

TERAPLAST SA

INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS

**AS OF AND FOR THE 9 MONTH PERIOD ENDED 30
SEPTEMBER 2018**

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

TERAPLAST SA**Interim Simplified Separate Financial Statements**

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

30 SEPTEMBER 2018

CONTENTS	PAGE
Interim simplified separate statement of comprehensive income	3
Interim simplified separate statement of financial position	4
Interim simplified separate statement of changes in equity	5
Interim simplified separate cash flow statement	6
Notes to the interim simplified separate financial statements	7 - 28

TERAPLAST SA
INTERIM SIMPLIFIED SEPARATE STATEMENT OF COMPREHENSIVE INCOME
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	30 September 2017	30 September 2018
Revenues total – out of which:	4	169,958,277	223,049,942
Revenues from the sale of finished products		147,727,338	195,697,090
Revenues from sale of goods		21,206,399	26,309,739
Revenues from the provision of services		1,024,540	1,043,113
Other operating income		79,230	632,324
Changes in inventories of finished goods and work in progress		4,125,838	5,785,055
Raw materials, consumables used		(105,186,414)	(142,360,129)
Expenses with merchandise		(16,884,563)	(21,676,600)
Employee benefits expenses	5	(15,820,190)	(21,531,999)
Adjustments for the depreciation of current assets, net		(1,212,873)	526,096
Gains/ Losses from the outflow of tangible and intangible assets, net		71,276	(44,209)
Amortization and adjustments for the depreciation of non-current assets, net		(9,563,831)	(12,739,162)
Reversed provisions, net		2,039,962	239,977
Gains from the fair value measurement of investment property		335	-
Gains from the outflow of assets held for sale		-	185,891
Other expenses	6	(20,471,405)	(27,779,922)
Operating result		7,135,642	4,287,264
Other financial expenses		(1,281,569)	(1,204,478)
Other financial income		719,121	947,733
Revenues from dividends		5,477,527	20,626,756
Expenses on interest, net		(1,190,358)	(3,882,781)
Profit before tax		10,860,363	20,774,494
Income tax expense		(682,469)	-
Profit or loss for the year		10,177,894	20,774,494
Other comprehensive income			
Total comprehensive income		10,177,894	20,774,494
Number of shares		856,910,970	856,910,442
Earnings per share		0.012	0.024

These interim simplified separate financial statements were approved on 29 October 2018.

 Alexandru Stanean
 CEO

 Ioana Birta
 CFO

TERAPLAST SA
INTERIM SIMPLIFIED SEPARATE STATEMENT OF FINANCIAL POSITION as of 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Note	31 December 2017	30 September 2018
ASSETS			
Non-current assets			
Property, plant and equipment	7	123,567,829	119,032,060
Investment property		19,218,403	17,996,777
Intangible assets	8	1,104,406	1,088,476
Investments in subsidiaries and jointly controlled entities	9	62,023,721	79,331,218
Other financial investments	9	15,472	15,472
Long-term receivables	9	39,379,971	26,335,142
Total non-current assets		245,309,812	243,799,145
Current assets			
Inventories	10	61,130,406	62,166,951
Trade and other receivables	12	63,225,961	109,562,425
Prepayments		472,615	822,026
Income tax recoverable		-	-
Cash and short-term deposits	11	4,564,912	8,743,054
Total current assets		129,393,894	181,294,456
Assets classified as held for sale		653,215	=
Total assets		375,356,922	425,093,601
EQUITY AND LIABILITIES			
Equity			
Total share capital, out of which:		85,691,097	85,691,044
- Issued capital	13	85,691,097	85,691,044
- Other equity items			
Share premium		27,384,726	27,384,726
Treasury shares		(663,396)	(1,472,925)
Revaluation reserves		15,631,288	15,525,539
Legal reserves		8,399,015	8,399,015
Retained earnings		54,203,265	65,014,142
Total equity		190,645,995	200,541,541
Long-term liabilities			
Loans and finance lease	14	73,498,016	68,457,887
Liabilities for employee benefits		258,907	258,907
Other liabilities		21,805,000	-
Deferred tax liabilities		3,038,044	3,038,044
Total long-term liabilities		98,599,967	71,754,838
Current liabilities			
Trade and other payables	15	42,078,849	78,104,836
Deferred income		184,143	41,315
Loans and finance lease	14	43,155,476	74,249,337
Income tax payable		50,781	-
Provisions for risks and expenses		641,711	401,734
Total current liabilities		86,110,960	152,797,222
Total liabilities		184,710,927	224,552,060
Total equity and liabilities		375,356,922	425,093,601

These interim simplified separate financial statements were approved on 29 October 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
INTERIM SIMPLIFIED SEPARATE CASH FLOW STATEMENT
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Period January - September 2017	Period January - September 2018
Cash flows from operating activities		
Profit before tax	10,860,366	20,774,494
<i>Adjustments for:</i>		
Loss/profit from the sale and retirement of assets (fixed assets)	(302,973)	44,209
Amortization and depreciation of long-term assets	9,563,831	12,739,162
Provisions for risks and expenses, net	(2,039,962)	(239,977)
Adjustments for the depreciation/impairment of non-current assets	-	-
Adjustments for doubtful clients	308,797	(1,072,055)
Adjustments for the depreciation of inventory	1,634,811	(297,574)
Income from dividends	(5,477,527)	(20,626,756)
(Gain)/Loss from the assessment of investment property	(335)	-
Interest income	-	(962,044)
Interest expense	1,190,358	4,844,826
Profit before adjustments in current capital	15,737,366	15,204,283
Movements in current capital		
Increase of trade and other receivables	(17,585,630)	(42,140,853)
Increase in inventories	(9,300,353)	(85,756)
Increase in trade and other payables	24,072,417	12,857,345
Income tax paid	(342,735)	(50,781)
Interest received	-	4,518
Interest paid	(1,190,358)	(3,862,452)
Net cash generated from operating activities	11,390,707	(18,073,696)
Net cash used in investment activities		
Payment for the purchase of tangible and intangible non-current assets, other than non-current receivables	(18,248,081)	(5,860,313)
Financial investments	(46,595,541)	(7,215,405)
Receipts from the sale of tangible assets	374,249	13,446
Repurchase of own shares	(512,707)	(809,529)
Gains related to the cancelation of own shares	61,711	-
Net cash used in investment activities	(64,920,369)	(13,871,802)
Cash flows from finance activities		
The payment of liabilities related to finance lease	(845,351)	(566,996)
Loans granted to Group companies	(25,092,546)	(381,799)
Dividends received	5,477,527	20,626,756
Dividends paid	(9,572,712)	(10,069,404)
Net loan drawings	95,350,398	26,515,097
Net cash generated from financing activities	65,317,316	36,123,654
Net variation of cash and cash equivalents	11,787,654	4,178,142
Cash and cash equivalents as of 1 January	10,689,973	4,564,912
Cash and cash equivalents as of 30 September	22,477,627	8,743,054

These interim simplified separate financial statements were approved on 29 October 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

THE REPORTING ENTITY

These notes to the quarterly financial statements are presented by TERAPLAST SA (the "Company").

As of 30 September 2018, the Company held investments in seven subsidiaries:

- Terasteel SA,
- Teraglass Bistrita SRL,
- Teraplast Logistic SRL,
- Teraplast Hungaria Kft,
- Terasteel Doo Serbia
- Depaco SRL
- Politub SA

Details concerning the Company's investments are disclosed in Note 9.

These financial statements do not include the results of the companies in which the Company holds investments.

The quarterly financial statements ended 30 September 2018 have not been audited.

1. GENERAL INFORMATION

Teraplast SA (the Company) is a joint-stock company established in 1992. The Company's head office is in Bistrita, the „Teraplast Industrial Park", DN 15A, km 45+500, zip code 427298, Bistrita-Nasaud County.

The Company's main activities include the production of PVC pipes and profiles, plasticized and rigid granules, polypropylene pipes and the trading of cables, polyethylene pipes, fittings and steel parts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim simplified separate financial statements for the nine month period ended 30 September 2018 were prepared in accordance with IAS 34 – Interim financial reporting.

The interim simplified separate financial statements do not comprise all the information and items presented in the annual financial statements and they must be read in corroboration with the separate annual financial statements of Teraplast SA as of 31 December 2017.

The accounting policies and measurement methods adopted for the preparation of the interim simplified separate financial statements are consistent with those used for the preparation of the separate annual financial statements of Teraplast SA as of 31 December 2017.

Going concern

These financial statements were prepared on a going concern principle, implying that the Company will continue its activity in the foreseeable future. To assess the applicability of this assumption, management analyzes the forecasts of future cash inflows.

As of 30 September 2018, the Company's current assets exceed its current liabilities by RON 28,497,234 (as of 31 December 2017, current assets had exceeded current liabilities by RON 43,282,934). As of 30 September 2018, the Company recorded net profit of RON 20,774,494 (30 September 2017 profit: RON 10,177,894).

The budget prepared by the Company management and approved by the Board of Administration for 2018 indicates positive cash flows from operating activities, an increase in sales and profitability which contribute directly to improving liquidity and will allow the Company to meet its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity under normal conditions, on a going concern basis. Based on these analyses, management believes that the Company will be able to continue its activity in the foreseeable future and, consequently, the application of the going concern principle in the preparation of the financial statements is justified.

3. SIGNIFICANT ACCOUNTING JUDGMENTS. ESTIMATES AND ASSUMPTIONS

3.1. Judgments

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

Investment property

The Company has certain land and buildings in Bistrita and Constanta held to obtain an increase in its value and to be subsequently materialized through sale. These are included in investment property.

As of 30 September 2018, the space in Oradea which, in December 2017, was in the Investment property balance sheet position, was reclassified in Tangible non-current assets as a result of the fact that the Company decided to restart the operating activity in this location. As a result, the Investment property balance sheet position decreased by approximately RON 1,200 thousand.

As of 31 December 2017, the fair value of investment property is based on the valuation report prepared by an independent appraiser and the impact of this valuation was registered in the profit and loss statement. The valuation methods used are in agreement with the International Valuation Standards.

Control over Depaco SRL

As of 1 March 2017, Teraplast has concluded a contract with the shareholders of Depaco SRL for the purchase of 50% of its capital shares. The transaction was finalized after its approval by the General Shareholders' Meeting of Teraplast SA and after receiving the agreement from the Romanian Competition Council.

Also in 2017, the Company has concluded agreements for the purchase of an additional investment of 17% within Depaco. TeraPlast took over the control of Depaco in January 2018, after obtaining the favorable endorsement by the Competition Council and registering the 67% holding with the Trade Register. As of 31 December 2017, Depaco was jointly controlled together with the other shareholders and, consequently, the Company is consolidated through the equity method (Depaco did not have a contribution to the group's consolidated EBITDA for 2017). Depaco was consolidated, as a subsidiary, starting with January 2018.

Also in 2017, Teraplast has concluded a sale-purchase promise with the minority shareholders of Depaco, for the rest of their investment up to 100% of the company. The transaction will be carried out within 4 years at most, for a price correlated with Depaco's results in the following years. As of 31 December 2017, this option is not reflected in the Company's balance sheet, because its exercising is also conditioned by the approval by the Competition Council for sole control, approval which was obtained in January 2018.

Acquisition of Politub business

In October 2017, the Company acquired most of the Politub SA shares. In December 2017, the Company transferred the Politub subsidiary activity within Teraplast and, on this occasion, it also transferred most of the Politub assets. In order to account for this business transfer between jointly controlled entities, which is not covered by IFRS 3 Business Combinations, the management chose to record the assets undertaken from Politub at their value disclosed in the Teraplast SA consolidated financial statements (RON 24.1 million, which approximates their fair value). The difference between the price paid for asset acquisition (a gain of RON 2.9 million) was recorded under reserves. Management has adopted this accounting policy because it generates accounting values similar to those recorded at group level and considered that the disclosure of the gain under reserves gives a fairer view than the recording under the result account, because it derives from a transaction with a controlled entity.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

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

Had the Company chose to record the difference mentioned above under the result account, the Company profit for the financial year 2017 would have been RON 2.9 million higher.

3.2. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

The Company based its assumptions and estimates on parameters available when these separate financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Revaluation of property, plant and equipment and investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. In addition, it measures land and buildings at revalued amounts with changes in fair value being recognized in other comprehensive items or in result for the period. The Company engaged independent valuation specialists to assess fair value as at 31 January 2016 for land and buildings and for investment properties, this action was performed on an annual basis, including 31 December 2017. Investment properties (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.

Tangible assets (land and buildings) were revalued as at 31 December 2016 by an external valuer, an ANEVAR member. The valuation methods used were the market comparison for land and the net replacement cost impacted by the application of the income-based method and the market comparisons.

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 of disposal and its value in use, which will be generated by the intangible and tangible assets of the cash generating units over the remaining useful life. The recoverable amount used by the Company for each cash generating unit for impairment measuring purposes was represented by its value in use.

In the current economic context, the Company analyzed the internal and external sources of information and reached the conclusion that there are no indications concerning the impairment of assets, except for the cash generating units below. The Company considers the relationship between its market capitalization and its book value, among other factors, when reviewing for indicators of impairment. As a result, the Company has decided to estimate the recoverable amount of the tangible assets, in accordance with IAS 36. Therefore, an allowance for asset impairment proved not to be necessary as of 31 December 2017.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

4. REVENUES

The Company's reporting segments are aggregated depending on the main types of activities and are presented below:

January – September 2017

	Installations and fittings	Joinery profiles	Granules	Non-allocated amounts	Total
Turnover	90,994,149	39,651,253	38,911,022	401,853	169,958,277
Other operating income	42,520	18,528	18,182		79,230
Total revenues January – September 2017	91,036,669	39,669,781	38,929,204	401,853	170,037,507
Expenses related to sales, overheads and administrative expenses	88,432,807	39,450,451	34,958,778	59,828	162,901,865
Operating result	2,603,861	219,330	3,970,426	342,025	7,135,642

January – September 2018

	Installations and fittings	Joinery profiles	Granules	Non-allocated amounts	Total
Turnover	135,286,892	39,353,438	48,039,638	369,974	223,049,942
Other operating income	503,679	22,117	78,996	27,531	632,324
Total revenues January – September 2018	135,790,571	39,375,555	48,118,634	397,505	223,682,266
Expenses related to sales, overheads and administrative expenses	136,315,510	39,266,592	43,403,262	409,639	219,395,003
Operating result	(524,939)	108,963	4,715,372	(12,134)	4,287,263

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

5. INFORMATION REGARDING THE EMPLOYEES, BOARD MEMBERS, MANAGEMENT AND SUPERVISORY BODY

The average number of employees during the year was as follows:

	Period ended 30 September 2017	Period ended 30 September 2018
Equivalent number of employees	314	380
Number of members of the administration, management and supervision bodies	5	5
Total	319	385

	Period ended 30 September 2017	Period ended 30 September 2018
Employee salaries and meal tickets expenses	12,567,513	20,577,627
Administrators' salaries expenses	302,591	286,632
Salary related contributions	2,950,086	668,229
Total	15,820,190	21,531,999

6. OTHER OPERATING EXPENSES

	Period ended 30 September 2017	Period ended 30 September 2018
Transport costs	6,240,459	9,744,978
Expenses with utilities	3,556,517	4,964,580
Environmental protection expenses	542,752	756,330
Expenses with third party services	5,892,955	6,593,963
Expenses with compensations, fines and penalties	24,077	2,085
Entertainment, promotion and advertising expenses	900,466	995,154
Other general expenses	650,139	810,752
Expenses with other taxes and duties	694,577	850,138
Repair expenses	543,028	890,467
Travelling expenses	231,251	290,917
Rent expenses	485,986	942,640
Mail and telecommunication expenses	239,598	236,260
Insurance premium expenses	469,601	701,659
Total	20,471,405	27,779,922

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT

COST	Land	Buildings	Equipment and machines	Installations and furniture	Tangible assets in progress	Total
Balance as of 1 January 2018	8,599,553	54,778,962	173,486,479	1,387,372	4,506,535	242,758,901
Increases:			341,169		6,376,018	6,717,187
Out of which:						
<i>Increases from the internal production of non-current assets</i>					586,925	586,925
Transfers in/from tangible assets in progress					(6,732,790)	
Transfers from investment property		505,058	6,167,309	60,423		
	599,425	622,201				1,221,626
Transfers from inventory items			49,884			49,884
Disposals and other decreases		(1,476,548)	(4,396,535)	(136,096)		(6,009,179)
Balance as of 30 September 2018	9,198,978	54,429,673	175,648,306	1,311,699	4,149,763	244,738,419
CUMULATED DEPRECIATION						
Balance as of 1 January 2018	346	3,426,060	114,846,382	918,273		119,191,407
Depreciation recorded during the year	259	1,946,364	10,608,989	100,556		12,656,168
Transfers from inventory items			49,884			49,884
Decreases		(144,572)	(4,385,758)	(93,156)		(4,623,485)
Impairment		(1,389,087)	(178,179)			(1,567,266)
Balance as of 30 September 2018	605	3,838,765	120,941,319	925,674		125,706,362
Net carrying amount as of 1 January 2018	8,599,208	51,352,901	58,640,096	469,099	4,506,535	123,567,493
Net carrying amount as of 30 September 2018	9,198,374	50,590,908	54,706,987	386,025	4,149,763	119,032,057

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Pledged and restricted tangible assets

As of 30 September 2018, tangible assets having a net book value of RON 58,839,877 are guarantees for loans and lines of credit (land and buildings – RON 32,361,653; equipment, machinery, other non-current assets – RON 26,478,224).

Tangible assets used as part of lease contracts where the Company is a lessee.

Tangible assets include equipment used as part of finance lease contract, plant and machinery, as follows:

	<u>31 December 2017</u>	<u>30 September 2018</u>
Net value – vehicles	1,256,844	942,549
Net value – equipment	1,266,228	139,030
TOTAL	2,523,072	1,081,579

8. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
COST			
Balance as of 1 January 2018	4,979,745		4,979,745
Increases:	251,584	102,929	354,513
Out of which:			
<i>Increases from the internal production of non-current assets</i>			
Transfers in/from tangible assets in progress	18,628	(18,628)	
Disposals and other decreases	(6,741)		(6,741)
Balance as of 30 September 2018	5,243,216	84,302	5,327,517
CUMULATED DEPRECIATION			
Balance as of 1 January 2018	3,875,339		3,875,339
Depreciation recorded during the year	358,160		358,160
Decreases	(6,741)		(6,741)
Impairment	12,283		12,283
Balance as of 30 September 2018	4,239,041		4,239,041
Net carrying amount as of 1 January 2018	1,104,406		1,104,406
Net carrying amount as of 30 September 2018	1,004,175	84,302	1,088,476

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. FINANCIAL INVESTMENTS

As of 30 September 2018, TeraPlast SA had investments in the companies TeraSteel Bistrita and TeraSteel Serbia (manufacturer of sandwich panels and zincate metal structures), TeraGlass (manufacturer of PVC windows and doors), TeraPlast Logistic (coordinating the Group's logistic activities), TeraPlast Hungary (distributor) and Politub (manufacturer of polyethylene pipes), as well as the Depaco Company (metal tiles manufacturer).

Politub

By September 2017, the Company was owning 50% of the Politub SA („Politub”) shares, controlling Politub jointly with the other shareholder, New Socotub. Therefore, by 30 September, Politub was a joint venture, consolidated by using the equity method. In August 2017, the Company has purchased from New Socotub 49.99% of Politub's shares, for the amount of Euro 2.5 million. On 20 September 2017, the Company has received the Competition Council's approval for the sole control over Politub and, therefore, Politub is being consolidated starting 1 October 2017.

The main activities of Politub SA include the manufacturing of average and high density polyethylene pipes for the water and natural gas transport and distribution networks, but also for telecommunications, sewerage or irrigations.

Starting 31 December 2017, TeraPlast SA has taken over Politub SA's activity as a whole, including the know-how, the ownership right over the buildings, the equipment and the other assets belonging to Politub, except for the land, at the market value from that date. Starting January 2018, TeraPlast also took over all Politub employees. Politub's commercial relations have also been taken over by TeraPlast.

Following this takeover, Politub has become the polyethylene pipes division of TeraPlast, within the Installations and Fittings segment.

The selling price of Politub SA's activity (without the contribution of the land that remains the property of Politub SA), of RON 21,805,000, was determined through the income approach by an independent appraiser.

As of 31 December 2017, the following patrimony items were taken over in the Company's balance sheet, at fair value, based on a purchase price allocation ratio prepared by an independent appraiser:

	The fair value as of 31 December 2017 of the net assets transferred
NON-CURRENT ASSETS	16,095,369
Buildings	5,386,147
Equipment	10,658,700
Intangible assets	50,522
INVENTORIES	5,716,674
Raw materials and consumables	2,113,786
Finished and residual products	2,476,496
Merchandise	1,126,392
NET TRADE RECEIVABLES AND CASH	2,901,988
NET ASSETS	24,714,030

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. FINANCIAL INVESTMENTS (continued)

At the date of transfer, the fair value of intangible assets, inventories, receivables and payables was equal with their carrying value registered by Politub SA.

Constructions and equipment were transferred at market value.

Total trade receivables, trade payables and cash on balance as of 31 December 2017 will be settled within Politub and the difference will be settled in cash with the receivable related to Teraplast. Teraplast is continuing its commercial relations with the clients and suppliers of Politub as part of new contracts.

The RON 2,909,030 difference between the net transferred assets amounting to RON 24,714,030 and the value of the transferred business amounting to RON 21,805,000 was included in reserves.

The following intangible assets have also been transferred:

- The superficies right over the land
- The PT Politub brand
- Client data bases

Since the value of the Politub business was lower than the fair value of the transferred patrimonial items, these intangibles were recognized at the transfer date as being equal to zero.

The transfer price will be settled in June 2019 and, therefore, the debt to Politub SA is disclosed within Short-term liabilities (as of 31 December 2017, it was disclosed in Long-term liabilities).

Depaco

As of 1 March 2017, Teraplast has concluded a contract with the shareholders of Depaco SRL for the purchase of 50% of its capital shares. The transaction was finalized after its approval by the General Shareholders' Meeting of Teraplast SA and after receiving the agreement from the Romanian Competition Council.

Subsequently, Teraplast has purchased 17% more of the capital shares of Depaco SRL, the investment being presented in the Statement of Financial Position within Other financial investments. As of 31 December 2017, this holding was not registered at the Trade Register and, therefore, Depaco's control was exercised jointly with the other shareholders.

After receiving the Competition Council approval for the sole control over Depaco SRL, in January 2018, the 67% holding in Depaco was registered with the Trade Register. Therefore, starting January 2018, the Company is consolidating Depaco group in full.

Depaco is the second player on the Romanian metallic tiles market, through the Wetterbest brand.

TeraSteel

In March 2007, the Company became the major shareholder of Terasteel SA (Terasteel). Terasteel's main activity is the manufacturing of polyurethane foam heat insulating panels for the construction of warehouses. Starting 31 December 2015, the percentage held by Teraplast SA in Terasteel SA is of 97.95%.

TeraSteel Serbia

In January 2017, the Board of Administration approves the establishment of a subsidiary (100% holding in Teraplast SA) in Serbia. By 30 June 2017, the Company has subscribed and paid in full the share capital amounting to EUR 10,000.

Starting October 2017, Terasteel Serbia has been manufacturing and commercializing polyurethane foam sandwich panels in Serbia and the neighboring markets.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018

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

9. FINANCIAL INVESTMENTS (continued)

Teraglass Bistrita

The Company holds one more subsidiary (100% holding), Teraglass Bistrita SRL, having as main scope of business the manufacturing and commercialization of PVC and aluminum windows and doors. In March 2015, Teraplast SA has transferred to Teraglass Bistrita SRL the business consisting in the manufacturing and commercialization of heat insulating glass, windows and PVC and aluminum doors.

Teraplast Hungaria

On 29 September 2016, by Decision of the Board of Administration, the participation of Teraplast SA, as sole shareholder, in the set-up of a Limited Liability Company in Hungary was approved. Teraplast Hungaria is distributing the Company's products, especially joinery profiles, on this market.

Teraplast Logistic

On 26 September 2015, by Decision of the Board of Administration, the participation of Teraplast SA, as sole shareholder, in the set-up of a Limited Liability Company in Romania, Teraplast Logistic SRL, was approved. Teraplast SA's investment in this company is of 99%. Teraplast Logistic has taken over the Group's logistic activity.

Subsidiary	Country	Investment share	31 December 2017	Investment share	30 September 2018
		%	RON	%	RON
Terasteel S.A. Bistrita	Romania	97.95	10,960,083	97.95	10,960,083
Teraglass Bistrita SRL	Romania	100.00	50,000	100.00	50,000
Politub SA	Romania	99.99	11,677,250	99.99%	11,677,250
Teraplast Logistic SRL	Romania	99.00	990	99.00	990
Teraplast Hungaria	Hungary	100.00	43,167	100.00	43,167
Depaco SRL	Romania	50.00	39,246,960	67.00	56,554,457
Terasteel Doo Serbia	Serbia	100.00	45,271	100.00	45,271
		-	62,023,721	-	79,331,218

As of 30 September 2018, the total cost of investments in subsidiaries was of RON 79,331,218 (31 December 2017: RON 62,023,721).

As of 31 December 2017 and 30 September 2018, the Company was holding securities in the form of investments in the following non-listed companies:

Subsidiary name	Country	Investment share %	31 December 2017	Investment share %	30 September 2018
CERTIND S.A.	Romania	7.50	14,400	7.5	14,400
Parteneriat pentru dezvoltarea durabila	Romania	7.14	1,000	7.14	1,000
Tera Tools SRL	Romania	24.00	72	24.00	72
Total			15,472		15,472

The Company did not make any payments on behalf of the companies in which it holds securities in the form of investments.

Long-term securities are measured at historic cost less any adjustments for impairment. The classification of securities as financial investments or short-term investments is done depending on the Company's intention regarding the term for holding the securities of below or above one year.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

9. FINANCIAL INVESTMENTS (continued)

Related companies (through joint shareholding/decision-makers)

ACI Cluj SA Romania
 Ferma Pomicola Dragu SRL Romania
 La Casa Ristorante Pizzeria Pane Dolce SA Romania
 Magis Investment SRL
 Ischia Invest SRL
 Ischia Activholding SRL
 Info Sport SRL
 Agrolegumicola Dragu SRL
 New Croco Pizzerie SRL
 Parcserv SRL
 Ditovis Impex SRL Romania
 Parc SA
 Hermes SA
 RSL Capital Advisors SRL
 Eurohold AD
 Mundus Services AD
 Cetus Capital SRL

10. INVENTORIES

	31 December 2017	30 September 2018
Finished products	30,331,734	34,071,594
Semi-manufactured goods	711,610	2,503,336
Residual products	285,829	400,515
Products being supplied	1,212,587	1,453,044
Raw materials	27,149,418	20,346,547
Consumables	1,898,915	834,297
Packaging	135,858	626,709
Inventory items	97,842	121,346
Merchandise	5,387,789	7,568,995
Inventories – gross value	67,211,581	67,926,383
Value adjustments for raw materials, consumables	(1,278,499)	(1,587,465)
Value adjustments for finished products	(3,957,165)	(3,557,290)
Value adjustments for merchandise	(845,511)	(614,676)
Inventories – net value	61,130,406	62,166,951

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

11. PETTY CASH AND BANK ACCOUNTS

	31 December 2017	30 September 2018
Cash at banks	4,508,739	8,607,373
Cash in the petty cash	38,490	59,452
Cash equivalents	17,683	76,229
Total	4,564,912	8,743,054

Of the total cash as of 30.09.2018:

- RON 2,331,850 (the equivalent of Eur 500,000) represents cash blocked in a collateral deposit to counter guarantee the letters of credit lines with Raiffeisen Serbia
- RON 4,500,000 represents cash blocked in a collateral deposit for the line of credit with Raiffeisen Bank Romania

12. RECEIVABLES

	Balance as of 31 December 2017	Balance as of 30 September 2018
Trade receivables	39,148,642	62,955,339
Non-exigible trade notes	20,313,633	28,809,803
Advances paid to suppliers of non-current assets	2,153,666	7,256,954
Advances to suppliers of services and inventories	2,684,589	1,177,941
Advances paid to employees	1,199	1,599
Intra-group settlements	5,483,751	8,956,718
Receivables related to personnel and the state budget	266,474	337,854
Other receivables, among which:	5,285,754	4,876,352
Dividends to be received	-	6,626,756
Value adjustments for receivables	(12,111,748)	(11,436,893)
Total	63,225,961	109,562,425

Amounts receivable from Group companies are presented in Note 17.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

13. INVESTMENTS AND SOURCES OF FINANCING

The share capital issued and paid as of 30 September 2018 is of RON 85,691,044.20. The shareholding structure is the following:

	31-Dec-17		30-Sept-18	
	Number of shares	% ownership	Number of shares	% ownership
Goia Dorel	400,957,648	46.79%	400,957,648	46.79%
KJK FUND II SICAV-SIF	86,024,551	10.04%		
KJK BALKAN HOLDING S.a.r.l.			86,024,551	10.04%
Other natural persons and legal entities	369,928,771	43.17%	179,470,388	43.17%
Total	856,910,970	100.00%	856,910,442	100.00%

As of 30 September 2018, the value of the Company's issued and paid share capital comprised 856,910,442 authorized shares, issued and paid in full, for a value of RON 0.1, having a total nominal value of RON 85,691,044.20. Common shares bear one vote each and entitle the holder to receive dividends.

On 13.04.2018, the Central Depository has recorded the share capital decrease by RON 52.80 (528 own shares were canceled) as a result of the Securities Registration Certificate no. AC-3420-6/04.04.2018 issued by the Financial Supervisory Authority and of the Certification of the Company's Information no. 6457/22.03.2018 issued by the Bistrita-Nasaud Trade Register Office.

On 03.07.2017, the Financial Supervisory Authority issued the Securities Registration Certificate no. AC-3420-5/03.07.2017 related to the share capital increase approved through the Decision of the Extraordinary General Shareholders' Meeting of Teraplast S.A no. 1 from 27 April 2017, amounting to RON 29,047,831, through the issuance of 290,478,310 new shares, having a nominal value of RON 0.1/share.

On 28 April 2016, based on the EGSM Decision, the share capital increase by the amount of RON 18,881,089, through the issuance of 188,810,890 new shares having a nominal value of RON 0.01/share was approved. The share capital was increased by incorporating the reserves amounting to RON 18,881,589 set from the net profit of 2015.

The share capital increases were registered with the Bistrita Nasaud Trade Register Office through the Certification of the Company's Information no. 2853/09 February 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-3 of 24.02.2016 and, respectively, with the Bistrita Nasaud Trade Register Office through the Certification of the Company's Information no. 10589/16 May 2016 and with the FSA, the Financial Instruments and Investments Sector, through the Securities Registration Certificate no. AC-3420-4 from 07.07.2016.

The share options used in each year, respectively, have been settled by using the Company's treasury shares. The reduction of the equity component represented by treasury shares is equal to the cost incurred to purchase the shares. Any positive difference between the cash received from the employees and the reduction of the treasury shares is registered in retained earnings.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

14. LOANS

The loans contracted by the Company are as follows:

Financing bank	Financing type	Granting date	Financing currency	Maximum limit granted	On balance as of 31.12.2017	On balance as of 30.09.2018	Short-term as of 30.09.2018	Short-term as of 30.09.2018	Period
BANCA TRANSILVANIA	Working capital	07.06.2017	RON	41,200,000	25,969,682	39,672,205	39,672,205	0	12 MONTHS
BANCA TRANSILVANIA	investments	20.04.2017	RON	27,500,000	12,043,485	11,741,160	2,073,722	9,667,438	84 MONTHS
BANCA TRANSILVANIA	investments	07.06.2017	RON	32,900,000	32,900,000	28,200,000	4,700,000	23,500,000	84 MONTHS
BANCA TRANSILVANIA	investments	19.07.2017	RON	15,663,934	15,721,463	15,069,954	2,669,340	12,400,614	84 MONTHS
BANCA TRANSILVANIA	investments	24.07.2017	RON	4,630,000	4,644,469	4,099,205	1,103,323	2,995,882	60 MONTHS
BANCA TRANSILVANIA	investments	31.07.2017	RON	11,885,363	10,730,255	8,944,376	2,407,426	6,536,950	60 MONTHS
BANCA TRANSILVANIA	investments	07.11.2017	RON	9,775,000	9,775,000	9,775,000	1,955,000	7,820,000	60 MONTHS
RAIFFEISEN BANK	Working capital	01.07.2017	RON	19,000,000	3,741,922	18,350,019	18,350,019	0	12 MONTHS
PORSCHE BANK	investments	31.03.2015	RON	111,596	33,835	14,718	14,718	0	48 MONTHS
BANCA TRANSILVANIA	investments	04.04.2018	RON	6,392,000		6,230,810	1,057,857	5,172,953	72 MONTHS
TOTAL					115,560,110	142,097,447	74,003,609	68,093,838	

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

15. TRADE AND OTHER PAYABLES

Description	Balance as of 31 December 2017	Balance as of 30 September 2018
Trade payables	35,625,473	42,222,911
Trade notes payable	300,981	438,441
Liabilities from the purchase of long-term assets	2,130,986	2,391,666
Advances from clients	373,289	2,384,535
Other payables, out of which:	3,648,120	30,667,282
Payables to employees and social security	2,375,281	3,554,623
VAT payable	679,547	3,733,037
Employee rights not claimed	87,930	87,706
Trade guarantees paid	106,579	336,206
Sundry debtors	205,801	45,410
Principal and interest from the Politub business line transfer	-	22,615,450
Dividends payable	159,296	106,579
Other taxes payable	33,686	188,271
Total	42,078,849	30,667,282

Amounts owed to Group companies are presented in Note 17.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

16. FINANCIAL INSTRUMENTS

The Company has established a benefit plan according to which the employees are entitled to receive retirement benefits according to the seniority within the Company when they turn the retirement age of 65 for men and of 61 for women. There are no other post-retirement employee benefits. The provision represents the present value of the retirement benefit as calculated on an actuarial basis. The main estimates in the actuarial valuation were based on a discount rate of 4% for the first year, of 3% for the following year and of 2% for the following years and represent the average RON interest rate curve without adjustments as provided by EIOPA on 31 December 2016. Employee turnover in the past year was considered constant over time.

The latest actuarial valuations were performed on 31 December 2016 by Mr. Silviu Matei, a member of the Romanian Actuarial Institute. The present value of the defined benefit obligations and the current and past costs of related services have been measured using the projected unit credit method.

The risk management activity within the Company is performed in relation to financial risks (credit risk, market risk, geographic risk, foreign currency risk, interest rate risk and liquidity risk), operating risks and legal risks. 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 Company manages its capital to ensure the going concern principle and, at the same time, maximize revenues for the shareholders, by optimizing the balance of liabilities and equity.

The structure of the Company's capital consists of liabilities, which include the loans presented in note 14, cash and cash equivalents and equity belonging to the parent-entity equity holders. Equity includes 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's 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 degree of indebtedness as at 31 December 2017 and 30 September 2018 was as follows:

	31 December 2017	30 September 2018
Total loans	116,653,492	142,707,224
Cash	4,564,912	8.743.054
Net debt	112,088,580	133.964.170
Total equities	190,645,995	200,541,541
Total equity and net debt	302,734,575	334,505,711
Gearing ratio	37%	41%

16. FINANCIAL INSTRUMENTS (continued)

The Company is subject to capital requirements provided by the legal regulations in force governing the net-asset-to-share-capital ratio. The net asset, calculated as the difference between total assets and total liabilities must exceed 50% of the share capital amount.

According to the Company Law no. 31/1990, as republished, when this requirement is not met, the administrators must immediately convene the Extraordinary General Shareholders' Meeting to decide on whether to increase the share capital or decrease the share capital by an amount at least equal to the losses that cannot be covered from the existing reserves, or to dissolve the company.

The Company met this requirement and needed no share capital increase as at 31 December 2017.

(b) Objectives of the financial risk management

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

(c) Market risk

The Company activities expose it first to the financial risks related to the fluctuation of the exchange rates and of the interest rate.

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.

(d) Foreign currency risk management

The Company performs transactions expressed in different currencies. Hence, there is the risk of fluctuations in the exchange rate. The exposures to the exchange rate are managed according to the approved policies.

(e) 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. The Company performed no hedging operation with a view to reducing its exposure to the interest rate risk.

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 it borrows funds both at fixed, and at floating interest rates. The risk is managed by the Company by maintaining a favorable balance between fixed rate and floating rate interest loans.

16. FINANCIAL INSTRUMENTS (continued)

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

(f) Other price risks

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

(g) Credit risk management

The credit risk relates to the risk that a counterparty will not meet its obligations causing financial losses to the Company. The Company has adopted a policy of performing transactions only with trustworthy parties and of obtaining sufficient guarantees, 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 consist in 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 cash is held in financial institutions which, at the date when it is deposited, are considered to have the lowest reimbursement risk. 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 analyzing the receivables individually and making impairment adjustments together with the client credit management department. The Company defines the counterparties as having similar characteristics when they are affiliated entities.

(h) Liquidity risk management

The ultimate responsibility for liquidity risk management lies with the Board of Directors, which have developed an appropriate liquidity risk management framework in terms of ensuring funding for the Company on the short, medium and long-term and managing liquidities. 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.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

17. RELATED PARTY TRANSACTIONS AND BALANCES DURING JANUARY – SEPTEMBER 2018

Partner	Purchases		Liabilities		Sales/reinvoicing		Receivables	
	Jan-Dec	Jan-Sept	31 Dec	30 Sept	Jan-Dec	Jan-Sept	31 Dec	30 Sept
	2017	2018	2017	2018	2017	2018	2017	2018
Terasteel	2,839,660	1,628,941	115,399	470,012	287,409	277,663	123,961	95,598
Politub	1,392,655	-	8,982	-	2,077,811	22,472	1,851,877	15,198
Teraglass	35,765	188,570	3,844	5,861	6,587,168	6,164,083	8,079,289	7,485,369
Teraplast Logistic	16,723,593	16,153,549	1,246,622	3,799,926	941,372	710,119	136,479	94,396
Teraplast Hungaria	-	85,702	-	21,486	1,522,061	1,369,024	975,343	752,559
Depaco	-	-	-	-	569	-	677	-
Total	20,991,673	18,056,762	1,374,846	4,297,285	11,416,390	8,543,361	11,167,626	8,443,120

As of 30 September 2018, from the total balance receivable from Teraglass Bistrita SRL, the balance related to the transfer of the business line is as follows: RON 2,887,587 represents the long-term portion, discounted to the present value and presented in non-current receivables and RON 1,281,875 represents the short-term portion, shown in sundry debtors. Therefore, as of 30 September 2018, the total debt receivable at the present value amounted to RON 4,169,462.

Also, concerning the loan contracts concluded with the subsidiaries, as of 30 September 2018 there were the following balances (principal plus the interest owed): RON 199,989 related to Teraplast Logistic SRL, RON 952,019 related to Teraplast Hungaria Kft and RON 30,706,808 in relation to Terasteel Doo Serbia.

TERAPLAST SA
NOTES TO THE INTERIM SIMPLIFIED SEPARATE FINANCIAL STATEMENTS
for the nine month period ended 30 September 2018
(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

18. COMMITMENTS AND CONTINGENT LIABILITIES

As of 30 September 2018, the Company has issued letters of guarantee according to the details below:

Issuing bank	Validity period	Amount	Currency	Object of the guarantee
Banca Transilvania	30.06.2018-28.06.2019	100,000	RON	Proper payment in favor of ROMPETROL DOWNSTREAM Counterguaranteeing bank letter of guarantee – guaranteed by a Eur 500,000 collateral deposit It was issued to counterguarantee the letters of credit line opened with Raiffeisen Serbia for TRS
Raiffeisen Bank	25.08.2017 – 01.07.2019	4,000,000	EUR	DOO

As of 30 September 2018, tangible assets having a net book value of RON 58,839,877 are guarantees for loans and lines of credit (land and buildings – RON 32,361,653; equipment, machinery, other non-current assets – RON 26,478,224). For the loans from banks, the Company guaranteed by means of all current and future cash, the merchandise and product inventories, either current or future, and assigned the current and future rights of debt, and their accessories arising from current and future contracts with its clients, in capacity of assigned debtors. Moreover, the Company has assigned the rights resulting from the insurance policies issued for movable and immovable properties set as guarantee.

Potential tax liabilities

In Romania, there are several agencies authorized to perform controls (audits). These controls are similar in nature to the tax audits carried out by the tax authorities in many countries, but they can include not only tax matters, but also other legal and regulatory matters the respective agency may be interested in. It is likely for the Company to continue to be subject, at times, to such controls for breaches or alleged breaches of new and existing laws and regulations. Even though the Company can challenge the alleged breaches and related penalties when management thinks it is entitled to act this way, the adoption or implementation of laws and regulations in Romania may have a significant effect on the Company. The Romanian taxation system is under continued development, being subject to several constant interpretations and amendments, sometimes being applied retrospectively. The statute of limitation for tax liabilities is 5 years.

The Company administrators believe that the Company's tax liabilities have been computed and registered according to the legal provisions.

Environmental matters

The Company's main activity has inherent effects on the environment. The Company activities' impact on the environment are monitored by the local authorities and by the Company management. Consequently, no provisions of any type were set for any sort of obligations, currently non-quantifiable, concerning environmental matters or the necessary remedial works.

18. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Transfer pricing

The Romanian tax law includes the principle of "market value", according to which the transactions between related parties must be performed at market value. Local taxpayers carrying out transactions with affiliates must prepare and submit to the Romanian tax authorities, upon their written request, the transfer pricing file. 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 file, the tax authorities may interpret the transactions and circumstances differently than the management and, as a result, they may apply additional tax obligations resulting from the adjustment of transfer prices. Company management considers it will not suffer losses in case of a tax control for the verification of transfer pricing. However, the impact of different interpretations by the tax authorities cannot be reliably estimated. It can be significant for the Company's financial position and/or operations.

19. SUBSEQUENT EVENTS

According to the Board of Directors' Decision from 14 September 2018, which is based on the Extraordinary General Shareholders' Meeting ("EGSM") Decision from 27 April 2018, Teraplast SA's share capital will be increased through the issuance of 213.334.832 new shares, having the nominal value of RON 0.10/share.

The share-capital increase will be achieved by including the reserves amounting to RON 21.333.483,20 set up from the net profit of the prior years and the issuance of 213.334.832 new shares, having the nominal value of RON 0.10/share. The newly issued shares will not change the shareholders' holding percentages and they will be distributed free of charge to all company's shareholders recorded in the Shareholders' Register at the registration date to be established through this decision. The share capital increase will be carried out to support the Company's current activity. Each shareholder registered within the Shareholders' Register at the registration date will be distributed 1 free share for every 4 shares held.

This increase will be presented in the Company's financial statements when the legal formalities before the Trade Register and the FSA are completed.

EGSM Decision no. 1 from 14 September 2018 approved an amendment of the EGSM Decision no. 1 from 21.09.2017 to decrease the maximum number of shares that can be repurchased from 5,150,000 shares to 3,571,114 shares, within the limit of a RON 1,480,308.10 budget, instead of the previously approved RON 1,850,000 budget and, at the same time, it was approved that the own shares repurchased by the Company will be offered to the employees and management members of the companies within Teraplast Group, free of charge, within the Company's stock option plan, namely granting a mandate to the Board of Directors to carry out this decision.

Through the Board of Directors' Decision no. 57 from 26.09.2018, based on the mandate granted through the EGSM Decisions from 21.09.2017 and from 14.09.2018, it was decided for the 3,571,114 own shares repurchased as part of the Stock Option Plan to be offered free of charge to the employees and management members of the companies within Teraplast Group.

On 01.10.2018, Addendum no. 6 provided the termination of the validity of the services delivery contract no. 395974 from 25.07.2016 concluded with Teraplast Logistic SRL.

TeraPlast Group intends to implement 3 investment projects having a total value of Euro 15 million, using state aid, from which TeraPlast proposed an investment of Euro 6.2 million, out of which Euro 3.1 million would be the state aid for the investment in equipment for the Group's plastics division. As part of this project, the company will bring new innovation on the PVC granules market: Teraplast will be the first producer in Romania of halogen free fire-resistant granules, used for insulating electrical cables.

19. SUBSEQUENT EVENTS (CONTINUED)

From the position of leader on the exterior sewerage market, TeraPlast aims at expanding the production capacity for interior polypropylene sewerage systems, which are a higher quality alternative for the PVC systems. The recent trend was to increase the demand for products in the higher quality range. The polypropylene scrap resulting from the technological process will be recycled and reprocessed, Teraplast constantly keeping within the objective of providing effective solutions for people and the environment.

These interim simplified separate financial statements were approved on 29 October 2018.

Alexandru Stanean
CEO

Ioana Birta
CFO