,239,320
Inventories - gross value	56,131,671	59,226,244
	31 December 2020	31 December 2019
	RON	RON
Value adjustments for raw materials and consumables	(989,037)	(1,645,056)
Value adjustments for finished products	(694,651)	(2,201,295)
Value adjustments for merchandise	(1,187,607)	(970,062)
Total value adjustments	53,260,375	54,409,831

In 2020, the Company registered a reversal of RON 637,925 of value adjustments of stocks of joinery profiles intended for sale, further to the sale of non-saleable stocks.

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 depreciated in full.

The Company's inventories are pledged in favour of financing banks. At 31 December 2020, the total closing balance is pledged.

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19. TRADE AND OTHER RECEIVABLES

	31 December 2020	Payable	
		less than 1 year	more than 1 year
Trade receivables	82,369,418	82,369,418	-
Advances paid to suppliers of non-current assets	1,951,760	1,951,760	-
Advances paid to suppliers of inventories and services	215,219	215,219	-
Loans granted to subsidiaries (Note 27)	4,447,350	4,447,350	-
Other receivables from affiliates (Note 27)	3,102,955	-	3,102,955
Other receivables	31,200,396	31,033,334	167,062
Adjustments for trade and other receivables impairment	(13,026,777)	(13,026,777)	-
Total	110,260,321	106,990,305	3,270,016

	31 December 2019	Payable	
		less than 1 year	more than 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 Group 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.

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20. SHARE CAPITAL AND RESERVES

	31 December 2020	31 December 2019
Share capital subscribed and paid in full	174,320,048	133,780,651

As at 31 December 2019, the value of the share capital subscribed and paid up of the Company included 1,743,200,478 (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 RON 1,743,200.478 (2019: RON 1,337,806.508). Common shares bear a vote each and give the right to dividends.

On 19.08.2020, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 40,539,546, through the issuance of 405,395,460 new shares, at a nominal value of RON 0.1 /share

On 18.09.2019, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 26,756,123.40, through the issuance of 267,561,234 new shares, at a nominal value of RON 0.1 /share.

Shareholding

	31 December 2020		31 December 2019	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	816,343,691	46.83	626,496,322	46.83
Viciu Emanoil	42,532,210	2.44	33,677,814	2.52
Marley Magyarorszag (Gemencplast Szekszard)	-	-	106,073,412	7.93
KJK BALKAN HOLDING S.a.r.l.	-	-	134,413,359	10.05
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	212,147,484	12.17	89,131,396	6.66
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIANZ PP	108,133,988	6.2	57,218,659	4.28
LCS IMOBILIAR SA	62,902,621	3.61	48,274,105	3.61
Other natural and legal persons	501,140,484	28.75	242,521,441	18.12
Total	1,743,200,478	100	1,337,806,508	100

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21. LOANS FROM BANKS

The bank loans at 31 December 2020 and 31 December 2019 are as follows:

Financing bank	Type of financing	Originati on date	Balance at 31 December 2020	Balance at 31 December 2019	Short term at 31 December 2020	Long term at 31 December 2020	Period
Banca Transilvania	Working capital	07.06.2017	37,244,594**	30,569,874*	30,569,874*	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	12,266,144**	7,412,233	2,725,810	4,686,423	84 MONTHS
Banca Transilvania	Investments	07.06.2017	23,500,000	18,800,000	18,800,000	-	84 MONTHS
Banca Transilvania	Investments	19.07.2017	11,747,950	-	-	-	84 MONTHS
Banca Transilvania	Investments	24.07.2017	2,723,529	1,634,118	1,089,412	544,706	60 MONTHS
Banca Transilvania	Investments	31.07.2017	5,942,682	3,565,609	2,377,073	1,188,536	60 MONTHS
Banca Transilvania	Investments	07.11.2017	4,500,000	3,000,000	1,500,000	1,500,000	60 MONTHS
Banca Transilvania	Investments	04.04.2018	5,172,953	4,138,362	4,138,362	-	72 MONTHS
Raiffeisen Bank	Working capital	01.07.2017	18,504,243	-	-	-	12 MONTHS
Banca Transilvania	Investments	07.03.2019	8,834,164	8,576,679	2,450,479	6,126,200	60 MONTHS
Banca Transilvania	Investments	05.12.2019	1,194,700	9,594,767	9,594,767	-	60 MONTHS
Banca Transilvania	Investments	18.03.2019	7,941,303	-	-	-	12 MONTHS
Banca Transilvania	Investments	30.03.2020	-	9,210,915	1,848,215	7,362,700	60 MONTHS
Banca Transilvania	Investments	23.12.2020	-	20,000,000	20,000,000	-	12 MONTHS
Banca Transilvania	Investments	23.12.2020	-	2,222,900	-	2,222,900	
Banca Transilvania	Investments	23.12.2020	-	2,778,626	2,778,625	-	12 MONTHS
BANCA ROMANEASCA	Working capital	29.12.2020	-	-	-	-	12 MONTHS

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	0	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL		<u>139,572,262</u>	<u>121,504,083</u>	<u>97,872,617</u>	<u>23,631,466</u>

** Includes the amount of RON 8,384,190 for the Joinery Profiles segment.*

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22. LEASE LIABILITIES

Lease contracts - accounting treatment according to IAS 17

Finance leases

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

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

	Minimum lease payments
	31 December 2020
	RON
Present value of minimum lease payments	
Amounts payable in one year	228,377
More than one year but less than five years	626,978
Total lease liabilities	855,355

At 31 December 2020, the present value of financial lease liabilities was in amount of RON 855,355. The finance lease liabilities are for vehicles.

Operating leases

Total operating lease commitments as of 31 December 2020 were RON 3,702,342.

Lease contracts - accounting treatment according to IFRS 16

Maturity analysis of lease liabilities at 31 December 2020:

Year 1	1,497,569
Year 2	1,527,646
Year 3	601,669
Year 4	75,458
Total	3,702,342
Non-current	2,204,773
Current	1,497,569

Maturity analysis of lease liabilities at 31 December 2019:

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

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23. EMPLOYEE BENEFIT LIABILITIES

The Company has established a benefits plan through which employees are entitled to receive retirement benefits based on their seniority in the Company, upon reaching 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 liability calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2020. Future salary increases are estimated in the long term at 1.1% in the first year, 1.4% in the second year, 1.6% in the third year, and 1.37% for the rest.

The latest actuarial valuations were performed on September 30, 2020 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute.

The current value of the defined benefit liabilities and the current and past cost of the related services were measured using the projected credit unit method.

In 2020, the Company wrote down the long-term liability by RON 247,476. During the financial year 2019, the Company set up a long term liability amounting to RON 822,995 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 labour agreement. The expense is included in SOCI under "Provisions, net".

Employee benefits	31 December 2020	31 December 2019
Opening balance	1,453,762	630,767
(Decreases) / increases	(247,476)	822,995
Closing balance	1,206,286	1,453,762

The liability is included in the statement of financial position under "Employee benefit liabilities".

24. PROVISIONS

	1 January 2020	Changes		Provision in addition	31 December 2020
		Reversal of provision not used	Reversal of provision used		
Provisions for environmental expenses	241,613	(241,613)	-	-	-
Provisions for litigation	-	-	-	-	-
Other provisions	398,312	-	-	-	398,312
Closing balance	639,925	(241,613)	-	-	398,312

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

The reversal of the provision refers to the activity of the joinery profiles division within the discontinued operations (Note 30).

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.

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25. TRADE AND OTHER PAYABLES

	31 December 2020	31 December 2019
Trade payables	46,146,209	40,689,579
Trade notes payable	79,090	178,452
Liabilities from the purchase of non-current assets	11,391,786	(620,079)
Contractual payables	1,512,179	881,553
Other payables	11,182,313	30,188,992
Total	70,311,576	71,318,498

Contractual liabilities reflect the Company's obligation of transferring goods or services to a client from which it has received the counter value of the good/service or from which the amount due is outstanding.

Other long-term payables of RON 9,376,689 represent the debt to E.On for the solar cells.

Other payables

	31 December 2020	31 December 2019
Salary-related payables to employees and social security payables	7,356,770	4,696,067
VAT payable	1,398,995	5,507,069
Unclaimed employee rights	72,779	87,706
Sundry creditors	204,692	19,343,536
Dividends payable	1,132,111	382,695
Commercial guarantees received	978,978	104,707
Other taxes payable	37,988	67,213
Total	11,182,313	30,188,993

The decrease of approximately RON 11 million in row „Other payables” at the end of 2020 is mainly due to the decrease in row Sundry creditors because of the payments made to the former minority shareholders of Wetterbest.

26. FINANCIAL INSTRUMENTS

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

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

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

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26. FINANCIAL INSTRUMENTS (continued)

	Amortised cost 31 December 2020	Amortised cost 31 December 2019
Financial assets		
Non-current		
Long term receivable	3,270,016	18,679,424
Investment in Somplast SA shares	4,879,400	-
Other financial instruments measured at amortized cost	15,472	15,472
Current		
Trade receivable	106,990,305	101,006,306
Cash	2,708,894	5,669,112
Prepayment	524,163	557,602

(a) Capital risks management

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

The structure of the Company capital consists in debts, which include the loans detailed in Note 21, the cash and cash equivalents and the equity attributable to equity holders of the parent Group. Equity includes the share capital, reserves and retained earnings.

Managing the 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.

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

	2020	2019
Total loans	113,239,640	145,185,491
Cash	(2,708,894)	(5,669,112)
Net debt	110,530,746	139,516,379
Total equity	239,634,745	219,491,113
Total equity and net debt	349,994,387	359,007,492
Gearing ratio	31.58%	38.9%

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26. FINANCIAL INSTRUMENTS (continued)

(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 Group operations by way of reports on the internal risks, which analyse the exposure to and extent of the risks. These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

The Company's 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.

Transaction risk

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

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

<u>Currency</u>		<u>EUR</u>	<u>HUF</u>	<u>USD</u>	<u>RON</u>	<u>TOTAL</u>
	foreign currency equivalen t	1,423,95 6			107,137,94 4	
Trade receivable			20,000,000	8,133		128,570,034
	RON equivalen t	6,924,03 2			107,137,94 4	
Trade and other payable			267,022	73,757		114,402,755

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

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26. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for primary currency risk

	31 December 2020		31 December 2019	
	RON	RON	RON	RON
Profit or (loss)	3,219,940	(3,219,940)	1,246,852	(1,246,852)

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

(f) Interest rate risk management

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

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

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

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

As at 31 December 2020 and 31 December 2019, in the case of a 1% increase / decrease of the interest rate on loans, with all the other variables held constant, the net profit for the period would fluctuate as follows, mainly as a result of the higher/lower interest expenses on floating interest loans.

Sensitivity analysis for interest rate risk

	31 December 2020		31 December 2019	
	RON	RON	RON	RON
Profit or (loss)	1,174,317	(1,174,317)	823,562	(823,562)

(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.

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26. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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.

The 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 group of similar counterparties by analysing 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 Group company prepares annual and short term cash flows (weekly, monthly and quarterly). Financing needs for working capital are determined and contracted based on the budgeted cash flows. Investments projects are approved only with a concrete financing plan.

(j) Fair value of financial instruments

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

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26. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

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

2020

	<u>less than 1 month</u>	<u>1-3 months</u>	<u>3 months - 1 year</u>	<u>1-3 years</u>	<u>3 - 5 years</u>	<u>more than 5 years</u>	<u>Total</u>
Non-interest bearing							
Trade receivables and other liabilities	2,824,452	8,690,379	34,901,303	(2,184,840)	(2,184,840)	(5,007,009)	37,039,446
Interest-bearing instruments							
Short and long-term loans	(41,291,673)	(47,971,917)	(10,735,678)	(21,287,670)	(5,391,386)	(130,759)	(126,809,082)
Future interest on loans	(152,456)	(501,150)	(1,423,762)	(3,042,876)	(1,801,574)	(257)	(6,922,074)
Non-interest bearing							
Cash and cash equivalents	2,708,894	-	-	-	-	-	2,708,894
Receivable	36,283,740	37,126,306	40,992,708	-	-	-	114,402,753
Net cash outflows	(14,997,713)	5,781,798	(25,104,498)	(47,776,095)	(24,165,313)	(200,400)	(106,462,221)

Within the net cash outflows presented for less than a month the Company has presented the credit lines, which are, by nature, short term. However, the credit lines are daily revolving and have been renewed from year to year. The Company is under no constrain regarding the repayment of the credit lines within a month, and is confident that they will be continued to be used. Thus, the Company is confident that it will remain solvent and to pay their liabilities within term. Thus, RON 50 million of such amount refers to the credit lines and, by excluding them, the line is in amount of RON 35 million.

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26. FINANCIAL INSTRUMENTS (continued)

2019

	<u>less than 1 month</u>	<u>1-3 months</u>	<u>3 months - 1 year</u>	<u>1-3 years</u>	<u>3 - 5 years</u>	<u>more than 5 years</u>	<u>Total</u>
Non-interest bearing							
Trade receivables and other liabilities	(19,328,612)	(24,948,553)	(8,006,931)	(9,517,200)	-	-	(61,801,297)
Interest-bearing instruments							
Short and long-term loans	(63,729,399)	(2,770,563)	(15,872,804)	(35,648,709)	(23,312,247)	(204,267)	(141,537,989)
Future interest on loans	(304,080)	(1,129,054)	(3,984,850)	(3,501,947)	(873,850)	(4,007)	(9,797,788)
Non-interest bearing							
Cash and cash equivalents	5,668,548	-	-	-	-	-	5,668,548
Receivable	62,695,830	34,629,968	2,760,087	891,762	20,784	7,874	101,006,305
Net cash outflows	(35,910,782)	(39,782,687)	(22,741,863)	(26,515,386)	(9,377,799)	(5,138,024)	(93,982,817)

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27. REALTED PARTY TRANSACTIONS

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

31 December 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
- Somplast SA

Related parties (common shareholding/decision-makers)

- ACI Cluj SA Romania
- Ditovis Impex SRL Romania
- Eurohold AD Bulgaria
- Hermes SA Romania
- INFO SPORT SRL
- ISCHIA ACTIVHOLDING SRL
- ISCHIA INVEST SRL
- LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
- Mundus Services AD Bulgaria
- NEW CROCO PIZZERIE SRL
- Parc SA
- RSL Capital Advisors SRL
- Sphera Franchise Group SA

31 December 2019

Subsidiaries

- Teraglass Bistrita S.R.L.
- Terasteel S.A.
- Politub S.A.
- TeraPlast Recycling (former TeraPlast Logistic S.R.L.)
- TeraPlast Hungaria Kft
- Wetterbest S.A. (former Wetterbest)
- Terasteel Doo Serbia

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27. REALTED PARTY TRANSACTIONS (continued)

Related parties (common shareholding/decision-makers)

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

	Financial year ended 31 December 2020	Financial year ended 31 December 2019
Transactions and balances with other related parties		
Sales of goods and services	111,317	868,860
Purchases of goods and services	63,891	150,467
Debit balances	87,085	123,625
Credit balances	2,342	137
	Financial year ended 31 December 2020	Financial year ended 31 December 2019
Transactions and balances with subsidiaries		
Sales of goods and services	13,689,030	12,964,877
Re-invoice	3,066,350	3,242,475
Purchases of goods and services	30,173,933	23,315,019
Purchases of fixed assets	-	217,440
Debit balances current activity	5,414,074	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	703,138	3,834,659
Credit balances from the polyethylene pipes business line transfer	-	263,895
Affiliates borrowing balance	4,447,350	25,192,587

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

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27. REALTED PARTY TRANSACTIONS (continued)

Loans granted to affiliates

At 31 December 2020, the loan agreement between the Company and TeraPlast Hungaria was effective: loan in amount of EUR 0.2 million, due on 21 February 2020, when the term was extended by one more year.

28. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2020	31 December 2019
Cash at banks	2,594,843	5,536,014
Cash on hand	47,882	69,745
Cash equivalents	66,170	63,353
Total cash and cash equivalents	2,708,894	5,669,112

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

Non-cash transactions

The property, plant and equipment financed through the new leases, as follows:

	31 December 2020	31 December 2019
	RON	RON
Fork lifts	607,744	1,305,365
Vehicles	1,967,413	379,090
Total	2,575,157	1,684,455

The liability to fixed assets suppliers of RON 11,391,786 at 31 December 2020 (31 December 2019: RON 620,079) relates to the debt to E.on for the solar cells in amount of RON 9,376,689, and additional amounts with payment terms comprised between 30 to 60 days.

Changes in liabilities arising from financing activities

The total net amount of cash used from long term investment loans and overdraft was of RON 25,010,346 in 2020 (2019: RON 13,393,502). The new debt, adjusted with the net amount of dividends paid or received, represents the movement on the Bank loans lines from the statement of financial position.

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29. COMMITMENTS AND CONTINGENT LIABILITIES

The Company signed a contract with Banca Transilvania for multi-currency bank letter of guarantee with multiple use, extended for 24 months from August 8, 2019. The value of the ceiling is RON 1,750,000, letters of credit amounting to RON 100.000 are issued.

At 31 December 2020, tangible assets and investment properties with a net book value of RON 55,273,234 (December 31, 2019: RON 77,420,197) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

The Company has ongoing leases for which the capital instalment is included in current or non-current liabilities, as applicable.

At 31 December 2020, the Company registers unused credit facilities in amount of RON 24,000,000 (31 December 2019: RON 17,190,916).

In November 2018, the company signed a financing agreement for an investment project of RON 28,987 thousand, within the State aid scheme for stimulating investments with major impact on the economy, 50% of the project value being financed from State aid. The project of TeraPlast SA aims to create a new product in the field of compounds and equip a line that will allow the extension of the production capacity of polypropylene systems.

On 7 March 2019, the Company contracted a loan of RON 14,493,278 from Banca Transilvania, in order to support the investments it undertook under the State Aid Scheme to stimulate investments with major impact on the economy.

At 31 December 2019, the Company received RON 5.42 million representing the entire amount of the State aid.

Potential tax liabilities

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

Environmental matters

The main activity of the group companies have inherent effects on the environment. The environmental effects of the Company's 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 remedy.

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

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interpretation from the tax authorities cannot be reliably measured. It could be significant for the Company's financial position and / or operations.

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30. RESTATEMENT OF COMPARATIVE

Sale of the joinery profiles business

The joinery profiles business includes the joinery profiles business line of TeraPlast SA.

The joinery profiles business is pending transfer to buyer Dynamic Selling Group. In this regard, the Company decided to restate the separate statement of comprehensive income of 2019 with the activity of this division.

The statement of comprehensive income of the business to be transferred:

Caption	Financial year:	
	2020	2019
Total revenues - of which:	54,395,971	55,991,364
<i>Revenue from sale of finished products</i>	<i>49,486,396</i>	<i>50,513,816</i>
<i>Revenue from the sale of merchandise</i>	<i>4,909,575</i>	<i>5,477,548</i>
Changes in inventory of finished goods and work in progress	(1,394,916)	(2,012,494)
Raw materials, consumables used and merchandise	(33,368,926)	(36,674,973)
Employee benefit expenses	(7,043,281)	(7,060,619)
Amortization and the adjustments for impairment of non-current assets, net	(3,922,166)	(4,525,471)
Changes in inventory of finished goods and work in progress	-	203,480
Reversal of provisions, net	(25,880)	-
Other expenses	(5,424,313)	(6,730,227)
Operating result	3,216,488	(808,938)
Financial costs	(87,142)	(123,719)
Profit before tax	3,129,347	(932,657)
Income tax expense	(133,407)	-
Profit for the year	2,995,940	(932,657)

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

30. RESTATEMENT OF COMPARATIVE (continued)

Separate statement of financial position of the business to be transferred:

	31 December 2020
ASSETS	
Non-current assets	
Property, plant and equipment	9,007,673
Intangible assets	46,398
Total non-current assets	9,054,071
Current assets	
Inventories	10,646,595
Trade and other receivables	7,412,448
Prepaid expenses	78,725
Cash and cash equivalents	406,853
Total current assets	18,544,621
Total assets held for sale	27,598,692
Non-current liabilities	
Bank loans and leases	466,344
Employee benefit liabilities	247,476
Deferred tax liabilities	110,355
Total non-current liabilities	824,175
Current liabilities	
Trade and other payables	7,051,731
Bank loans and leases	8,665,149
Provisions	267,493
Income tax payable	120,662
Total current liabilities	16,105,034
Total liabilities related to assets held for sale	16,929,209
Net assets held for sale	10,669,483

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

30. RESTATEMENT OF COMPARATIVE (continued)

Statement of basic and diluted earnings per share related to the business to be transferred

	<u>2020</u>	<u>2019</u>
Profit of the business that continues its activity	<u>30,108,199</u>	<u>10,601,809</u>
Profit of the business to be transferred	<u>2,995,940</u>	<u>(932,657)</u>
Profit for the year	<u>33,104,139</u>	<u>9,669,152</u>
Other comprehensive income:		
Other comprehensive income which are not reclassified to profit or loss in future periods (net of tax)	-	-
Revaluation of fixed assets	(3,601,028)	-
Impact of deferred tax	576,164	-
Other comprehensive gains, net, which are not reclassified to profit or loss in future periods	<u>(3,024,863)</u>	<u>-</u>
Total comprehensive income	<u>30,079,276</u>	<u>9,669,152</u>
Average number of shares	1,487,336,130	1,114,838,813
Basic earnings per share	<u>0.0087</u>	<u>0.0202</u>
Basic and diluted earnings per share related to the business that continues its activity	<u>0.0182</u>	<u>0.0095</u>

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

30. RESTATEMENT OF COMPARATIVE (continued)

Separate statement of cash flows of the business to be transferred (the joinery profiles line):

Indirect method

	<u>2020</u>	<u>2019</u>
<i>Cash flows from operating activities:</i>		
Profit before tax	3,129,347	(932,657)
Impairment and amortization of non-current assets	3,922,166	4,525,471
Provisions for risks and charges, net	25,880	-
Operating profit before changes in working capital	<u>7,077,393</u>	<u>3,592,814</u>
<i>Changes to working capital:</i>		
Decrease/ (Increase) in trade receivables	6,206,231	(2,923,991)
Decrease in inventories	3,583,409	5,853,898
(Decrease)/ Increase in trade and other payables	(10,068,056)	563,374
Income tax paid	(12,745)	-
Cash from operating activities	<u>6,786,232</u>	<u>7,086,094</u>
<i>Cash flows used for investment:</i>		
Payments for acquisition of tangible and intangible assets	-	(1,347,299)
Net cash used for investment	<u>-</u>	<u>1,347,299</u>
<i>Cash inflows from financing activities:</i>		
Repayments of loans	(7,235,181)	(6,591,746)
Net cash generated by /(used for) finance activities	<u>(7,235,181)</u>	<u>(6,591,746)</u>
Net changes in cash and cash equivalents	<u>(448,949)</u>	<u>(852,951)</u>
Cash and cash equivalents at the beginning of the financial year	28 <u>855,801</u>	<u>1,708,753</u>
Cash and cash equivalents at the end of the financial year	28 <u>406,853</u>	<u>855,801</u>

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

30. RESTATEMENT OF COMPARATIVE (continued)

Separate statement of cash flows of the business that will continue its activity within the Company (the Installations and fittings and the Compounds lines):

Indirect method

	2020	2019
Cash flows from operating activities:		
Profit before tax	34,000,445	11,532,783
Interest expense	4,618,594	6,670,959
Interest income	(111,668)	(885,991)
Loss from the sale or disposal of fixed assets	12,357	308,359
Trade receivables impairment	2,297,270	734,803
Inventories impairment	(511,531)	(1,627,842)
Amortization and depreciation of long-term assets	15,344,770	12,649,327
Adjustment of the value for non-current assets	(1,089,410)	1,038,583
Provisions, net	(25,880)	229,691
Gains from the valuation of investment property	(200,977)	(20,531)
Expense with the provisions for the retirement benefits obligations	(247,476)	822,995
Dividend income	(60,328)	(88,742)
	54,026,163	31,179,615
<i>Movements in working capital:</i>		
Increase / (Decrease) in trade and other receivables	8,062,757	(1,634,116)
(Increase) Decrease in inventories	(1,922,423)	9,078,950
(Decrease)/increase of trade and other payables	23,211,224	(23,666,768)
Interest paid	(4,490,630)	(6,659,349)
Income tax paid	(3,399,630)	(439,999)
Income from subsidies	(1,249,707)	-
	74,237,753	7,858,334
Net cash generated by operating activities	74,237,753	7,858,334
Net cash generated from investment:		
Interest received	2,477,458	14,447
Dividends received	-	12,243,903
Payments for acquisition of tangible and intangible assets	(39,539,652)	(43,304,821)
Payments for financial assets, net of purchased cash	(6,356,315)	(4,867,560)
Receipts under State Aid	9,012,429	5,285,168
Receipts from the sale of tangible assets	11,327,474	203,076
Payments for the acquisition of control in Wetterbest	(19,034,400)	-
Losses related to sale of own shares	-	(26,575)
	(42,113,005)	(33,287,924)
Net cash used in investment	(42,113,005)	(33,287,924)

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

30. RESTATEMENT OF COMPARATIVE (continued)

Separate statement of cash flows of the business that will continue its activity within the Company (the Installations and fittings and the Compounds lines):

Indirect method

	<u>2020</u>	<u>2019</u>
Cash flows from financing activities:		
Receipts from loans	48,037,485	21,059,566
Loans reimbursement	(33,208,706)	(14,355,192)
Lease payments	(482,814)	(502,348)
(Repayments)/ Net drawdowns from credit line	(25,010,346)	13,280,875
Dividends paid	(45,323,187)	-
Receipt of TeraSteel Serbia loan	21,351,550	-
Net cash generated by /(used for) finance activities	<u>(34,636,017)</u>	<u>19,482,900</u>
Net changes in cash and cash equivalents	<u>(2,511,269)</u>	<u>(3,252,094)</u>
Cash and cash equivalents at the beginning of the financial year	<u>4,813,311</u>	<u>8,065,404</u>
Cash and cash equivalents at the end of the financial year	<u>2,302,041</u>	<u>4,813,311</u>

31. SUBSIDIES FOR INVESTMENTS

	<u>2020</u>	<u>2019</u>
At 1 January	<u>5,285,168</u>	<u>-</u>
Additions of subsidies during the reporting period	9,012,429	5,417,312
Transferred to separate statement of comprehensive income	(1,249,707)	(132,144)
At 31 December	<u>13,047,890</u>	<u>5,285,168</u>
Current	1,244,853	382,932
Non-current	11,803,037	4,902,235

Subsidies for investments refer to non-reimbursable funds for investments made by the Company for production equipment and personal protective equipment. There are no unfulfilled conditions or other contingencies associated with such subsidies.

At 31 December 2020, the total value of outstanding subsidies is RON 13,047,890 (2019: RON 5,285,168) recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis, throughout the lifetime of the related assets.

TERAPLAST SA
NOTES TO THE SEPARATE FINANCIAL STATEMENTS
for the financial year ended 31 December 2020

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

32. COMMERCIAL IMPACT OF THE SPREAD OF CORONAVIRUS

In 2020, the Company's results were not affected by the pandemic. The rapid spread of the Covid-19 virus and its social and economic impact in Romania and globally may generate assumptions and estimates that require reanalysis that may lead to adjustments in the carrying amount of assets and liabilities in the next financial year.

All production units of the Company operated at normal capacity.

The additional risks identified at this time are the continuity of supply of raw materials and the availability of staff. The Company has alternative suppliers for all raw materials to make sure it will not run out of supplies.

There are strict sanitary measures to ensure the safety of the staff and some of the Company's employees work from home, by rotation.

Moreover, the Company is in constant contact with its customers in Romania and abroad and has no indication that, in the short term, the demand for TeraPlast products could be significantly affected.

The Company has business continuity plans, which have been updated to address the current situation. In addition, an analysis committee has been set up to monitor developments and implement new measures, if necessary. The members of the Committee are representatives of the Board of Administration and the senior management of the Company.

33. SUBSEQUENT EVENTS

On February 26, 2021, the sale of the Steel division to Kingspan was completed. TeraPlast received the price of RON 373 million, of which the Board of Directors proposed the granting of a special dividend of RON 226,615,937. In addition to the cash distribution, the Board of Directors proposed to increase the share capital of TeraPlast by the amount of RON 43,579,988. Thus, a free share will be distributed for every 4 shares held by shareholders from the registration date in connection with the share capital increase. The allocation of these amounts will be subject to the approval of the GMS which will be convened for June 25, 2021.

On 1 March 2021, the Company repaid loans of RON 32,533,129, contracted for the acquisition of the stake in Wetterbest, which is part of the Steel division, and the loan of RON 20 million, contracted for the payment of dividends from December 2020. These loans were classified as short-term at 31 December 2020.

In March 2021, the Company transferred the joinery profile business to Dynamic Selling Group, and the transfer of ownership to TeraPlast Hungary will be completed by 30 April 2021.

Declaration of management

We confirm to the best of our knowledge that the preliminary and unaudited financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Company as required by the applicable accounting standards and that the financial statements of the TeraPlast 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.

Signed and approved:

23 March 2021
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

Report of the Board of Administration on the separate financial statements of TeraPlast Group for 2020

Registered office: Sieu-Magherus commune, Saratel village, Teraplast Industrial Park, DN 15A, KM 45+500

Sole registration code with the Trade Registry Office: 3094980

Registration number with the Trade Registry: J06/735/1992

Regulated market where the securities issued are traded: Bucharest Stock Exchange

Subscribed and paid in share capital: RON 174,320,047.80

Securities issued by the Company: 1,743,200,478 shares, at a nominal value of RON 0.1/share.

The financial statements for 2020, presented together with the Audit Report and this Administrators' Report, refer to:

Equity thousand **RON 239,463**

Turnover **RON 362,417 thousand**

Net profit for the year **RON 33,104 thousand**

The Company prepares financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as revised.

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



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About TeraPlast

TeraPlast has a 125-year tradition, its origins dating back to 1896 when the Saxon craftsman Walter Schuster opened the first ceramic tile processing workshop in Bistrita.

After a century and a quarter of continuous development, adaptation and innovation, characteristics such as reliability, determination and passion for a job well done are part of the company's organizational culture.

TeraPlast is the parent company of TeraPlast Group, with majority holdings in the rest of the Group's companies. The company's business lines are PVC Installations and Compounds. The Installations segment includes water and gas supply and distribution systems, indoor and outdoor sewers, rain water management and cable protection. PVC compounds are adaptable to customer requirements.

TeraPlast is the market leader in exterior sewerage and PVC compounds. Through the Compound segment, TeraPlast is the main supplier for cable production in Romania. In 2021, the company is investing over EUR 15 million in expanding the production capacity of the Installations business line.

Since July 2008, TeraPlast SA has been listed on the Bucharest Stock Exchange (TRP). Since March 2020, TRP shares have been included in BVB's BET benchmark, and since September 2020 in FTSE Russell MicroCap and TotalCap indexes.

Installations

The Installations business line includes external sewerage systems, indoor sewerage, water and gas transmission and supply, rain water and domestic water management, irrigation, drilling, telecommunications, electrical network accessories, individual connections to utilities.

TeraPlast is the leader of the external sewerage market in Romania.

At present, Romania has significant funds for investments in infrastructure works. The potential is very high because, according to INS data and estimates of the Romanian central authorities:

- 52.9% of the Romanian population is connected to a sewage network equipped with a treatment plant;
- 54.2% of the Romanian population is connected to a public sewage network;
- 35% of the Romanian population is connected to the natural gas network;
- 70,9% of the Romanian population is connected to the public water supply system;
- 11,5% of the total surface area of Romania that can be irrigated is contracted for irrigation works.

In terms of available funds, the LIOP (Large Infrastructure Operational Programme) is nearing the end of financing, which led to an acceleration of investment in 2020 and, consequently, an increase in demand.

In addition, Romania is allocated funds of EUR 18 billion under the National Recovery and Resilience Programme (PNRR) for objectives that involve in various degrees the product portfolio of TeraPlast Group.

TeraPlast is constantly investing in improving the solutions it offers. This involves obtaining systems with features that meet customer needs, but also reflect a sustainable development -

one of the main directions of the company in this field. In 2020, the company launched the PE 100-RC pipe with PP protection layer, which offers a lifespan of up to 100 years, ease of installation and superior properties.

Product portfolio development remains a priority. The company has approved for co-financing through the State aid scheme, investments of over RON 73 million in the Installations business line. This involves both the development of new products and the expansion of the existing production capacity and the construction of a new factory.

Compounds

With a market share of over 34%, TeraPlast is the leader on the Romanian compound market and the main supplier of PVC compounds for the Romanian cable industry. The portfolio includes plasticized and rigid compounds, with applications in the extrusion and injected products industry.

From 2021, TeraPlast brings an innovation on the Romanian granules market - halogen-free, fire-resistant compounds (HFFR).

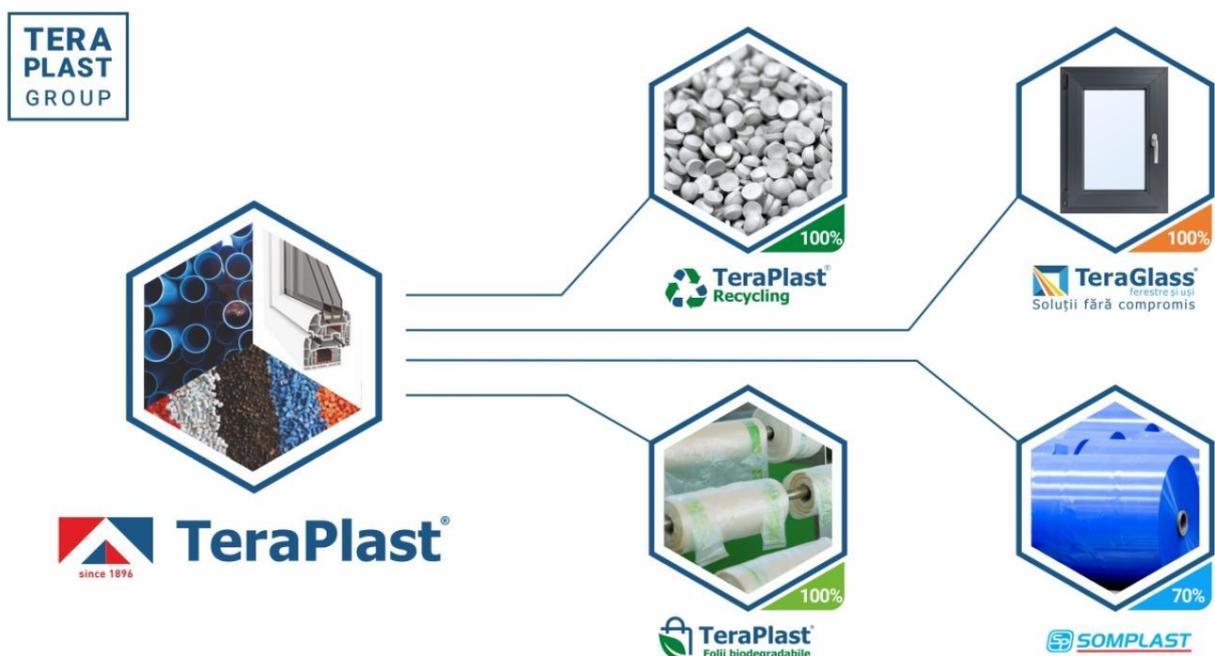
Structure of the Group

2020 brought significant changes in the activity of TeraPlast Group. Although it had an atypical year, which brought a lot of uncertainty and many challenges, the Group managed to stay true to its development plans.

The structure of the TeraPlast Group has changed as a result of the events below:

- Conclusion of the agreement for the sale of Steel division – Wetterbest, TeraSteel Romania and Serbia – to Kingspan Group --> in July 2020¹;
- Sale of the joinery profiles business of TeraPlast SA --> December 2020²;
- Purchase of 70% of the shares of flexible packaging manufacturer Somplast --> December 2020³.

Thus, the structure of TeraPlast Group as far as the businesses that continue their activity within the Group is concerned, is:



March 2021.

³ At the time this report was prepared, TeraPlast SA had not received the approval of the Competition Council to complete the transaction yet.

Results of the Company

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

Year ended 31 December 2020	Installation s and facilities	Joinery profiles*	Compou nds	Unallocated amounts	Total
Total revenues	294,358,796	-	71,129,658	-	365,488,454
Expenses with indirect and administrative sales	(267,458,461)	-	(59,783,522)	-	(327,241,983)
Operating result	26,900,335	-	11,346,136	-	38,246,471
Financial result	(3,906,604)	-	(339,422)	-	(4,246,026)
Profit before tax	22,993,731	-	11,006,714	-	34,000,445
Operating assets	213,101,655	27,598,692	42,820,105	177,816,861	461,337,313
Non-current assets	101,731,477	-	21,038,771	46,107,205	168,877,454
Current assets	111,370,178	27,598,692	21,781,333	131,709,656	292,459,859
Operating liabilities	129,109,401	16,915,720	32,767,971	42,909,476	221,702,568
Non-current liabilities	29,660,704	-	4,655,526	15,306,128	49,622,358
Current liabilities	99,448,697	16,915,720	28,112,445	27,603,348	172,080,210
Additions of fixed assets	26,123,358	1,729,030	2,963,233	-	30,815,621
Year ended 31 December 2019 (restated)*	Installation s and facilities	Joinery profiles*	Compou nds	Unallocate d amounts	Total
Total revenues	252,901,408	-	64,224,938	-	317,126,346
Expenses with indirect and administrative sales	(241,659,666)	-	(58,479,396)	-	(300,139,062)
Operating result	11,241,742	-	5,745,542	-	16,987,284
Financial result	(4,550,364)	-	(904,137)	-	(5,454,501)
Profit before tax	6,691,378	-	4,841,405	-	11,532,783

Operating assets	194,720,18		51,224,9	151,402,8	447,243,
	2	49,895,510	79	81	551
			22,901,87	151,402,88	285,160,7
Non-current assets	89,283,547	21,572,403	1	1	02
			28,323,10		162,082,8
Current assets	105,436,635	28,323,107	7	-	49
Operating liabilities	103,916,90		24,163,7	73,995,66	227,285,
	1	25,208,697	50	1	009
					71,400,92
Non-current liabilities	17,617,586	2,116,154	3,776,023	47,891,156	0
			20,387,72		155,884,0
Current liabilities	86,299,315	23,092,543	6	26,104,505	90
Additions of fixed assets	31,134,953	4,206,018	7,783,519		44,962,76
					4

Unallocated non-current assets refer to investment properties, investments in subsidiaries, as well as other financial assets, which include the long-term portion of the loan granted by TeraPlast to Terasteel Serbia. Unallocated current assets are related to the short-term portion of TeraPlast's loan to Terasteel Serbia, and TeraPlast's short-term loan to TeraPlast Hungaria Kft, as well as short-term investments in the Steel division classified for sale. The unallocated liabilities are related to the bank loans contracted by TeraPlast for the stake in Wetterbest and Politub and the financing of Terasteel Doo.

Company's employees

The structure of the staff is as follows:

	2019	2019
Officers	2	2
Managers	16	16
Administrative staff	112	112
Production staff	418	349
Total	548	479

According to the applicable collective employment agreement, the minimum wage within TeraPlast is above the national minimum gross wage.

TeraPlast aims to hire and retain the best professionals in the labour market, so as to continuously improve operations and create added value.

The human resources strategy is embedded into the business strategy and aims to achieve the business objectives through the organisation, recruitment and selection, performance and development of the human resource.

The guidelines for implementing the policy are:

- recruitment and hiring of staff on the basis of skills;
- rapid integration of new employees;
- design of training and development programs appropriate to the objectives of each organization in the group;
- developing incentive plans to encourage efficiency at low costs;
- elaboration of non-financial incentivisation systems;
- development of career programs;

Our values are: quality, commitment, performance. These values have engraved on our organizational culture and have been incorporated into our endeavours for continuous improvements of the Company.

The human resources policy focuses on the following areas:

- providing the necessary trained staff in the context of competition arising from the free movement of labour force within the European Community and achieving a balanced distribution of human resources at Company level;
- increasing the level of professional competence of employees;
- strengthening the internal system for promoting staff with performance potential;
- anticipating fluctuations in staff shortages or surpluses;
- covering the operational needs of the organization through the efficient use of human resources;
- compliance with the financial forecasts, and adapting the amount of human resource to the needs of the organisation.

The Company's responsibility to employees means ensuring a safe and healthy work environment, providing opportunities for professional and personal development and establishing an ongoing dialogue to monitor their satisfaction and expectations. Every employee has a responsibility to maintain a safe and healthy workplace for all employees, complying with occupational health and safety regulations and practices, and reporting accidents, injuries, and unsafe equipment, practices, and conditions. The main strategic directions for occupational safety and health management that TeraPlast is planning and is committed to fulfilling are: prevention and continuous reduction of the risks of accidents and occupational diseases, creating the necessary conditions for continuous improvement of health and safety performance in work and the involvement of all staff in achieving the proposed objectives.

Effective solutions for people and the environment

Responsibility for the environmental and the community in which we operate are an important part of the principles we adhere to. We constantly allocate resources to identify and minimize the adverse impact that our activity may have on the environment and we are actively involved in the community.

Efficient management of the impact that our activity has on the environment means:

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

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

The rigid PVC recycling department of TeraPlast is the materialisation of this responsible attitude towards sustainability. The department has an annual processing capacity of 12,000 tons, which makes us leaders in Romania and among the first 10 in Europe. In addition, the partnership with E.ON Energie at the end of 2019 implies the building of a photovoltaic plant with the help of which we will generate our own electricity, saving up to 11.45% of the total energy required so far. The energy systems will be installed on the roofs of 13 workshops of the TeraPlast Industrial Park and, in the long run, will make it possible to reduce CO2 emissions by up to 660 tons per year.

Involvement in the community means supporting initiatives in the fields of sport, health, welfare and education, both locally and nationally

Risk management

In the normal course of business, the Company is exposed 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.

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 receivables and other financial assets at amortised cost.

- **Capital risks management**

The structure of the Company's capital consists in debts, cash and cash equivalents and the equity.

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.

Like other industry representatives, the Company monitors capital on the basis of gearing ratio.

- **Market risk**

The Company's activities expose it primarily to financial risks regarding the exchange rate fluctuation.

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

- **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. Loans with floating rate interest rate expose the Company to interest cash flow risk due to the fluctuation of ROBOR for the other floating interest rate loans.

The Company is permanently monitoring its interest rate risk.

- **Commercial credit risk management**

The Company has adopted a policy of performing transactions with trustworthy parties, which were evaluated based on financial position, past experience and other factors, and in addition, of obtaining sufficient guarantees or prepayments, 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.

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.

- **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. Investment projects are only approved based on a concrete financing plan.

- **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 measured at book value, which is an approximate amount of their fair value, due to the fact that the debts are at variable interest and there are no significant commissions and initial costs amortized over time.

Budget for 2021

We plan on continuing to develop through investment.

Installations - the new projects that will be implemented in 2021/2022 will increase production capacity by 50%

Compounds - after a year when we extensively focused on improving margins, there comes a period when we will focus on gaining market share;

Business line		2020	2021	Increase	Increase (%)
Sewer installations (PVC and PP) current activity	Turnover	218,303,387	271,751,743	53,448,356	24%
	EBITDA	29,089,247	39,640,937	10,551,689	36%
	<i>EBITDA (%)</i>	<i>13,3%</i>	<i>14,6%</i>		
Sewer installations PVC project	Turnover	0	48,545,627	48,545,627	
	EBITDA	-37,499	5,540,158	5,577,657	
	<i>EBITDA (%)</i>	<i>n/a</i>	<i>11,4%</i>		
Water and gas installations (PE)	Turnover	73,612,379	93,885,144	20,272,765	28%
	EBITDA	12,925,334	14,285,458	1,360,124	11%
	<i>EBITDA (%)</i>	<i>17,6%</i>	<i>15,2%</i>		
Water and gas installations PE project	Turnover	0	26,465,910	26,465,910	
	EBITDA	0	4,148,760	4,148,760	
	<i>EBITDA (%)</i>	<i>n/a</i>	<i>15,7%</i>		
PVC compounds	Turnover	70,501,341	101,199,858	30,698,517	44%
	EBITDA	10,384,455	11,774,064	1,389,609	13%
	<i>EBITDA (%)</i>	<i>14,7%</i>	<i>11,6%</i>		
Underfloor heating	Turnover	0	8,128,193	8,128,193	
	EBITDA	-48,327	1,142,359	1,190,685	
	<i>EBITDA (%)</i>	<i>n/a</i>	<i>14,1%</i>		
Total	Turnover	362,417,107	549,976,475	187,559,368	52%
	EBITDA	52,313,211	76,531,735	24,218,524	46%
	<i>EBITDA (%)</i>	<i>14,4%</i>	<i>13,9%</i>		

Non-financial declaration

In accordance with the legal regulations on the disclosure of non-financial information, the Company prepares and publishes a separate sustainability report, which includes the information required by the non-financial declaration and describes our sustainability initiatives. The TeraPlast sustainability report for 2019 is available on the company's website: [teraplast.ro](https://investitori.teraplast.ro/wp-content/uploads/2020/11/Raport-de-sustenabilitate-Grup-TeraPlast-2019.pdf) -> Investors -> Reports and information -> Annual reports. The report can also be accessed via the link: <https://investitori.teraplast.ro/wp-content/uploads/2020/11/Raport-de-sustenabilitate-Grup-TeraPlast-2019.pdf>

The sustainability report covers in detail the topics below and the concrete measures implemented, the information below representing a summary of the principles on which the TeraPlast Group guides its activity.

The sustainability report for 2020 will be published on the [teraplast.ro](https://www.teraplast.ro) website, the path mentioned above, until 30.06.2021.

Environmental policy

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

Integrated management system

Teraplast has implemented the ISO 14001 Environmental Management System as a component of an integrated Quality-Environment-Occupational Health and Safety management system. The environmental management system was first certified in Teraplast in 2009. The activities regulated by this system are maintained and continuously improved, being systematically verified by internal audit and also by the certification body. The action programs are established based on internal and external audits and management reviews.

Sustainable development

Teraplast is actively involved in the development of sustainable systems, and the Research and Development Centre carries out annual research activities to improve existing products and obtain new products. In the development of products, their impact on the environment is also taken into account. Our goal is to offer the highest quality products, internationally certified, at a fair price and without having a negative impact on the environment and communities.

Preventing and combatting pollution

To prevent soil contamination, all tanks are properly sealed. At the same time, both the inner surfaces in which productive activities take place and part of the outer surfaces, such as the surface of the transport routes, are concreted. The rest of the land is partly green areas. Loading and unloading of the material takes place in designated areas, protected against leaks such as liquid leaks or dust dispersion. In storage areas, there are adequate amounts of absorbent material suitable for the control of any accidental spillage in such an unlikely event. The water on the platform is circulated through an oil separator.

Over 80% of the technological water is recirculated, and the wastewater is passed through the treatment plant. Wastewater quality indicators are determined quarterly. In 2020, investment

was made in modernizing this station to meet the current needs of the industrial park and to be prepared for future development.

Hazardous chemicals are purchased in accordance with applicable law, and their handling, use and disposal are in accordance with the safety data sheet that allows all measures to be taken to protect the environment, health and safety at work. The storage of various hazardous chemicals is done taking into account the compatibility of the substances. The management of these substances is carried out by trained staff who know the measures to be taken in case of emergency.

Waste management

TeraPlast recoverable waste (plastic waste, metal waste, packaging waste, paper, cardboard, plastic packaging, wooden packaging, etc.) and non-recoverable waste (industrial waste, contaminated metal packaging and household waste) is generated.

The implemented environmental management system aims to minimize the amounts of waste resulting from production processes. The waste resulting from the company is collected selectively and used / disposed of by authorized economic operators.

Hazardous waste sent off-site is transported only by authorized economic operators, in accordance with the legal provisions in force. Waste is transported only from the place of activity to the disposal site without adversely affecting the environment.

Waste is packaged and labelled in accordance with applicable laws and regulations for mandatory registration. During collection, recovery or disposal, all waste is temporarily stored in specially designed areas and places, adequately protected against spillage into the environment. The waste is clearly labeled and separated accordingly.

The management of all categories of waste is carried out in strict compliance with legal provisions. Waste is temporarily collected and stored by type and category, without being mixed. They are stored separately.

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

Fight against corruption and bribe taking

The internal programs for compliance with the regulations in this field focus on the following:

- anti-competition practices;
- economic sanctions and embargos;
- fight against corruption;
- gift policy;
- conflicts of interest.

Conflicts of interest may arise when the personal interests of staff conflict with their ability to perform their duties properly and effectively. To the extent possible, the relationships or activities that may affect or seem to affect the ability to make objective and correct decisions when carrying out activities on behalf of the Company are avoided.

Sanctions and embargoes restrict transactions with certain countries, individuals and legal entities. These restrictions must be known and analyzed before starting any transaction.

When hiring a new employee, according to the ***New Employee's Guideline***, the requirements of the Company regarding the expected behaviors regarding the issues listed above are very clear. Our employees have clear limits on the acceptance of gifts, services and benefits of any kind from suppliers or customers in order to facilitate commercial transactions with any of the Group's companies. They are authorized to accept or offer gifts and invitations in the appropriate circumstances, subject to the limitations, approvals and registration requirements defined in our internal rules. No cash or equivalent gifts may be offered or received.

In our business relations with public and state institutions, our employees do not request or accept gifts, services, favors, invitations or any other personal benefits that may affect their impartiality in the performance of their duties. No gifts or other free gifts are offered to government officials or representatives of State bodies, except for low-value promotional items personalized with the Company logo.

Responsible procurement policy

Procurements are essential for the Company's competitiveness and its ability to innovate. The main objective of the procurement activity is the complete availability of materials both in terms of quantity and quality, in a timely manner, in conditions of maximum safety and with minimum costs of material resources necessary for the development of productive activities within the company. At the same time, the work involves proactively managing ***supply chain*** risks to reduce their potential impact.

The procurement policy within the Company is an integral part of the Company's overall objective of meeting customer requirements, efficiently managing production processes and meeting the requirements of the integrated management system.

An essential role in the continuous improvement of the quality of our products and working standards is played by our carefully selected suppliers for the production process.

The relations with our suppliers focus on trust, accountability for our products and aim at creating long-term partnerships. We constantly evaluate suppliers and apply an internal qualification and acceptance system.

The Group's suppliers must comply with and implement local, national and international environmental regulations. They must have all the environmental permits and approvals required to carry out the activity. Suppliers must systematically manage the impact on the environment, including: energy, water, waste, chemicals and air pollution.

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

The selection and acceptance of suppliers is based both on the evaluation of their ability to deliver products in accordance with our requirements, and: value for money ratio, certified management systems, payment options, availability on delivery, complaints management. The assessment process also involves auditing and visiting suppliers, as far as possible, and assessing compliance with environmental, occupational safety and health and social responsibility requirements.

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

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

This provides the general conditions for:

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

Supplier selection and evaluation seeks the capacity for innovation, continuous process improvement and adaptation of environmental codes.

The procurement policy applies to all suppliers of raw materials, consumables and services at Group level.

The list of approved suppliers includes all public procurement providers and we have ensured that they comply with legal and regulatory requirements both in Europe and in the areas in which they operate, regarding: forced labor, child exploitation, discrimination, environment, bribe taking and corruption, unfair competition, etc. Suppliers are visited before a collaboration begins and are periodically re-evaluated to determine whether they are still able to meet the established requirements.

Management of the Company

Administrators

Teraplast is managed on a one-tier system by a board of administration formed of five members appointed by the General Meeting of Shareholders by secret vote. The duration of the administrators' mandates is one year, and they may be reappointed. At the date of this report, the structure of the Board of Administration is:

DOREL GOIA

- Position: chairman of the board
- Experience: entrepreneurship
- First year elected on the Board of Administration: 2008

LUCIAN CLAUDIU ANGHEL

- Position: temporary non-executive administrator
- Experience: banking, capital markets
- First year elected on the Board of Administration: 2021
- Activity: Banca Românească

VLAD NICOLAE NEACȘU

- Position: independent non-executive administrator
- Experience: financial
- First year elected on the Board of Administration: 2020
- Activity: Sens Unic Imobiliare SRL

MAGDA PALFI

- Position: non-executive administrator
- Experience: banking
- First year elected on the Board of Administration: 2008

- Activity: Raiffeisen Bank (Regional Corporate Officer – Cluj Operative Center), TeraSteel SA (Board of Administration)

ALEXANDRU STÂNEAN

- Position: executive manager
- Experience: business administration
- First year elected on the Board of Administration: 2007
- Activity: TeraPlast SA (Chief Executive Officer)

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

Executive team members

The executive management of Teraplast is appointed by the Board of Administration, and on the date of this report is delegated to the Chief Executive Officer and the Chief Financial Officer. The officers run the daily activity of the company.

Corporate governance

Teraplast has implemented recommendations of the Corporate Governance Code of the Bucharest Stock Exchange, establishing governance principles and structures that mainly aim at respecting the rights of shareholders, as well as offering a fair treatment. In this regard, the Board of Administration has prepared a Regulation of Organisation and Operation, which is in accordance with the CGC principles, thus ensuring the transparency and sustainable development of the Company. The Regulation of Organization and Operation also sets out the roles of the board of administration, the powers and responsibilities of the board, so as to ensure that the interests of all the company's shareholders are respected, and last but not least, equal access for shareholders and potential investors to the company's relevant information.

Governance structures

To continue the process of implementing the principles of the Corporate Governance Code, the September 2020 General Meeting elected a new Board of Administration consisting of five administrators, one of whom is independent of other major shareholders. Therefore, the members were chosen so as to guarantee the efficiency of the measures and the development strategy of the group's businesses, but also the analysis and evaluation of the efficiency of the executive management of Teraplast. The main objective of the board of directors is to promote and respect the interests of the Company's shareholders.

In accordance with the GCC's recommendations, the Company has established strict rules on internal circulation and disclosure to third parties of confidential documents and privileged information, with particular emphasis on data and / or information that could influence market developments and / or the price of securities issued by Teraplast. In this regard, specific confidentiality agreements have been concluded with the company's management and administrators, as well as with employees who, based on their functions and / or responsibilities, have access to such confidential / privileged information.

ADMINISTRATOR

CFO

ALEXANDRU STANEAN

IOANA BIRTA

