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 2021

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

		Financial year:	
	Note	**31 December 2021**	**31 December 2020**
Total revenue from customer contracts, *out of which:*	**4**	**615,111,229**	**396,180,378**
Revenue from sale of finished products		*556,634,789*	*349,938,671*
Revenue from the sale of merchandise		*56,136,137*	*44,939,927*
Revenue from services		*2,340,303*	*1,301,780*
Other operating income	5	722,343	622,666
Income from investment subsidies		2,396,968	2,054,541
Changes in inventory of finished goods and work in progress		17,937,485	(1,731,653)
Raw materials, consumables used and merchandise	6	(424,446,513)	(238,958,599)
Employee benefit expenses	9	(69,274,901)	(49,866,847)
Travel expenses		(22,306,207)	(18,028,567)
Expenses with utilities		(17,511,686)	(11,231,599)
Amortization and the adjustments for impairment of non-current assets, net	8	(22,394,844)	(18,641,137)
Impairment of current assets, net	8	514,475	(1,671,212)
Provisions, net	8	(2,053,910)	223,303
Gains / (Losses) from the disposal of tangible and intangible assets	7	760,748	(75,417)
Gains / (Losses) from the disposal/fair value measurement of investment properties	7	669,035	(166,632)
Other expenses	10	(24,800,857)	(20,632,614)
Sponsorships		(1,703,717)	(226,575)
Operating result		**53,619,648**	**37,850,036**
FX differences, net	5	(1,207,343)	(721,519)
Interest expense, net	5	(1,581,557)	(4,927,448)
Other financial income	5	365,503	1,439,731
Income from dividends	5	79,698	60,328
Financial result, net		**(2,343,699)**	**(4,148,908)**
Profit before tax		**51,275,949**	**33,701,128**
Income tax expense		(6,648,644)	(3,999,294)
Profit of businesses that continue their activity within the Group		**44,627,305**	**29,701,834**
Profit from sale of Steel and Profiles businesses / Net profit of such businesses in 2020, when they were part of the Group		**189,249,012**	**47,798,964**
Profit for the year		**233,876,317**	**77,500,798**
Other comprehensive income:			
OCI that will not be reclassified subsequently to profit or loss			-
Revaluation of fixed assets, net		477,607	(3,214,699)

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

	Note	**Financial year: 31 December 2021**	**31 December 2020**
Deferred tax, net		(76,417)	514,352
Profit or loss for the year		**401,190**	**(2,700,348)**
Attributable to			
Parent entity equity holders		234,672,092	74,800,450
Non-controlling interests		(394,585)	-
Profit or loss for the year		234,277,507	**74,800,450**
Number of shares (weighted average)		1,888,467,105	1,487,336,130
Basic and diluted earnings per share corresponding to business that continues its activity		**0.024**	**0.020**

Approved:

7 February 2022
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Note	31 December 2021	31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment		272,320,678	164,230,946
Investment property	16	4,355,802	3,686,767
Right of use of the leased assets	12	9,618,149	5,157,915
Intangible assets	11	2,362,252	1,112,186
Long-term receivable		1,593,212	304,521
Other long-term equity investments		15,500	15,400
Total non-current assets		**290,265,593**	**174,507,735**
Current assets			
Inventories	14	118,075,643	65,049,188
Trade receivables	15	171,570,040	81,201,693
Receivables representing dividends paid and share capital increase out of the year's profit		270,195,925	30,682,530
Prepayments granted to suppliers of non-current assets		16,658,657	3,975,053
Prepayments		615,133	572,570
Cash	24	7,735,992	16,620,936
Total current assets		**584,851,390**	**198,101,970**
Assets held for sale – Joinery profiles		-	25,399,520
Assets held for sale – Steel division		-	333,788,087
Total assets		**875,116,983**	**731,797,312**
EQUITY AND LIABILITIES			
Equity			
Share capital	**17**	**217,900,036**	**174,320,048**
Treasury shares		(4,935,035)	-
Revaluation reserves		13,872,017	13,394,410
Legal reserve		16,627,688	16,627,688
Retained earnings		337,691,070	129,200,928
Capital attributable to controlling interests		**581,155,776**	**333,543,074**

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

	Note	31 December 2021	31 December 2020
Non-controlling interests		3,615,834	655,430
Total equity		**584,771,610**	**334,198,504**
Non-current liabilities			
Bank loans	20	39,477,363	27,234,942
Lease liabilities		530,209	624,958
Right-of-use lease liabilities	21	6,940,711	2,204,774
Non-current liabilities for non-current assets	19	9,012,910	9,376,689
Employee benefit liabilities	18	1,749,360	1,321,041
Investment subsidies – long-term portion	25	31,829,530	17,836,056
Deferred tax liabilities		1,311,043	1,313,416
Total non-current liabilities		**90,851,126**	**59,911,876**
Current liabilities			
Trade and other payables	19	105,671,134	66,337,280
Bank loans	20	86,512,393	100,408,930
Lease liabilities		465,904	394,141
Right-of-use lease liabilities	21	1,608,401	867,450
Income tax payable		493,529	1,335,867
Investment subsidies - current portion	25	2,554,125	2,051,447
Provisions for risks and charges		2,188,761	563,170
Total current liabilities		**199,494,247**	**171,958,285**
Liabilities related to assets held for sale and discontinued activities		**-**	165,728,647
Total liabilities		**290,345,372**	**397,598,808**
Total equity and liabilities		**875,116,983**	**731,797,312**

Approved:

7 February 2022
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

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

	Total share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated retained earnings	Capital attributable to parent’s equity holders	Non-controlling interests	Total equity
Balance at 1 January 2021	**174,320,048**	**16,627,688**	**13,394,410**	**-**	**129,200,928**	**333,543,074**	**655,430**	**334,198,504**
Result for the year	-	-	-	-	234,270,902	234,270,902	(394,585)	233,876,317
Total comprehensive income	**-**	**-**	**-**	**-**	**234,270,902**	**234,270,902**	**(394,585)**	**233,876,317**
Share capital increase from reserves (Note 19)	43,579,988	-	-	-		43,579,988	-	43,579,988
Reserves representing revaluation surplus	-	-	477,607	-		477,607	-	477,607
Own shares redeemed	-	-	-	(4,935,035)		(4,935,035)	-	(4,935,035)
Dividends granted in Q1 2021	-	-	-	-	(30,682,530)	(30,682,530)	-	(30,682,530)
Acquisition of Somplast at 31 March 2021					4,901,770	4,901,770	3,354,989	8,256,759
Balance at 31 December 2021	**217,900,036**	**16,627,688**	**13,872,017**	**(4,935,035)**	**337,691,070**	**581,155,776**	**3,615,834**	**584,771,610**

Out of the profit registered in March 2021, TeraPlast SA distributed a special dividend of RON 226,615,937 and granted a free share for every 4 shares held. The dividends were paid in July 2021. The share capital increase by RON 43,579,988 representing the free shares distributed, was done in August 2021.

In 2020, TeraPlast SA distributed dividends worth RON 45,323,187, based on the results at 30 September 2020, of which RON 14,640,657 from reserves and the remaining from the profit of January – September 2020. The dividends were paid in December 2020.

The RON 4.9 million is the fair value of the gains from the bargain purchase of the 70.8% ownership in Somplast SA. The report on the allocation of the purchase price was prepared by an independent valuer in compliance with IFRS 3 – Business combinations, according to which the purchaser must allocate the cost of the ownership purchased by recognising the acquiree’s identifiable assets and liabilities at fair value at the purchase date. The fair value at 31 December 2020 of the net assets of Somplast was estimated at RON 13,734 thousand. The valuer estimated the value of the minority RON 4,010 thousand ownership using the pro rata allocation method of IFRS 3. Teraplast SA acquired the ownership at RON 4,841 thousand.

At 31 December 2021 and 31 December 2020, the revaluation reserves include the amounts representing the surplus from the revaluation of lands and buildings. The Group commissions a revaluation of land and buildings at 31 December 2021. The results of the revaluation are not included in these draft financial statements, but will be included in the final financial statements.

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	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 at 1 January 2020	**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**
Result for the year	-	-	-	-	-	-	77,299,408	77,299,408	201,390	77,500,798
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**77,299,408**	**77,299,408**	**201,390**	**77,500,798**
Share capital increase from reserves (Note 19)	40,539,536	-	-	(27,384,726)	-	-	(13,154,820)	(10)	-	(10)
Legal reserve setting	-	531,114	-	-	-	-	(531,114)	-	-	-
Reserves representing revaluation surplus (Note 12)	-	-	(4,476,604)	-	-	-	820,639	(3,655,965)	(820,639)	(4,476,604)
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	209,181	645,479	(978,901)	(333,422)
Balance at 31 December 2020	**174,320,048**	**16,627,688**	**13,394,410**	**-**	**-**	**-**	**129,637,226**	**333,543,074**	**655,430**	**334,198,504**

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

INDIRECT METHOD	**Year ended 31 December 2021**	**Year ended 31 December 2020**
Cash flows from operating activities:		
Profit before tax	**51,275,949**	**33,701,128**
(Profit) / Losses from disposal of fixed assets	(760,748)	75,417
Impairment and amortization of non-current assets	22,394,844	18,641,137
Provisions for risks and charges, net	2,053,910	(223,303)
Allowance for doubtful debts	488,686	2,301,664
Inventory impairment	(1,003,161)	(630,452)
Income from dividends	(79,698)	(60,328)
(Gains) / Loss from the revaluation of investment property	(669,035)	166,632
Interest expense	1,581,557	4,996,284
Operating profit before changes in working capital	**75,282,304**	**58,968,179**
Increase in gross trade receivables	(90,899,596)	(4,568,176)
Increase in inventories	(52,023,294)	(9,352,208)
Increase in trade and other payables	29,458,776	27,614,917
Income tax paid	(8,040,802)	(1,703,815)
Interest paid, net	(1,581,557)	(4,996,284)
Income from subsidies	(2,396,968)	(2,054,541)
Cash (used in) / from operating activities	**(50,201,137)**	**63,908,072**
Cash flows used for investment*:*		
Payments for acquisition of non-current assets	(129,889,899)	(23,952,946)
Receipts under State aid	16,893,120	10,043,865
Payment for investment in Wetterbest SA, net of purchased cash	-	(19,034,400)
Payments for investment in Somplast	-	(4,897,400)
Receipts from the sale of Steel division and the profile business	384,887,335	-
Receipts from the sale of tangible assets	2,574,013	10,867,180
Net cash from / (used for) investment	**274,464,569**	**(26,973,701)**
Cash inflows from financing activities:		
Repayment of lease liabilities	(22,986)	(2,152,190)
Dividends received	(226,615,937)	(45,323,187)
Dividends paid	79,698	60,328
Net repayments of loans	(1,654,116)	(10,470,632)
Receivables from Steel group, representing loan granted to TeraSteel Serbia received in 2020	-	23,219,842
Own share redemption net of exercising the options	(4,935,035)	-
Net cash used in financing activities	**(233,148,376)**	**(34,665,839)**
Net (decrease) / increase in cash	(8,884,944)	2,268,532
Cash at the beginning of the financial year	**16,620,936**	**14,352,404**
Cash at the end of the financial year	**7,735,992**	**16,620,936**

Approved:
7 February 2022
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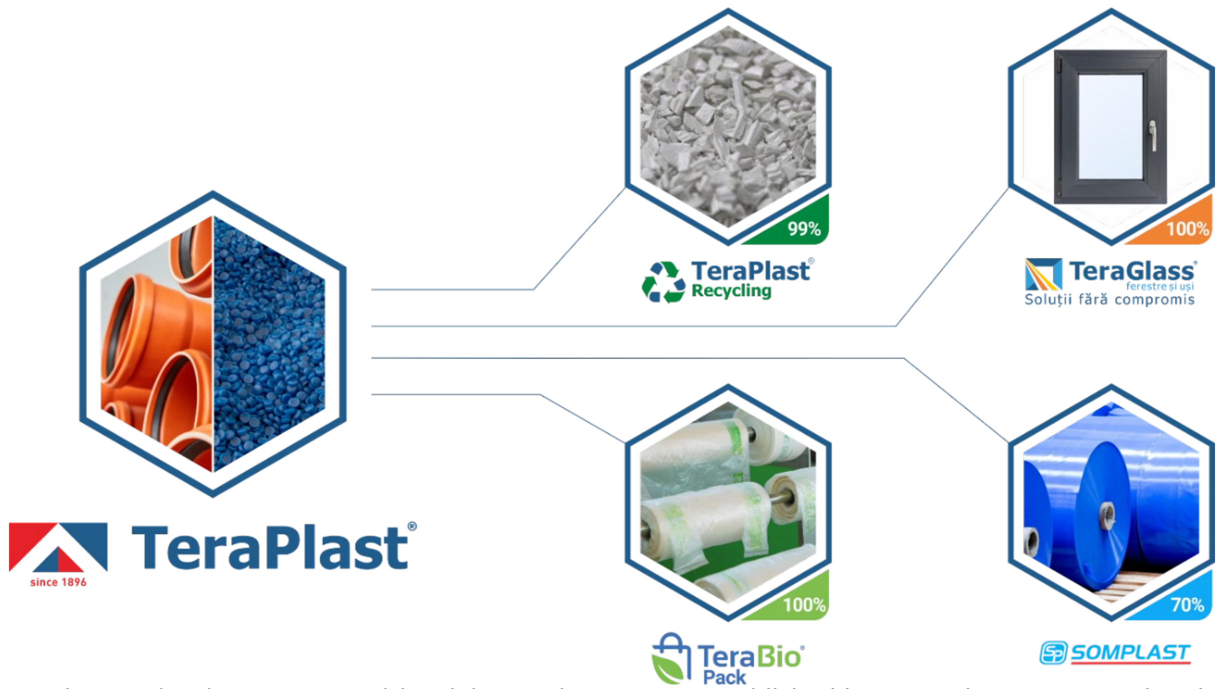
1. GENERAL INFORMATION

These are the consolidated financial statements of the Teraplast SA Group (the "Group"). These draft financial statements are not audited.

With a tradition of 125 years, TeraPlast SA is the parent company of the TeraPlast Group, one of the most important producers of construction materials and PVC compounds.

Membership of TeraPlast



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, Bistrița- Năsăud 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 – PVC recycler,
- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging, with a share of 100% of TeraPlast SA, established in August 2020,
- Somplast SA – the Company holds production halls that it leases to TeraBioPack and TeraPlast Recycling. At 31 December 2021, the Company does not register any more production, since the production of installations is integrated in TeraPlast and the production of flexible polyethylene packaging is integrated in TeraBio Pack. TeraPlast exercises control of the company and consolidates the financial statements of Somplast as of 1 April 2021.

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 375 million. TeraPlast used the money to pay the special dividend and for investments.

- TeraPlast Hungaria Kft. (distributor) along with the joinery profiles business of TeraPlast SA were sold to Dynamic Selling Group.

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 ("**MoPFO 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 2021, the Group's current assets exceed the current liabilities by RON 115,161,219 (31 December 2020: RON 26,143,685). In 2020, the Group registered net profit from the businesses that continue their activity in the Group in amount of RON 44,627,305 (2020: RON 29,701,834). 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 is 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.

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.

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

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

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 2021	31 December 2020
EUR 1	4.9481	4.8694
USD 1	4.3707	3.9660
CHF 1	4.7884	4.4997

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 revaluated 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

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:	**Years**
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 four operating segments: Installations (systems for sewage, water and gas), recycled micronized PVC produced by TeraPlast Recycling, which is raw material for the PVC pipes), Compounds and PVC windows and doors and Flexible packaging.

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.

PVC windows and doors are produced and sold by TeraGlass, mostly in European DYI 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 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)

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.

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 valuators are involved for valuation of significant assets, such as investment property and available for sale financial assets. Involvement of external valuators 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 valuators, 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.

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

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, reached RON 74.2 million, 36% more compared to 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.

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 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 2021	**Year ended 31 December 2020**
	RON	***RON***
Sales of finished goods	564,333,623	355,276,202
Sale of merchandise	56,136,137	44,939,927

Revenues from other activities	2,340,303	1,301,780
Trade discounts granted	(7,698,834)	(5,337,531)
Total	**615,111,229**	**396,180,378**

The information on the operational policy as reported to the management form 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 TeraPlast Group operates on the construction materials market and as of 2021, through the investment in the biodegradable packaging plant and the integration of Somplast, the Group is also present on the market of flexible packaging.

TeraPlast since 1896

INSTALAȚII

Parc Industrial TeraPlast, Sărățel, BN, România

Sisteme complete pentru:
- Canalizări exterioare
- Apă & Gaz
- Canalizări interioare
- Protecție cabluri
- Management-ul apelor pluviale și menajere
- Încălzire prin pardoseală

Lider pe piața de canalizări exterioare din PVC

Rezidențial / Nerezidențial / Infrastructură

TeraPlast since 1896

GRANULE PVC

Parc Industrial TeraPlast, Sărățel, BN, România

- Granule rigide
- Granule plastifiate
- Granule HFFR

Liderul pieței din România, cotă de piață de 34%

Producție

TeraGlass ferestre și uși
Soluții fără compromis

FERESTRE & UȘI

Bistrița, BN, România

- Ferestre din PVC și aluminiu
- Uși din PVC și aluminiu
- Fațade și terase
- Accesorii din aluminiu

Export de peste 60% anual

Rezidențial / Nerezidențial

TeraPlast Recycling

RECICLARE PVC RIGID

Parc Industrial TeraPlast, Sărățel, BN, România

- Regranulat PVC
- Micronizat PVC

Cel mai mare reciclator de PVC rigid din România și în top 10 în Europa

Producție

4. REVENUE AND OPERATING SEGMENTS (continued)

The Group's distribution channels for its products are:

- 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 complete systems for installations are made of PVC, PP (polypropylene) and PE (polyethylene) and are part of the portfolio of TeraPlast SA. They comprise systems for: indoor sewer system, outdoor sewer system, transport and distribution of water and natural gas, rain water management, cable protection and floor heating.

The products in the Installations portfolio are mainly intended for the infrastructure market, but also for the residential and non-residential building market. TeraPlast is the leader of the PVC outdoor sewer market and is ranked top 3 on the other segments of the Romanian installations market.

The company has a long history of market innovations:

- We were the first producer of approved polyethylene pipes in Romania
- We were the first producer of multi-layered PVC pipes for outdoor sewer
- We are the only Romanian producer that holds a patent for the production of multi-layered PVC pipes (with recycled core) for outdoor sewer

The development of the range of products also includes objectives related to their sustainability. Therefore, we have developed over the years solutions such as the multi-layered PVC pipes or the PE 100-RC pipe resistant to crack propagation and a useful life of almost 100 years according to PAS 1075.

The Recovery and Resilience Plan for Romania has a EUR 5 billion budget for investment projects, which directly influences the demand for TeraPlast products and offers growth opportunities for the Group's businesses.

Compounds

The PVC compounds business line is part of the portfolio of TeraPlast SA and comprises plasticized and rigid compounds. They are used in extrusion and injection processes in the processing industry. Further to an investment project co-funded under the State aid scheme, our company introduces an innovation on the Romanian compound market: fireproof halogen-free compounds (HFFR). They are waiting homologation with the clients.

TeraPlast is the leader of the Romanian PVC compound market, with a market share of over 34%.

Recycling

Through its recycling activity, TeraPlast Recycling is the largest rigid PVC recycler in Romania din and one of the top 10 in Europe. The plant processes post-industrial and post-consumption rigid PVC waste. The finished product resulting from recycling, the regranulated PVC or micronized PVC, can be used by PVC processers in production without altering the technical or qualitative characteristics of the finished products.

The micronized PVC produced by TeraPlast Recycling is used by TeraPlast in the production of PVC pipes and by other European pipe manufacturers. Given the utilization of the product, the micronized PVC business is presented along with the Installations business.

The regranulated PVC replaces certain compounds made of virgin material. The compound business of TeraPlast Recycling is presented along with the compound business of TeraPlast.

Windows and doors

The windows and doors business line belongs to TeraGlass Bistrița SRL. The product range includes PVC and aluminium windows and doors, facades and terraces, garage doors. More than 70% of the annual production goes abroad in countries like Germany, Hungary, Slovakia or Austria. An important distribution channel for the TeraGlass products is represented by the home development outlets abroad.

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Flexible packaging

In December 2021, TeraBio Pack began the production of biodegradable flexible films and packaging in the new plant located in TeraPlast Industrial Park.

As of September 2021, TeraBio Pack took over the polyethylene flexible packaging business from Somplast. The flexible packaging line includes polyethylene foils and films, polyethylene covers, sacks (thick, thin, household), and bags.
Polyethylene foils and films for agricultural use (solarium foil), in the construction industry (film, protection foil) and as semi-finished product in the packaging industry.

2021	**Installations and recycling**	**Granule, including recycled**	**Joinery profiles**	**Flexible packaging**	**Total**
Turnover	**407,320,267**	**147,540,192**	**43,397,457**	**16,853,313**	**615,111,229**
Other operating income	683,270	0	8,498	30,575	722,343
Income from subsidies	1,220,644	154,119	806,595	215,610	2,396,968
Operating income, total	**409,224,181**	**147,694,311**	**44,212,550**	**17,099,498**	**618,230,540**
Raw materials, consumables used and merchandise*	(268,520,686)	(99,954,873)	(25,683,299)	(12,350,171)	(406,509,028)
Employee benefits expenses	(44,216,877)	(11,409,391)	(9,132,785)	(4,515,848)	(69,274,901)
Travel expenses	(16,321,866)	(1,906,896)	(3,394,651)	(682,794)	(22,306,207)
Expenses with utilities	(14,100,888)	(1,559,277)	(767,722)	(1,083,798)	(17,511,685)
Amortization and adjustments for the impairment of assets and provisions**	(16,536,436)	(3,158,751)	(2,361,557)	(962,226)	(23,018,971)
Adjustments for the impairment of current assets	1,352,733	0	(379,058)	(459,201)	514,475
Sponsorships	(951,507)	(733,417)	(15,893)	(2,900)	(1,703,717)
Other expenses	(15,100,878)	(5,157,616)	(3,032,452)	(1,509,912)	(24,800,857)
Expenses related to indirect sales and administrative expenses	(374,396,405)	(123,880,220)	(44,767,417)	(21,566,849)	(564,610,892)
Operating result	**34,827,776**	**23,814,091**	**(554,867)**	**(4,467,351)**	**53,619,648**
EBITDA* **	**50,143,568**	**26,818,723**	**1,000,095**	**-3,720,735**	**74,241,651**
EBITDA %	***12,3%***	***18,2%***	***2,3%***	***-22,1%***	***12,1%***
Financial result	(1,437,044)	(235,378)	(395,355)	(275,921)	(2,343,699)
Corporate tax	(3,541,142)	(3,071,986)	0	(35,516)	(6,648,644)
Net result	**29,849,590**	**20,506,726**	**(950,222)**	**(4,778,788)**	**44,627,305**

*The line includes the changes in stocks of finished goods and semi-finished products "Changes in stocks of finished goods and work in progress"
**The line also includes the gains or losses from the sale or revaluation of non-current assets, including investment property
*** EBITDA = Operating result + amortization and the adjustments for the impairment of non-current assets and provisions – Income from subsidies

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

4. REVENUE AND OPERATING SEGMENTS (continued)

31 December 2021	**Installations and recycling**	**Compounds**	**Joinery profiles**	**Flexible packaging**	**Unallocated amount**	**Total**
Assets						
Total assets, out of which	**408,907,736**	**67,066,630**	**44,052,372**	**76,520,918**	**278,569,327**	**875,116,983**
Non-current assets	182,698,621	24,004,135	22,153,457	53,035,979	8,373,402	**290,265,593**
Current assets	226,209,115	43,062,495	21,898,916	23,484,939	270,195,925	**584,851,390**
Liabilities						
Total liabilities, out of which:	**167,848,353**	**39,199,857**	**33,529,442**	**49,767,720**	**-**	**290,345,372**
Non-current liabilities	46,845,139	8,888,616	8,141,074	26,976,297	-	90,851,126
Current liabilities	121,003,214	30,311,241	25,388,368	22,791,422	-	199,494,246
Additions of fixed assets	70,868,194	1,880,704	224,821	51,750,550	-	124,724,268

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

Unallocated non-current assets represent property leased to the buyer of the Joinery Profiles business for a period of one year and investment property (the land in Bistrița where a real estate developer builds a residential building).

Unallocated current assets represent the claim of TeraPlast over the company's shareholders further to the payment of dividends (July 2021) and the award of free shares (September 2021). The claim will be settled with the retained earnings after the GMS approves the annual financial statements (in April 2022), according to the regulations on quarterly dividends.

The additions of fixed assets refer mainly to the extension of the production and storage capacity for PVC pipes and fittings and equipment for the floor heating system.
The extrusion and manufacturing divisions in the flexible packaging plant were put into operation in December 2021. The equipment for the biodegradable compounds division will be put into operation in early 2022.

Apart from such investments that will enhance the production capacity in 2021 and will generate operating efficiency, the Group also invested in capital maintenance works.

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Year ended 31 December 2020	**Installations 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
Operating income, 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 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	**Installations 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

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 write-off.

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

5. SUNDRY INCOME AND EXPENSES

Financial income and costs

	Year ended 31 December 2021	**Year ended 31 December 2020**
Interest expense	(2,975,775)	(4,929,578)
Interest income	1,394,218	2,130
Loss from foreign exchange differences, net	(1,186,745)	730,657
Dividend income	79,698	60,328
Other financial income/ expenses	327,268	(12,445)
Net financial loss	**(2,361,336)**	**(4,148,908)**

The Group did not capitalize any borrowing cost in 2021 and 2020 because the investments financed through bank debt were assets with long implementation period (construction, installation and commissioning).

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 79,698 (2020: RON 60,328).

Other operating income

	Year ended 31 December 2021	**Year ended 31 December 2020**
Compensations, fines and penalties	257,736	210,874
Other income	464,607	411,792
Total	**722,343**	**622,666**

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2021	**Year ended 31 December 2020**
Raw materials expenses	357,408,718	188,487,324
Consumables expenses	23,016,839	17,720,262
Merchandise expenses	42,081,659	31,572,540
Packaging expenses	1,939,297	1,178,472
Total	**424,446,513**	**238,958,599**

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

7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	Year ended 31 December 2021	Year ended 31 December 2020
Income from the disposal of the tangible and intangible assets and investment property	2,574,012	10,867,180
Expenses with the disposal of tangible and intangible assets and investment property	(1,813,264)	(11,109,229)
Net loss from the disposal of tangible and intangible assets	**760,748**	**(242,049)**

In 2020, the Company sold the warehouse in Brașov.

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2021	Year ended 31 December 2020
(Expenses)/Income with/from non-current assets impairment (IAS 36)	(2,363,570)	(2,786,643)
Income from reversal of non-current assets impairment (IAS 36)	481,872	1,649,554
Amortization and depreciation expenses (Notes 11 and 12 (IAS 36)	(20,513,146)	(17,504,048)
Net adjustments for non-current assets impairment	**(22,394,844)**	**(18,641,137)**
Inventory impairment expenses (IAS 36)	(3,883,773)	(3,262,871)
Income from inventory impairment reversal (IAS 36)	4,886,934	3,893,323
Net adjustments for inventory impairment (Note 14)	**1,003,161**	**630,452**
Expenses with allowance for doubtful debts (IFRS 9)	(2,265,622)	(3,211,207)
Income from impairment reversal (IFRS 9)	4,943,543	1,846,150
Receivables charged to expenses (IFRS 9)	(3,166,607)	(936,608)
Net adjustments for doubtful debts (Note 15)	**(488,686)**	**(2,301,664)**
Provisions (IAS 36)	(2,411,684)	(9,419)
Revenues from provisions reversal / cancellation (IAS 36)	357,774	232,722
Net adjustments for provisions	**(2,053,910)**	**223,303**

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

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.

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 2021	**Year ended 31 December 2020**
Wages	63,210,475	45,230,769
Contributions to the public social security fund	2,386,136	1,750,729
Meal tickets	3,678,290	2,885,350
Total, as presented on line "Employee benefit expenses"	**69,274,901**	**49,866,847**

Remuneration of the Board of Administration

The Chairman and the Members of the Board have a monthly net salary of EUR 2,000.

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

10. OTHER EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Expenses with third party services	11,981,323	11,721,611
Expenses with compensations, fines and penalties	44,782	190,380
Entertainment, promotion and advertising expenses	1,949,489	1,592,851
Other general expenses	1,272,017	538,802
Expenses with other taxes and duties	2,061,377	1,976,743
Repair expenses	3,378,232	2,653,379
Travelling expenses	762,193	396,842
Rent expenses	1,158,981	(13,848)
Mail and telecommunication expenses	417,316	344,751
Insurance premium expenses	1,775,148	1,231,103
Total	**24,800,858**	**20,632,614**

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. INTANGIBLE ASSETS

	Goodwill	Licenses and other intangible assets	Intangible assets in progress	Total
Cost				
Balance at 1 January 2021	**-**	**7,178,916**	**199,572**	**7,378,488**
Increases		617,923	1,425,289	2,043,212
Transfers into / from tangible assets in progress		33,387	-33,387	-
Disposals/decreases		(10,919)	(140,735)	(151,654)
Increases from purchase of Somplast		155,392		155,392
Balance at 31 December 2021		**7,974,699**	**1,450,739**	**9,425,438**
Balance at 1 January 2020	**35,230,839**	**45,102,769**	**165,649**	**80,499,257**
Increases	291,876	600,700	43,111	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)	-	(73,968,886)
Balance at 31 December 2020	**-**	**7,178,916**	**199,572**	**7,378,488**
Accumulated amortisation				
Balance at 1 January 2021	**-**	**6,266,302**	**-**	**6,266,302**
Amortization expense		691,462		691,462
Impairment		(39,051)		(39,051)
Decreases		(10,919)		(10,919)
Increases from purchase of Somplast		155,392		155,392
Balance at 31 December 2021		**7,063,186**		**7,063,186**

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

Balance at 1 January 2020	**25,204,000**	**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)
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 2021		**911,513**	**1,450,739**	**2,362,252**
At 31 December 2020	**-**	**912,615**	**199,572**	**1,112,186**

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

12. RIGHT-OF-USE ASSETS

The Group has right-of-use assets from rented buildings, warehouses and showrooms. The Group finances through lease agreements vehicles.
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Cost	**Buildings**	**Equipment from operating leases**	**Vehicles and equipment from previous finance leases**	**Equipment**	**Total**
Balance at 1 January 2021	**5,487,467**	**-**	**2,823,452**	**2,823,452**	**8,310,919**
Additions	6,367,130	2,095,544	2,719	2,719	8,465,393
Disposals	(3,238,810)		(363,985)	(363,985)	(3,602,795)
Balance at 31 December 2021	**8,615,787**	**2,095,544**	**2,462,186**	**2,462,186**	**13,173,517**
Amortisation					
Balance at 1 January 2021	**2,144,918**	**-**	**1,008,085**	**1,008,085**	**3,153,003**
Amortisation expenses (Note 8)	1,746,227	62,075	508,813	508,813	2,317,115
Decreases	(1,675,993)		(238,758)	(238,758)	(1,914,751)
Balance at 31 December 2021	**2,215,151**	**62,075**	**1,278,141**	**1,278,141**	**3,555,367**
Carrying amount at 1 January 2020	**3,342,549**	**-**	**1,815,367**	**1,815,367**	**5,157,916**
Carrying amount at 31 December 2021	**6,400,635**	**2,033,469**	**1,184,045**	**1,184,045**	**9,618,149**

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

	2021	**2020**
Amortization expense	2,317,115	1,116,869
Interest expense on lease liabilities	290,585	164,886

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

13. SUBSIDIARIES AND FINANCIAL INVESTMENTS

As at 31 December 2021 and 31 December 2020, the parent company has the following investments:

Subsidiary	Country	Shareholding		Shareholding	31 December 2020
		%	*LEI*	*%*	*LEI*
Teraglass Bistrița SRL	Romania	100	3,468,340	100	50,000
TeraPlast Recycling SA	Romania	99	11,766,350	99	11,766,350
Somplast SA	Romania	70,8	4,897,400	-	-
TeraPlast Folii Biodegradabile SRL	Romania	100	10,100,000	100	100,000
		-	**30,232,090**	**-**	**11,916,350**

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, the companies of which were sold in February 2021:

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 sold in March 2021:

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

Other long-term equity investments
Details concerning other equity investments of Teraplast SA are the following:

Investment name	Country	Investment share	31 December 2021	Investment share	31 December 2020
		%	*RON*	*%*	*RON*
CERTIND SA	Romania	7.50	14,400	7.50	14,400
Partnership for sustainable development	Romania	7.14	1,000	7.14	1,000
ECOREP GROUP SA	Romania	0,1	100	-	-
		-	**15,500**	**-**	**15,400**

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.

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

14. INVENTORIES

	Balance at 31 December 2021	**Balance at 31 December 2020**
Finished goods	46,701,636	23,248,828
Raw materials	59,191,087	29,437,932
Commodities	7,424,010	8,423,038
Consumables	5,298,998	3,313,139
Inventory items	311,334	316,062
Semi-finished goods	1,970,154	2,390,562
Residual products	718,238	460,074
Goods to be purchased	342,973	728,921
Packaging	625,210	235,467
Inventories – gross value	**122,583,640**	**68,554,024**
Value adjustments for raw materials and consumables	(1,535,640)	(1,460,849)
Value adjustments for finished products	(1,837,956)	(849,869)
Value adjustments for merchandise	(1,134,401)	(1,194,118)
Total value adjustments	**(4,507,997)**	**(3,504,836)**
Total inventories – net value	**118,075,643**	**65,049,188**

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.

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

15. TRADE AND OTHER RECEIVABLES

	Balance at 31 December 2021	Balance at 31 December 2020
Short-term receivables		
Trade receivables	105,947,779	66,079,006
Trade notes not exigible	43,943,069	28,865,223
Advances paid to suppliers of inventories and services	29,969,566	475,504
Advances paid to employees	3,215	128
Other receivables	8,257,254	3,988,805
Loss allowance	(16,550,843)	(18,206,973)
Balance at the end of the year	**171,570,040**	**81,201,693**

The changes in adjustment for impairment on doubtful receivables

	Year ended 31 December 2021 *RON*	Year ended 31 December 2020 *RON*
Balance at the beginning of the year	**(18,206,973)**	**(26,038,861)**
Receivables written-off during the year	3,166,607	936,608
Impairment adjustment charged to statement of comprehensive income for trade receivables	(488,686)	(2,301,664)
Impairment adjustment for assets held for sale and discontinued operations		9,196,944
Receivables with transferred customers	(1,021,790)	
Balance at the end of year	**(16,550,843)**	**(18,206,973)**

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.

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

16. INVESTMENT PROPERTY

At 31 December 2021 and 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 at 31 December 2021 by an external independent valuator. The valuation method used was the market comparison.

17. SHARE CAPITAL

	Balance at 31 December 2021	**Balance at 31 December 2020**
	RON	***RON***
Common shares paid in full	217,900,036	174,320,048

As at 31 December 2021, the value of the share capital subscribed and paid up of the Company included 2,179,000,358 (2020: 1,743,200,478) authorized shares, issued and paid in full, at a value RON 0.1/share and having a total nominal value of RON 217,900,036 (2020: RON 174,320,048). Common shares bear a vote each and give the right to dividends.

On 19.08.2021, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 43,579,988, through the issuance of 435,799,880 new shares, at a nominal value of RON 0.1 /share.

On 10.07.2020, 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.

Shareholding

	Balance at 31 December 2021		**Balance at 31 December 2020**	
	Number of shares	**% ownership**	**Number of shares**	**% ownership**
Goia Dorel	1,020,429,614	46.83	816,343,691	46.83
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	261,832,007	12.02	212,147,484	12.17
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIIANZ PP	135,167,485	6.2	108,133,988	6.2
LCS IMOBILIAR SA	78,628,275	3.6	62,902,621	3.61
Other natural and legal persons	682,942,977	31.34	501,140,484	28.75
Total	**2,179,000,358**	**100**	**1,743,200,478**	**100**

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

18. 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 2021	**31 December 2020**	**31 December 2021**	**31 December 2020**
Employee benefits		-	1,749,360	1,321,041
Provisions for risks and charges	2,188,761	563,170		-
Total	**2,188,761**	**563,170**	**1,749,360**	**1,321,041**

Long-term employee benefits	**Financial year ended 31 December 2021**
Opening balance	1,321,041
Movements	428,319
Closing balance	**1,749,360**

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. 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 latest actuarial valuations were performed on 31 December 2021 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.

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

19. TRADE AND OTHER PAYABLES

	Balance at 31 December 2021	Balance at 31 December 2020
Trade payables	75,193,614	48,506,108
Trade notes payable	3,902,457	535,957
Liabilities from the purchase of non-current assets	9,151,102	2,158,224
Other current payables	15,956,489	13,572,034
Advance payments from clients	1,467,472	1,564,957
Total	**105,671,134**	**66,337,280**

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.

Non-current liabilities from the assets, in amount of RON 9,012,910 at 31 December 2021 (31 December 2020: RON 9,376,689) represents the debt to E.On for the solar cells.

OTHER CURRENT LIABILIITES

	Balance at 31 December 2021	Balance at 31 December 2020
Salary-related payables to employees and social security payables	11,760,168	6,566,338
VAT payable	2,035,400	1,398,995
Unclaimed employee rights	587	72,778
Other creditors	594,553	1,297,178
Commercial guarantees received	339,980	978,978
Other taxes payable	614,277	2,125,656
Dividends payable	611,524	1,132,111
Total	**15,956,489**	**13,572,034**

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

20. LOANS FROM BANKS

The bank loans at 31 December 2020 and 31 December 2021 are as follows:

Financing bank	Type of financing	Origination date	Balance at 31 December 2020	Balance at 31 December 2021	Short term at 31 December 2021	Long term at 31 December 2021	Period
Banca Transilvania	Working capital	07.06.2017	30,569,874*	31,092,264	31,092,264	-	12 MONTHS
BCR	Working capital	28.08.2020	-	12,594,456	12,594,456	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	7,412,233	5,416,924	2,240,253	3,176,671	84 MONTHS
Banca Transilvania	Investments	07.06.2017	18,800,000	-	-	-	84 MONTHS
Banca Transilvania	Investments	24.07.2017	1,634,118	544,706	544,706	-	60 MONTHS
Banca Transilvania	Investments	31.07.2017	3,565,609	1,188,536	1,188,536	-	60 MONTHS
Banca Transilvania	Investments	07.11.2017	3,000,000	1,500,000	1,500,000	-	60 MONTHS
Banca Transilvania	Investments	04.04.2018	4,138,362	-	-	-	72 MONTHS
Banca Transilvania	Investments	07.03.2019	8,576,679	6,126,200	2,450,480	3,675,720	60 MONTHS
Banca Transilvania	Investments	05.12.2019	9,594,767	-	-	-	60 MONTHS
Banca Transilvania	Investments	30.03.2020	9,210,915	6,754,671	2,456,244	4,298,427	60 MONTHS
Banca Transilvania	Investments	23.12.2020	20,000,000	-	-	-	12 MONTHS
Banca Transilvania	Investments	23.12.2020	2,222,900	7,769,410	1,828,096	5,941,313	72 MONTHS
Banca Transilvania	Investments	23.12.2020	2,778,626	-	-	-	12 MONTHS
TOTAL			**121,504,083**	**72,987,167**	**55,895,035**	**17,092,131**	

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

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

20. LOANS FROM BANKS (continued)

Teraglass Bistrita SRL

Financing bank	Type of financing	Origination date	Balance at 31 December 2020	Balance at 31 December 2021	Short term at 31 December 2021	Long term at 31 December 2021	Period
Banca Transilvania	Investments	07.12.2017	354,583	183,753	183,753	-	60 MONTHS
Banca Transilvania	Investments	08.03.2019	4,180,392	3,486,457	765,259	2,721,197	60 MONTHS
Banca Transilvania	Working capital	14.05.2019	3,664,072	-	-	-	12 MONTHS
Banca Transilvania	Working capital	08.07.2020	-	9,828,600	9,828,600	-	12 MONTHS
BCR Bank	Working capital	23.12.2020	6,330,193	4,875,585	4,875,585	-	12 MONTHS
TOTAL			**14,529,240**	**18,374,395**	**15,653,197**	**2,721,197**	

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.

TeraBio Pack S.R.L.

Financing bank	Type of financing	Origination date	Balance at 31 December 2020	Balance at 31 December 2021	Short term at 31 December 2021	Long term at 31 December 2021	Period
BCR	Investments	29.04.2021	-	19,664,034	-	19,664,034	60 MONTHS
BCR	Investments	29.04.2021	-	9,088,008	9,088,008	-	12 MONTHS
BCR	Working capital	29.11.2021	-	2,706,913	2,706,913	-	12 MONTHS
BCR	Working capital	29.11.2021	-	2,495,336	2,495,336	-	12 MONTHS
TOTAL			**-**	**33,954,292**	**14,290,257**	**19,664,034**	

Somplast S.A.

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

Financing bank	Type of financing	Origination date	Balance at 31 December 2020	Balance at 31 December 2021	Short term at 31 December 2021	Long term at 31 December 2021	Period
Banca Transilvania	Working capital	08.07.2021	-	537,261	537,261	-	12 MONTHS

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

21. LEASE LIABILITIES

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

	Minimum lease payments	
	31 December 2021	**31 December 2020**
Present value of minimum lease payments		
Amounts payable in one year	2,074,305	1,261,591
More than one year but less than five years	7,470,920	2,829,732
Total lease liabilities	**9,545,225**	**4,091,323**
Of which, liabilities with right-of-use assets		
Amounts payable in one year	**1,608,401**	**867,450**
More than one year but less than five years	**6,940,711**	**2,204,774**
Total liabilities with right-of-use assets	**8,549,112**	**3,072,224**

22. 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.

23. RELATED PARTY TRANSACTIONS

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

<u>**31 December 2021**</u>

Subsidiaries

- Teraglass Bistrita SRL
- TeraPlast Recycling SA
- TeraPlast Folii Biodegradabile Srl
- Somplast SA

Related parties (common shareholding/decision-makers)

- ACI Cluj SA Romania
- Ditovis Impex SRL Romania
- Hermes SA Romania
- INFO SPORT SRL
- ISCHIA ACTIVHOLDING SRL
- ISCHIA INVEST SRL
- LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
- NEW CROCO PIZZERIE SRL
- Parc SA

- Primcom SA
- Sens Unic Imobiliare SRL
- Alpha Quest Tech SRL
- Banca Romaneasca SA
- Bittnet Systems SA
- Compa SA
- Magazin Universal Maramures SA
- LCS Imobiliar SA

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation.
In 2021 and 2020, the Group did not enter into significant transactions with related parties.

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

24. 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 2021	31 December 2020
	RON	*RON*
Cash in bank accounts	7,430,960	16,446,405
Cash in transit	180,652	-
Cash on hand	30,010	111,019
Cash in bank accounts, restricted	94,370	63,511
Total	**7,735,992**	**16,620,936**

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

25. SUBSIDIES FOR INVESTMENTS

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

	2021	2020
At 1 January	**19,887,503**	**17,250,166**
Acquisition of Wetterbest SA		
Additions of subsidies	16,659,942	10,043,865
Transferred to statement of comprehensive income	(2,379,400)	(2,054,541)
Transferred to assets held for sale		(5,351,987)
Outstanding, Somplast SA	215,610	
At 31 December	**34,383,655**	**19,887,503**
Current	2,554,125	2,051,447
Non-current	31,829,529	17,836,056

The value of outstanding subsidies is recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic basis, throughout the lifetime of the related assets.

26. COMMITMENTS AND CONTINGENT LIABILITIES

TeraPlast SA

Unused credit facilities

At December 31, 2021, the Company has unused credit facilities of RON 10,313,280 (31 December 2020: RON 40,930,126) and unused investment loans in amount of RON 70,230,590 (31 December 2020: RON 28,581,216),

Guarantees for bank loans

At 31 December 2021, tangible assets and investment properties with a net book value of RON 51,411,457 (December 31, 2019: RON 55,273,234) 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. The State aid in amount of RON 14.43 million was fully received during 2019 – 2020.

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

Increase of production capacity for PVC pipes and fittings
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.

On 23 December 2020, the Company contracted a loan in amount of RON 19,082,743 from Banca Transilvania in order to support the investments undertaken under the State aid scheme for stimulating investments with major impact on the economy, for which TeraPlast SA received the financing agreement in November 2020.
At 31 December 2021, the balance of the investment loan is RON 7,769,409.
A reimbursement application for the amount of RON 8,967,835 was filed, which was received on 21 December 2021. The application for reimbursement of the remaining amount will be filed in March 2022.

Polyethylene installations plant
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 15 March 2021, the Company contracted a loan of RON 23,968,446 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 December 2020. No amounts were drawn from this loan at the date of these financial statements, nor were any applications for reimbursement filed because the Company has not put into operation the facility or the equipment involved in this project. The plan will be put into operation in Q1 2022.

26. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Teraglass Bistrita SRL

At 31 December 2021, the Company has unused credit facilities, amounting to RON 2,295,815 (December 31, 2020: RON 1,335,928).

State aid for extension of production capacity

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.

At 31 December 2020, the State aid amounting to RON 7.66 million was received in full.

TeraBio Pack

Unused credit facilities

At 31 December 2021, the Company registers unused credit facilities in amount of RON 9,661,109.

State aid for production unit for biodegradable flexible packaging

In December 2020, the Company signed a financing agreement for an investment project in amount of RON 56,411,720 within the State aid scheme for stimulating investments with major impact on the economy, of which RON 28.2 million of the project worth is financed through State aid. The investment project involves both the purchase of state-of-the-art production equipment, and the construction of new facilities. The investment was commissioned in December 2021.

The biodegradable sacks and bags produced by TeraBio Pack are at least 90% biodegradable and are "OK Compost" certified according to SR EN 13432. The development of this production unit for biodegradable materials translated into responsible and sustainable operations and Law 181 of 19 August 2020 on the management of composable non-hazardous waste, which became effective on 20 February 2021, provides that biodegradable sacks be used also in households.

The technological flow also includes equipment for the recycling of waste resulting from own production and their reintroduction in the production process. The project created 93 new jobs.

On 15 June 2021, the Company contracted a loan in amount of EUR 12,700,000 from BCR in order to support this investment.

At the date of these financial statements, the Company filed a reimbursement application for the amount of RON 7,692,105, collected on 28 December 2021.

Somplast

It has a credit line of RON 3,000,000 from Banca Transilvania, of which RON 2,462,739 is not used at 31 December 2021.

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.

26. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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.

27. COMMERCIAL IMPACT OF THE SPREAD OF CORONAVIRUS

In 2021 and 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.

28. SUBSEQUENT EVENTS

The Company registered no significant events.

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.

Approved:

7 February 2022
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO