TERAPLAST SA

SEPARATE FINANCIAL STATEMENTS

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

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the audit of the separate financial statements

Opinion

1. We have audited the separate financial statements of Teraplast SA ("the Company"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the separate statement of financial position as at December 31, 2021, and the separate statement of comprehensive income, the separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.

2. The separate financial statements as at December 31, 2021 are identified as follows:

   - Net assets/Total equity: RON 779,870,996
   - Net profit for the financial year: RON 323,510,441

3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2021, and its separate financial performance and its separate cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Basis for Opinion

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

Key Audit Matters

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

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KEY AUDIT MATTER	How our audit addressed the key audit matter
Net profit from the sale of non-current assets held for sale at 31 December 2020	
At 31 December 2020, a significant portion of financial assets was presented (”Steel Division”, formed of: Terasteel SA, Terasteel Serbia Doo and Wetterbest SA and TeraPlast Hungary, distributor of the joinery profiles division) and also a share of the assets and liabilities (pertaining to the joinery profiles division) as being held for sale. The Steel Division was sold to Kingspan Group, a transaction which was completed in February 2021. The joinery profiles line was sold to Dynamic Selling Group, a transaction which was completed in March 2021. Further to the completion of the sale of the two divisions in 2021, the Company obtained a net profit of RON 274,163,434. Given the significance of such transaction, we consider that this matter of the separate financial statements is a key audit matter. The result of this sale is presented in Note 30 in the separate financial statements.	In order to address such key audit matter, we have conducted several audit procedures, such as: - We checked whether such sales took place by reviewing contracts and related payments received; - We checked whether such sales were presented in the separate financial statements.
Financial assets: acquisition of majority stake in Somplast SA and impairment test	
At 31 December 2020, the Company acquired the majority stake in Somplast SA. The Company controls Somplast SA and consolidates the financial statements of Somplast SA starting 1 April 2021, once the approval of the Competition Council was issued. The investment cost in this subsidiary at 31 December 2020 is RON 4,897,400. As mentioned in note 2 to the separate financial statements, the Company presents investments in subsidiaries at cost. Given this treatment, the Company is analysing the need to establish impairment allowances for financial investments in subsidiaries. Given the high degree of professional judgment required to conduct an analysis of a potential impairment of the financial investment in subsidiary Somplast SA, we have determined that this matter of the separate financial statements is a key audit matter. The investment in subsidiaries is presented in Note 17 to the Company’s separate financial	In order to address such key audit matter, we have conducted several audit procedures, such as: - We checked whether the acquisition of the majority stake of Somplast SA took place by reviewing the related contract and payments; - We obtained the documents whereby the Competition Council approved the acquisition of the majority stake in Somplast SA; - We obtained the acquisition price allocation report prepared by an authorised external valuer; - To check the above-mentioned report, we have involved internal specialists to support us in reviewing the method used by the valuer employed by the Company; - We compared the cost paid by the Company with the identified fair value of assets in order to determine whether the management’s judgment is in line therewith;

statements.	- We have assessed whether the information presented by the Company in the separate financial statements regarding the investment in Somplast SA is adequate.

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Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators’ report and the Remuneration report for 2021, but does not include the separate financial statements and our auditor’s report thereon.

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

   In connection with our audit of the separate financial statements for the year ended December 31, 2021, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   With respect to the Administrators’ report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

   With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

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

   a) the information included in the Administrators’ separate report and the Remuneration report for the financial year for which the separate financial statements have been prepared is consistent, in all material respects, with these separate financial statements;

   b) the Administrators’ separate report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised;

   c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

   Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2021, we are required to report if we have identified a material misstatement of this Administrators’ separate report and the Remuneration report. We have nothing to report in this regard.

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

7. Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

8. In preparing the separate financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

9. Those charged with governance are responsible for overseeing the Company’s financial reporting process.

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

10. Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

    - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

    - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

    - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

    - Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 28 April 2021 to audit the financial statements of Teraplast SA for the financial years ended December 31, 2021 and December 31, 2022. The uninterrupted total duration of our commitment is 2 years, covering the financial years ended December 31, 2021 and December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.

- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

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

Report on compliance with the Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the separate financial statements included in the annual financial report of Teraplast S.A. ("the Company") as presented in the digital files which contain the unique LEI code 254900CX9UNGB7VM0R35 ("Digital Files")

(I) Responsibilities of management and those charged with governance for the Digital Files prepared in compliance with the ESEF

Management is responsible for preparing Digital Files that comply with the ESEF. This responsibility includes:

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;

- ensuring consistency between the Digital Files and the separate financial statements to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(II) Auditor's Responsibilities for the Audit of the Digital Files

Our responsibility is to express a conclusion on whether the separate financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;

- reconciling the digital files with the audited separate financial statements of the Company to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;

- evaluating if the separate financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the separate financial statements for the year ended December 31, 2021 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the separate financial statements. Our audit opinion relating to the separate financial statements of the Company for the year ended December 31, 2021 is set out in the "*Report on the audit of the separate financial statements*" section above.

Alina Ioana Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei, 9th Floor, District 1
Bucharest, Romania
March 30, 2022

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

Caption	Note	Financial year: 31 December 2021	31 December 2020
Total revenues – of which:	**4**	**531,841,986**	**362,417,107**
Revenue from sale of finished products		*481,459,267*	*318,461,657*
Revenue from the sale of merchandise		*49,531,205*	*43,694,533*
Revenue from services		*851,514*	*260,916*
Other operating income (including rent)	5	2,623,223	1,823,400
Income from investment subsidies	31	1,374,763	1,247,947
Changes in inventory of finished goods and work in progress		20,502,164	2,512,784
Raw materials, consumables used and merchandise	6	(382,310,546)	(234,270,575)
Employee benefit expenses	9	(50,270,015)	(38,925,704)
Transport expenses		(17,862,197)	(14,918,908)
Utilities expenses		(13,471,867)	(9,220,227)
Amortization and the adjustments for impairment of non-current assets, net	8	(16,478,026)	(14,255,359)
Impairment of current assets, net	8	318,992	(2,297,270)
Impairment of inventories, net	8	1,139,208	511,531
Provisions set up, net	23, 24	(2,040,212)	-
Losses from the disposal of tangible and intangible assets	7	(92,547)	(12,357)
Gains from fair value measurement of investment properties	16	1,146,641	367,610
Losses from the disposal of investment properties	16	-	(166,632)
Sponsorships, donations		(1,618,224)	(201,630)
Other operating expenses	11	(17,531,283)	(16,365,244)
Operating result		**57,272,060**	**38,246,471**
Interest expense, net	10	(689,316)	(4,506,926)
FX differences expenses, net	10	(898,160)	(79,715)
Other financial income, net	10	317,145	280,286
Dividends received	10	3,078,198	60,328
Financial result		**1,807,867**	**(4,246,026)**
Profit before tax		**59,079,927**	**34,000,445**
Income tax expense	12	(9,732,920)	(3,892,245)
Profit of business that continues its activity		**49,347,007**	**30,108,199**
Profit of the Steel and Joinery Profiles businesses	30	**274,163,434**	**2,995,940**
Profit for the year		**323,510,441**	**33,104,139**

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

Caption	**Note**	**Financial year: 31 December 2021**	**31 December 2020**
Other comprehensive income:			
Other comprehensive income which are not reclassified to profit or loss in future periods (net of tax)		-	-
Revaluation of fixed assets		6,525,812	(3,601,028)
Impact of deferred tax		(1,044,130)	576,164
Other comprehensive gains, net, which are not reclassified to profit or loss in future periods		**5,481,682**	**(3,024,863)**
Total comprehensive income		**328,992,123**	**30,079,276**
Average number of shares		1,888,467,105	1,487,336,130
Basic and diluted earnings per share related to the business that continues its activity		**0,1742**	**0,0202**

Signed and approved:

24 March 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	13	183,765,128	129,001,111
Investment property	16	16,304,309	13,841,851
Intangible assets	14	1,861,194	664,903
Right of use of the leased assets	15	9,515,212	5,270,423
Investments in subsidiaries	17	30,232,090	11,916,350
Investments in financial assets	17	-	4,897,400
Other equity investments	17	15,400	15,400
Long-term receivables	19	16,505,355	3,270,016
Total non-current assets		**258,198,688**	**168,877,454**
Current assets			
Inventories	18	91,752,798	53,260,375
Trade and other receivables	19	156,965,160	76,307,775
Receivables representing dividends paid and share capital increase from year's profit		270,195,925	30,682,530
Prepayments		460,621	524,163
Cash and cash equivalents	28	2,297,805	2,708,894
Investments in the Steel division and TeraPlast Hungary	16	-	101,377,430
Profiles division – assets held for sale	16	-	27,598,692
Total current assets		**521,672,309**	**292,459,859**
Total assets		**779,870,996**	**461,337,313**
EQUITY AND LIABILITIES			
Equity			
Share capital	**20**	217,900,036	174,320,048
Treasury shares		(4,935,035)	-
Revaluation reserves		12,653,390	10,646,907
Legal reserve		29,082,256	12,420,088
Retained earnings		325,331,905	42,076,598
Total equity		**580,032,553**	**239,463,641**
Non-current liabilities			
Bank loans	21	17,092,131	23,631,466
Lease liabilities	22	6,970,598	2,712,005
Other non-current liabilities	25	9,012,908	9,376,689
Employee benefit liabilities	23	1,580,838	1,206,286
Investment subsidies – long-term portion	31	19,413,678	11,803,037
Deferred tax liabilities	12	1,717,047	892,875
Total non-current liabilities		**55,787,200**	**49,622,358**
Current liabilities			
Trade and other payables	25	81,777,727	60,934,887

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

	Note	31 December 2021	31 December 2020
Bank loans	21	55,815,884	89,488,426
Lease liabilities	22	2,536,051	1,845,691
Investment subsidies - current portion	31	1,244,853	1,244,853
Provisions	24	1,973,693	398,312
Income tax payable		703,037	1,409,934
Liabilities related to assets held for sale – Joinery Profiles	16	-	16,929,209
Total current liabilities		**144,051,245**	**172,251,312**
Total liabilities		**199,838,445**	**221,873,672**
Total equity and liabilities		**779,870,996**	**461,337,313**

Signed and approved:

24 March 2022
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Share capital	**Treasury shares**	**Revaluation reserves**	**Legal reserves**	**Retained earnings**	**Total**
Balance as at 1 January 2021	**174,320,048**	**-**	**10,646,907**	**12,420,088**	**42,076,598**	**239,463,641**
Net result for the year	-	-	-	-	323,510,441	323,510,441
Legal reserve setting (Note 20)	-	-	-	16,662,168	(16,662,168)	-
Share capital increase from reserves (Note 20)	43,579,988	-	-	-	-	43,579,988
Dividends granted	-	-	-	-	(30,682,530)	(30,682,530)
Reserves representing revaluation surplus	-	-	2,006,483	-	7,089,564	9,096,047
Own shares redeemed (Note 23)	-	(4,935,035)	-	-	-	(4,935,035)
Balance as at 31 December 2021	**217,900,036**	**(4,935,035)**	**12,635,390**	**29,082,256**	**325,331,905**	**580,032,551**

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

Signed and approved:

24 March 2022
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

	Share capital	Share premiums	Treasury shares	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance as at 1 January 2020	**133,780,650**	**27,384,726**	**(139)**	**13,671,772**	**10,481,647**	**34,639,887**	**219,958,544**
Net result for the year	-	-	-	-	-	33,104,139	33,104,139
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**33,104,139**	**33,104,139**
Legal reserve setting (Note 20)	-	-	-	-	1,938,441	(1,938,441)	**-**
Share capital increase from reserves (Note 20)	40,539,546	(27,384,726)	-	-	-	(13,154,820)	**-**
Dividends granted	-	-	-	-	-	(14,640,657)	(14,640,657)
Losses on sale of own shares	(149)	-	139	-	-	-	(10)
Increases/ (Decreases)	-	-	-	576,164	-	465,462	1,041,628
Reserves representing revaluation surplus	-	-	-	(3,601,028)	-	3,601,028	-
Own shares redeemed (Note 23)	-	-	-	-	-	-	-
Balance as at 31 December 2020	**174,320,048**	**-**	**-**	**10,646,907**	**12,420,088**	**42,076,598**	**239,463,641**

At 31 December 2021 and 31 December 2020, the revaluation reserves include amounts representing the surplus from the revaluation of tangible assets, land and buildings.

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

Signed and approved:

24 March 2022
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

Indirect method	**2021**	**2020**
Cash flows from operating activities:		
Profit before tax	333,243,361	37,129,791
Gains from the sale of Steel division and the Joinery Profiles business	(274,163,434)	-
Interest expense, net	689,316	4,506,926
Losses from sale or disposal of fixed assets	92,547	12,357
Impairment of trade receivables, net	(318,992)	2,297,270
Inventory impairment, net	(1,139,208)	(511,531)
Impairment and amortization of non-current assets, net	16,478,026	18,177,526
Provisions, net	2,040,212	-
Gains from the revaluation of investment property	(2,462,458)	(200,977)
Expenses with provisions for employee retirement liabilities	374,552	(247,476)
Income from dividends	(3,078,198)	(60,328)
Operating profit before changes in working capital	**71,755,724**	**61,103,556**
Changes in working capital:		
Decrease/ (Increase) in trade and other receivables (Note 30)	(80,274,851)	14,268,987
Decrease/ (Increase) in inventories (Note 30)	(37,353,215)	1,660,986
Increase in trade and other payables (Note 30)	24,717,253	13,143,168
Interest paid	(689,316)	(4,490,630)
Income tax paid (Note 30)	(10,560,479)	(3,412,375)
Income from subsidies	(1,357,195)	(1,249,707)
Cash (used in)/generated by operating activities	**(33,762,079)**	**81,023,985**
Net cash flows used for investment*:*		
Interest received	-	2,477,458
Dividends received	3,078,198	-
Payments for acquisition of tangible and intangible assets (Note 30)	(93,725,277)	(39,539,652)
Payments for financial investments, net of purchased cash	-	(6,356,315)
Receipts under State aid	8,967,836	9,012,429
Receipts from the sale of tangible assets (Note 30)	1,928,733	11,327,474
Payments for acquisition of control in Wetterbest	-	(19,034,400)
Sale of the Steel division and Joinery Profiles business	384,887,335	-
Net cash generated by/(used in) investing activities	**305,136,825**	**(42,113,006)**

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

Indirect method		**2021**	**2020**
Cash flows from financing activities:			
Repayment of loans		(40,211,877)	(17,416,748)
Lease payments		(22,986)	(482,814)
Dividends paid		(226,615,937)	(45,323,187)
Buy-back of shares		(4,935,035)	-
Receipt of TeraSteel Serbia loan		-	21,351,550
Net cash generated by /(used in) financing activities		**(271,785,836)**	**(41,871,198)**
Net changes in cash and cash equivalents		**(411,089)**	**(2,960,218)**
Cash and cash equivalents at the beginning of the financial year	**28**	**2,708,894**	**5,669,112**
Cash and cash equivalents at the end of the financial year	**28**	**2,297,805**	**2,708,894**

Signed and approved:

24 March 2022
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

1. GENERAL INFORMATION

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

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

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

At 31 December 2021, TeraPlast SA has the following subsidiaries:

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors,

- TeraPlast Recycling SA - specialised in recycling following the spin-off of the recycling line from Teraplast (in May 2020, following the fulfilment of the legal requirements, Politub SA was deregistered further to the merger by absorption with TeraPlast Recycling SA),

- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging, with a share of 100% of TeraPlast SA, established in August 2020. The flexible bioplastic packaging business (TeraBio Pack SRL) started production in the second part of 2021. It is a greenfield investment worth EUR 12 million, co-funded through State aid.

- 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. The profit from such transaction was RON 274,145,797.

- TeraPlast Hungaria Kft. (distributor) along with the joinery profiles business of TeraPlast SA were sold to Dynamic Selling Group. The group obtained a profit of RON 17,637 from such transaction.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of accounting

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

- adjusted to the effects of hyperinflation until 31 December 2003 for fixed assets, share capital and reserves,

- measurement at fair value of certain items of fixed assets and investment property, as presented in the Notes.

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

2.3. Going concern

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

At 31 December 2021, the Company's current assets exceed the current liabilities by RON 377,603,427 (31 December 2020: RON 120,208,545). In 2021, registered profit of RON 323,510,441 (2020: RON 33,104,139) and cash flows from operating activities (before changes to working capital) of RON 71,755,724 (2020: RON 60,926,409). The Company depends on the financing of banks, as mentioned in Note 21.

The budget prepared by the Company management and approved by the Board of Administration for 2022 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Company to fulfil its contractual clauses with the financing banks. Company management believes that the support from banks is sufficient for the Company to continue its activity in the ordinary course of business, as a going concern.

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

The rapid development of the COVID-19 virus and its social and economic impact in Romania and globally may result in assumptions and estimates requiring revisions which may lead to material adjustments to the carrying value of assets and liabilities within the next financial year. Please see Note 32 for the management assessment of the impact of COVID-19 over the activity of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2021.

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

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

- **Amendments to IFRS 9 "Financial Instruments", IAS 39 "Financial Instruments: Recognition and Measurement", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases"** - Interest Rate Benchmark Reform — Phase 2 (effective for annual periods beginning on or after 1 January 2021),

- **Amendments to IFRS 16 "Leases"** - Covid-19-Related Rent Concessions (effective for annual periods beginning on or after 1 June 2020. Earlier application is permitted),

- **Amendments to IFRS 4 "Insurance Contracts"** – Extension of the Temporary Exemption from Applying IFRS 9 (the expiry date for the temporary exemption from IFRS 9 was extended to annual periods beginning on or after 1 January 2023).

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

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

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

- **Amendments to IAS 16 "Property, Plant and Equipment"** - Proceeds before Intended Use adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** - Onerous Contracts - Cost of Fulfilling a Contract adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

- **IFRS 17 "Insurance Contracts"** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to various standards due to "Improvements to IFRSs (cycle 2018 -2020)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated).

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

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

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Classification of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023),

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Standards, amendments and new interpretations of standards (continued)

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

- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded),

- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

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

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

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

Cash and cash equivalents

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

Revenue recognition

Revenues from contracts with customers

Teraplast SA produces and sells PVC pipes and compounds, polypropylene and polyethylene pipes. The Company also sells related products for the water, sewer and gas systems, which it does not produce internally.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenues from contracts with customers (continued)

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

The interest income presented on the face of the separate statement of comprehensive income is similar to interest income and is included in finance income in the statement of profit or loss.

Leases

The Company as lessee

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

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

The lease liability is presented under the line "Lease liabilities" in the separate statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company as lessee (continued)

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

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

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

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

The Company as lessor

The Company enters into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. As of December 31, 2019, the Company analysed the terms of the leases where the Company is a lessor and concluded that all are operating leases, as the lease terms do not transfer substantially all the risks and rewards of ownership to the lessee.

When the Company is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. There was no such case for the year ended 31 December 2021 or 31 December 2020.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Company as lessor (continued)

When a contract includes lease and non-lease components, the Company applies IFRS 15 to allocate the consideration under the contract to each component.

The Company rents some of its property to the subsidiary, TeraGlass Bistrita SRL under operating lease. Rent is of a fixed amount, at market price, as determined by an independent valuator.

Foreign currency transactions

The Company operates in Romania, and the functional currency is the Romanian leu (RON).

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

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

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

	31 December 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.

Costs related to long-term borrowings

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

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

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

Government grants

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;

- net interest expense or income; and

- remeasurements.

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

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

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

Short-term employee benefits

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

Taxation

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

Current tax

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax

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

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

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

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

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

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

Property, plant and equipment

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

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

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the 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 separate statement of comprehensive income, the increase is recognized in the separate statement of comprehensive income. A revaluation deficit is recognized in the separate statement of comprehensive income of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

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

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

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

Investment properties

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

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

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

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

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

	Years
Licenses	1 – 5

Impairment of tangible and intangible assets

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

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

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

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable amount.

An impairment loss is recognized immediately in the separate statement of comprehensive income, except for revalued assets for which there is a revaluation that can be decreased with the impairment loss.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount is recovered through a sale transaction, rather than through continued use. This condition is considered to be met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its current state.

Management must engage in the sale, which should qualify for recognition as completed sale within one year of the date of classification.

When the Company commits to a sale plan that involves the loss of control of a subsidiary, all assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Company will retain a controlling interest or not in its former subsidiary, after the sale.

Inventories

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

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

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

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

An impairment allowance is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

Investments in subsidiaries

Investments in subsidiaries represent shares owned in these entities.

These investments are initially recognized as purchase price and subsequently at purchase cost less accumulated impairment losses. IFRS 9 allows for an exemption in case of those interests held in subsidiaries, which are accounted for in accordance with IFRS 10 Consolidated financial statements, IAS 27 Separate financial statements or IAS 28 Investments in associates and joint ventures. Teraplast applies this exemption and continues to assess the interests held in subsidiaries and associates at cost minus any impairment losses.

At each financial statements date, the Company assesses whether there are indications of impairment of the investments in subsidiaries.

These indications refer to important changes that occurred in the economic environment in which the respective entities operate or to important changes in the evolution of the financial position or, respectively, of the financial performance of the entities in which the Company holds interests.

If there are any indications of impairment, the Company carries out an impairment test and it computes the value of the impairment losses as difference between the recoverable value and the net book value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries (continued)

Except for the assets the value of which will be recovered through a sale transaction rather than by use, for all the impairment tests carried out, the recoverable value was based on the value of use. Its measurement requires different estimates and hypothesis, depending on the nature of the activity, such as the discount rates, the increase rates, the gross margins.

The impairment loss resulted from the impairment tests represents an expense of the current year and it is recognized in profit and loss.

Acquisition of activities from controlled entities

When the Company acquires activities / lines of business from controlled entities, it records the assets and liabilities undertaken at the carrying amount in the Company consolidated financial statements, and the difference between the value of the net assets undertaken and the price agreed between the parties for the transfer is charged directly in Equity.

Share capital

Common shares are classified in equity.

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

Dividends

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

Provisions

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

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

Segment reporting

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

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

Installations for infrastructure projects are sold to contractors and installations for residential buildings are sold through a distribution network.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the separate statement of comprehensive income, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in Section 2 Recognition of revenues.

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments). The Company's financial assets at amortized cost includes trade receivables and long term receivable.

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets at fair value through the separate statement of comprehensive income.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

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

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

Impairment of financial assets

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

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

Significant increase in credit risk

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk (continued)

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

1. the financial instrument has a low risk of default;

2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and

3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

- when there is a payment incident reported; or

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of assets and liabilities

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

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

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

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

Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 26 j).

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

Group's management, in conjunction with the entity's external 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 Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Impairment of intangible and tangible assets

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

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

- the relationship between its market capitalization and its book value
- the operating performance, for which the group used EBITDA as KPI, remained at 14%, the same 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 Company decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36. Therefore, an allowance for asset impairment proved not to be necessary.

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment property

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

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

Investment property and land and buildings were valued by reference to market-based information, using comparable prices adjusted for specific market factors such as nature, location and condition of the property.

Property, plant and equipment (land and buildings) were revalued at 31 December 2021 by an external valuer, member of ANEVAR. The valuation methods used for such assets were the market comparison for land and the net replacement cost impacted by the results of the application of the income-based approach and the market comparison.

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

4. REVENUE AND OPERATING SEGMENTS

Geographical analysis

	Year ended 31 December 2021	**Year ended 31 December 2020**
Sales on the domestic market (Romania)	490,244,160	349,559,619
Sales on the foreign market	41,597,826	12,857,488
Total	**531,841,986**	**362,417,107**

The information to the people in charge of the operational policy 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 portfolio of products of Teraplast that continue their activity is structured on two business lines: **installations and compounds.**

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

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

BUSINESS LINES

Installations

The 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.

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

4. REVENUE AND OPERATING SEGMENTS (continued)

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%.

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

Year ended 31 December 2021	**Installations**	**Compounds**	**Unallocated amounts**	**Total**
Total income, including other operating income and income from subsidies	**401,026,000**	**134,813,973**	**-**	**535,839,972**
Expenses with indirect sales and administrative	(367,054,502)	(111,513,410)	-	(478,567,912)
Operating result	**33,971,498**	**23,300,563**	**-**	**57,272,060**
Financial result	(1,514,094)	243,763	277,241,632	275,971,300
Profit before tax	**32,457,403**	**23,544,326**	**277,241,632**	**333,243,361**
Operating assets	**381,036,912**	**67,066,630**	**331,767,454**	**779,870,996**
Non-current assets	172,623,023	24,004,135	61,571,529	258,198,687
Current assets	208,413,889	43,062,495	270,195,925	521,672,309
Operating liabilities	**160,638,586**	**39,199,857**	**-**	**199,838,443**
Non-current liabilities	46,898,586	8,888,616	-	55,787,202
Current liabilities	113,740,000	30,311,241	-	144,051,242
Additions of fixed assets	62,865,946	1,880,704	-	64,746,649

Unallocated non-current assets represent investment property, buildings leased to the buyer of the Joinery profiles business, investments in subsidiaries, and other financial assets including the loan granted by TeraPlast to TeraBio Pack.

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.

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**	**Joinery profiles***	**Compounds**	**Unallocated amounts**	**Total**
Total income, including other operating income and income from subsidies	**294,358,796**	**-**	**71,129,658**	**-**	**365,488,454**
Expenses with indirect sales and administrative	(267,458,461)	-	(59,783,522)	-	(327,241,983)
Operating result	**26,900,335**	**-**	**11,346,136**	**-**	**38,246,471**
Financial result	(3,906,604)	-	(339,422)	-	(4,246,026)
Profit before tax	**22,993,731**	**-**	**11,006,714**	**-**	**34,000,445**
Operating assets	**213,101,655**	**27,598,692**	**42,820,105**	**177,816,861**	**461,337,313**
Non-current assets	101,731,477	-	21,038,771	46,107,205	168,877,454
Current assets	111,370,178	27,598,692	21,781,333	131,709,656	292,459,859
Operating liabilities	**129,109,401**	**16,915,720**	**32,767,971**	**42,909,476**	**221,702,568**
Long-term liabilities	29,660,704	-	4,655,526	15,306,128	49,622,358
Current liabilities	99,448,697	16,915,720	28,112,445	27,603,348	172,080,210
Fixed assets additions	26,123,358	1,729,030	2,963,233	-	30,815,621

The non-allocated non-current assets relate to investment properties, investments in subsidiaries and other financial assets, which include the long-term portion of the loan granted by Teraplast to Terasteel Serbia.

The unallocated current assets relate to the short-term portion of the loan granted by Teraplast to Terasteel Serbia and the short-term loan granted by Teraplast to Teraplast Hungaria Kft, but also investment in the Steel division classified as short-term for sale.

The unallocated liabilities relate to the bank loans contracted by Teraplast for the shareholdings in Wetterbest and Politub and the financing of Terasteel Doo.

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

5. OTHER OPERATING REVENUES

The Company as a lessor

Disclosure required by IFRS 16

Operating leases, in which the Company is the lessor, relate to investment property owned by the Company with lease terms of between 1 to 7 years, with one year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

The unguaranteed residual values do not represent a significant risk for the Company, as they relate to property which is located in a location with a constant value over the last years. The Company did not identify any indications that this situation will change.

Income from the lease of properties obtained in 2021 were in amount of RON 1,578,767 (2020: RON 1,243,518). Such annual income will be maintained in the following years, assuming that no changes will be made to the lease contract between TeraPlast and TeraGlass, the subsidiary that leases from TeraPlast the production warehouse where it runs its activity.

TeraGlass, which uses the production warehouse leased from TeraPlast is a firm lessee for the following 5 years. The operating lease contains clauses to update the price at market price if the lessee uses its renewal option. The lessee does not have the option to buy the property upon expiry of the lease.

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2021	**Year ended 31 December 2020**
Raw material expenses	(326,281,797)	(185,120,163)
Consumable expenses	(17,886,414)	(14,825,645)
Commodity expenses	(36,428,820)	(33,340,519)
Consumed packaging	(1,713,515)	(984,249)
Total	**(382,310,546)**	**(234,270,575)**

7. LOSSES ON THE DISPOSAL OF TANGIBLE AND INTANGIBLE ASSETS

	Year ended 31 December 2021	**Year ended 31 December 2020**
Income from the sale of assets	1,928,733	8,267,414
Expenses with the disposal of tangible and intangible assets and investment property	(1,530,430)	(8,279,771)
Expenses with fair value measurement of non-current assets	(490,850)	-
Total	**(92,547)**	**(12,357)**

In 2020, the Company sold the warehouse in Brașov and transferred a plot of land to its subsidiary TeraPlast Folii Biodegradabile.

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2021	Year ended 31 December 2020
Expenses with allowance for doubtful debts (IFRS 9)	3,166,607	934,515
Income from impairment reversal (IFRS 9)	1,339,521	3,072,655
Receivables charged to expenses (IFRS 9)	(4,825,120)	(1,709,900)
Net adjustments for doubtful debts	**(318,992)**	**2,297,270**
Increase carried to the separate statement of comprehensive income	3,165,675	3,065,249
(Decrease) carried to the separate statement of comprehensive income	(4,304,883)	(3,576,780)
Inventory impairment	**(1,139,208)**	**(511,531)**
Total impairment of current assets	**(1,458,200)**	**1,785,739**
Expenses with non-current assets impairment (IAS 36)	473,871	1,089,410
Amortization and depreciation expenses (Notes 13 and 14) (IAS 36)	(16,951,897	(15,344,769)
Net adjustments for non-current assets impairment	**(16,478,026)**	**(14,255,359)**
Expenses with amortization and depreciation with application of IFRS 16 (Note 15)	(2,257,079)	(2,138,586)

Impairment of non-current assets

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

Inventory impairment

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

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

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

	Year ended 31 December 2021	Year ended 31 December 2020
Wages	(46,233,865)	(35,416,183
Contributions to the public social security fund	(1,016,989)	(862,623)
Subsidies for wages	-	35,697
Social aid within the limit of 5% of the salary fund	(684,101)	(539,865)
Meal tickets	(2,335,060)	(2,142,730)
Total, as presented on line “Employee benefit expenses”	**(50,270,015)**	**(38,925,704)**

Remuneration of the Board of Administration

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

For additional details, please see the Remuneration Report.

10. FINANCIAL COSTS AND INCOME

	Year ended 31 December 2021	Year ended 31 December 2020
Financial costs		
Interest expense	(2,501,377)	(4,618,594)
Expenses with exchange rate differences	(3,579,483)	(1,180,396)
Other financial expenses	(10,000)	(90,072)
Total	**(6,090,860)**	**(5,889,062)**

	Year ended 31 December 2021	Year ended 31 December 2020
Financial income		
Interest income	1,812,061	111,668
Income from exchange rate differences	2,691,323	1,190,753
Dividend income	3,078,198	60,328
Other	317,145	280,286
Total	**7,898,727**	**1,643,035**
Financial result	**1,807,867**	**(4,246,026)**

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

11. OTHER OPERATING EXPENSES

	Year ended 31 December 2021	Year ended 31 December 2020
Expenses with third party services	7,965,078	8,892,141
Expenses with compensations, fines and penalties	11,437	3,742
Entertainment, promotion and advertising expenses	1,542,611	1,298,911
Expenses with other taxes and duties	1,297,056	1,547,863
Repair expenses	2,318,719	2,156,953
Travelling expenses	643,248	365,419
Rent expenses	823,618	264,494
Mail and telecommunication expenses	332,587	293,933
Insurance premium expenses	1,559,972	1,124,266
Other general expenses	1,036,957	417,520
Total	**17,531,283**	**16,365,242**

12. INCOME TAX

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

	Year ended 31 December 2021	Year ended 31 December 2020
Profit before tax (including the joinery profiles line, see Note 30)	**333,243,361**	**37,129,361**
Income tax calculated (16%))	56,602,462	5,940,698
Deduction for dividends income not taxable	(492,512)	(3,011)
Non-deductible expenses	156,613	91,955
Profit from transfer of ownership interest	(43,866,149)	-
Credit from tax loss used	(1,870,038)	(1,615,565)
Total income tax	**10,529,925**	**4,414,077**
Tax on profile activity (Note 30)	-	(133,407)
Discount as per GEO 153/2020 on incentivising equity increase	(797,005)	-
Bonus for payment on term	-	(388,425)
Deferred income tax – expense/ (benefit)	3,283,524	3,892,245

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

12. INCOME TAX (continued)

The components of the net deferred tax liabilities

2021	**Opening balance**	**Registered in the separate statement of comprehensive income**	**Registered in other comprehensive income**	**Closing balance**
Tangible and intangible assets and investment properties	(577,006)	(3,895,016)	2,577,707	(2,817,851)
Fiscal loss	(1,069,260)	1,069,260	-	-
Deferred tax liabilities recognized	**(1,646,265)**	**(2,825,756)**	**2,577,707**	**(2,817,851)**
Employee benefit liabilities	232,602	-	-	232,602
Trade and similar payables	402,433	(465,768)	-	(63,335)
Deferred tax assets recognized	**635,035**	**(465,768)**	**-**	**1,100,803**
Net liabilities with deferred tax recognized, including the Joinery Profiles (Note 30)	**(1,011,231)**	**(3,283,524)**	**2,577,707**	**(1,717,048)**

2020	**Opening balance**	**Registered in the separate statement of comprehensive income**	**Registered in other comprehensive income**	**Closing balance**
Tangible and intangible assets and investment properties	(2,540,825)	1,394,677	576,164	(577,006)
Reserve from Politub business transfer	(464,453)	-	465,453	-
Fiscal loss	(787,137)	(282,123)	-	(1,069,260)
Deferred tax liabilities recognized	**(3,792,415)**	**1,112,554**	**1,041,617**	**(1,646,265)**
Employee benefit liabilities	232,602	-	-	232,602
Trade and similar payables	157,647	244,786	-	402,433
Deferred tax assets recognized	**390,249**	**244,786**	**-**	**635,035**
Net liabilities with deferred tax recognized	**(3,402,166)**	**1,357,340**	**1,041,617**	**(1,011,231)**

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2021	**5,049,065**	**52,511,848**	**175,130,702**	**2,057,252**	**12,169,040**	**246,917,907**
Increases	375,913	-	2,504,452	56,709	61,810,105	64,747,179
Out of which: Increases from the internal production of non-current assets	-	-	-	-	-	-
Transfers to/from non-current assets in progress	-	(3,291,521)	28,607,569	366,239	(25,682,286)	-
Accumulated depreciation of revalued property, plant and equipment	-	(10,758,813)	-	-	-	(10,758,813)
Revaluation increase with impact on reserves	794,691	5,731,121	-	-	-	6,525,812
Revaluation decrease with impact in profit or loss	(353,739)	(137,111)	-	-	-	(490,850)
Transfers IFRS 16 right of use	-	-	309,760	-	-	309,760
Transfers to non-current assets held for sale	-	-	-	-	-	-
Transfers from items of inventory	-	-	-	-	-	-
Disposals and other decreases	(321,017)	(55,026)	(7,416,446)	(332,927)	(47,927)	(8,173,343)
Balance as at 31 December 2021	**5,544,913**	**44,000,498**	**199,136,037**	**2,147,273**	**48,248,931**	**299,077,652**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2021	**1,382**	**9,060,965**	**106,444,599**	**1,154,675**	**1,255,176**	**117,916,798**
Depreciation recorded during the year (Note 8)	346	2,594,094	12,399,911	226,930	-	-
Transfers from non-current assets held for sale	-	-	-	-	-	-
Transfers IFRS 16 right of use	-	-	(264,244)	-	-	-
Disposals and other decreases	-	-	(6,035,660)	(332,017)	-	-
Impairment (Note 8), net	-	(189,974)	(244,846)	-	-	-
Accumulated depreciation of revalued property, plant and equipment	-	(10,758,813)	-	-	-	-
Transfers from items of inventory	-	-	-	-	-	-
Balance as at 31 December 2021	**1,728**	**706,272**	**112,299,760**	**1,049,588**	**1,255,176**	**115,312,524**

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

Net carrying amount as at 1 January 2021	**5,047,683**	**43,450,883**	**68,686,103**	**902,577**	**10,913,864**	**129,001,111**
Net carrying amount as at 31 December 2021	**5,543,185**	**43,294,226**	**86,836,277**	**1,097,685**	**46,993,755**	**183,765,128**

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2020	**7,259,229**	**56,405,984**	**196,114,586**	**1,726,156**	**5,545,340**	**267,051,295**
Increases	1,843,415	14,502	2,110,127	55,601	26,653,855	30,677,498
Out of which: Increases from the internal production of non-current assets	-	-	-	-	1,529,812	1,529,812
Transfers to/from non-current assets in progress	-	527,977	17,808,277	370,526	(18,706,780)	-
Transfers IFRS 16 right of use	-	-	259,096	-	-	259,096
Transfers to non-current assets held for sale	-	(29,038)	(38,201,936)	-	(1,323,375)	(39,554,349)
Transfers from items of inventory	-	-	3,484	-	-	3,484
Disposals and other decreases	(4,053,578)	(4,407,577)	(2,962,930)	(95,031)	-	(11,519,116)
Balance as at 31 December 2020	**5,049,065**	**52,511,848**	**175,130,702**	**2,057,252**	**12,169,040**	**246,917,907**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2020	**1,037**	**6,710,916**	**126,851,659**	**1,061,611**	**1,255,176**	**135,880,399**
Depreciation recorded during the year (Note 8)	346	2,617,154	13,885,284*	180,995	-	16,683,779
Transfers from non-current assets held for sale	-	(13,240)	(30,490,203)	-	-	(30,503,442)
Transfers IFRS 16 right of use	-	-	142,592	-	-	142,592
Disposals and other decreases	-	(575,514)	(2,576,210)	(87,932)	-	(3,239,656)
Impairment (Nota 8), net	-	321,648	(1,372,007)	-	-	(1,050,359)
Transfers from items of inventory	-	-	3,484	-	-	3,484
Balance as at 31 December 2020	**1,382**	**9,060,965**	**106,444,599**	**1,154,675**	**1,255,176**	**117,916,798**
Net carrying amount as at 1 January 2020	**7,258,192**	**49,695,068**	**69,262,927**	**664,545**	**4,290,164**	**131,170,896**

Net carrying amount as at 31 December 2020	**5,047,683**	**43,450,883**	**68,686,103**	**902,577**	**10,913,864**	**129,001,111**

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2021, the Company pledged in favour of financial institutions non-current assets and investment properties with a net carrying amount of RON 51,411,457 (31 December 2020: RON 55,273,234).

The land and buildings were revalued as at 31 December 2021. The Group management decided they represented a single class of assets for fair value revaluation purposes under IFRS 13. This analysis took into consideration the characteristics and risks associated to the revalued properties.

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

14. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
Cost			
Balance at 1 January 2021	**5,858,845**	**199,572**	**6,058,417**
Increases, out of which	528,913	1,123,659	1,652,572
Transfers to non-current assets held for sale	33,387	(33,387)	-
Disposals and other decreases	-	-	-
Balance at 31 December 2021	**6,421,145**	**1,289,844**	**7,710,989**
Accumulated amortisation			
Balance at 1 January 2021	**5,393,514**	-	**5,393,514**
Amortisation	495,332	-	495,332
Expenses with/(Reversal of) impairment	(39,051)	-	(39,051)
Disposals and other decreases			
Transfers to non-current assets held for sale			
Balance at 31 December 2021	**5,849,795**	-	**5,849,795**
Net carrying amount as at 1 January 2021	**465,331**	**199,572**	**664,903**
Net carrying amount as at 31 December 2021	**571,350**	**1,289,844**	**1,861,194**

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

14. INTANGIBLE ASSETS (continued)

	Licenses	Intangible assets in progress	Total
Cost			
Balance at 1 January 2020	**5,905,194**	**162,328**	**6,067,523**
Increases, out of which	132,900	37,244	170,143
Transfers to non-current assets held for sale	(144,693)	-	(144,693)
Disposals and other decreases	(34,556)	-	(34,556)
Balance at 31 December 2020	**5,858,845**	**199,572**	**6,058,417**
Accumulated amortisation			
Balance at 1 January 2020	**5,164,081**	-	**5,164,081**
Amortisation	444,570	-	444,570
Expenses with/(Reversal of) impairment	(39,051)	-	(39,051)
Disposals and other decreases	(34,556)	-	(34,556)
Transfers to non-current assets held for sale	(141,529)	-	(141,529)
Balance at 31 December 2020	**5,393,514**	-	**5,393,514**
Net carrying amount as at 1 January 2020	**741,114**	**162,328**	**903,442**
Net carrying amount as at 31 December 2020	**465,331**	**199,572**	**664,903**

15. RIGHT-OF-USE ASSETS

The Company has right of use assets from rented buildings, warehouses and showrooms. The Company finances vehicles through lease agreements. The total cash outflow for leases amount to RON 22,986 (2020: RON 264,494) (for low value assets and short term contracts as presented below).

Please see maturity analysis of lease liabilities in note 22.

Cost	Buildings	Vehicles from previous finance leases	Total
Balance at 1 January 2021	**5,938,640**	**2,575,157**	**8,513,798**
Additions	8,462,676	-	8,462,676
Transfer to equipment on exercise of the purchase option	(3,715,265)	(309,760)	(4,025,025)
Balance at 31 December 2021	**10,686,050**	**2,265,397**	**12,951,448**
Accumulated depreciation			
Balance at 1 January 2021	**2,348,610**	**894,765**	**3,243,375**
Depreciation	1,808,302	448,777	2,257,079
Depreciation of equipment transferred to PPE	(1,879,685)	(184,533)	(2,064,218)
Balance at 31 December 2021	**2,277,227**	**1,159,010**	**3,436,236**
Carrying amount at 1 January 2021	**3,590,030**	**1,680,392**	**5,270,423**
	8,408,823	**1,106,388**	**9,515,212**

Carrying amount at 31 December 2021			

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

15. RIGHT-OF-USE ASSETS (continued)

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

	Buildings	**Equipment**	**Total**
Depreciation expense	1,808,302	448,777	2,257,079
Interest expense on lease liabilities	290,585	-	290,585

In 2021, the Company expensed the lease for low value assets and short-term contracts:

	2021	**2020**
Rent expenses	**823,618**	**264,494**
- short term	574,956	230,767
- low value	248,662	33,727

16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

Investment properties

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

- The Company owns 36 thousand sqm of land in Bistrita for appreciation, classified as investment property. The production facility of TeraPlast was on this land, before the company relocated in the TeraPlast Industrial Park.

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. Investment properties were revalued as at 31 December 2020 by an external independent valuator. The valuation method used was the market comparison.

	31 December 2021	**31 December 2020**
Opening balance at 1 January	**13,841,851**	**16,700,934**
Additions/(Disposals)	1,315,817	(3,226,692
Net loss from valuation of investment properties at fair value	1,146,641	367,610
Closing balance at 31 December	**16,304,309**	**13,841,851**

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.

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

16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE (continued)

In 2020, the Company reclassified the financial investments in Terasteel group in amount of RON 101,377,430 to assets held for sale, further to the sale of such business to Kingspan group. The transaction was completed in February 2021.

Further to the sale of the joinery profiles division to Dynamic Selling Group, the Company reclassified non-current assets (RON 9,054,071) and current assets (RON 18,544,621) of such division to assets held for sale. The transaction was completed in March 2021.

17. SUBSIDIARIES AND OTHER FINANCIAL INVESTMENTS

At 31 December 2021 and 31 December 2020, the Company holds the following investments:

Subsidiary	**Country**	**Shareholding**	**31 December 2021**	**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
Tera BioPack (former TeraPlast Folii Biodegradabile SRL)	Romania	100	10,100,000	100	100,000
Somplast SA	Romania	70	4,897,400	-	-
		-	**30,232,090**	**-**	**11,916,350**

In 2021, TeraPlast Folii Biodegradabile SRL became TeraBio Pack SRL and benefitted from a share capital increase of RON 10,000,000, by converting a loan received from parent company Teraplast SA.

In 2021, Teraglass Bistrita SRL increased its share capital by RON 3,418,340, by converting the loan towards Teraplast SA resulting from the transfer of the "PVC joinery" business line in 2015.

On 29 December 2020, TeraPlast executed the sale order of 70,7511% of the shares of Somplast SA on the spot market, at a price of RON 4,897,400. At 31 December 2020, TeraPlast SA does not exercise control over Somplast, thus, the investment was presented as an investment in financial assets, and Somplast SA was not included in the consolidation.

Other long-term equity investments

Details concerning other equity investments of the Company are the following:

Investment name	**Country**	**Investment share**	**31 December 2021**	**Investment share**	**31 December 2020**
		%	***LEI***	***%***	***LEI***
CERTIND SA	Romania	7.50%	14,400	7.50%	14,400
Partnership for sustainable development	Romania	7.14%	1,000	7.14%	1,000
		-	**15,400**	**-**	**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.

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

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

18. INVENTORIES

	31 December 2021	31 December 2020
Finished goods	41,380,558	21,391,965
Raw materials	39,627,128	21,755,950
Commodities	7,279,482	8,392,728
Consumables	3,086,774	2,260,357
Inventory items	122,156	170,148
Semi-finished goods	1,639,937	876,109
Residual products	651,310	450,853
Goods to be purchased	342,973	728,920
Packaging	464,168	104,642
Inventories – gross value	**94,594,486**	**56,131,671**

	31 December 2021	31 December 2020
Value adjustments for raw materials and consumables	(857,141)	(989,037)
Value adjustments for finished products	(887,853)	(694,651)
Value adjustments for merchandise	(1,096,694)	(1,187,607)
Total value adjustments	**91,752,798**	**53,260,375**

In 2021, the Company registered a reversal of RON 1,109,600 of value adjustments of stocks of joinery profiles intended for sale, further to the sale of non-saleable stocks (2020: reversal of RON 637,925).

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

The Company's inventories are pledged in favour of financing banks. At 31 December 2020, the total closing balance is pledged.

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

19. TRADE AND OTHER RECEIVABLES

	31 December 2021	Payable less than 1 year	Payable more than 1 year
Trade receivables	126,003,284	126,003,284	-
Advances paid to suppliers of non-current assets	6,433,505	6,433,505	-
Advances paid to suppliers of inventories and services	29,614,219	29,614,219	-
Loans granted to subsidiaries (Note 27)	15,323,583	-	15,323,583
Other receivables from affiliates (Note 27)	-	-	-
Other receivables	275,815,390	274,633,618	1,181,771
Adjustments for trade and other receivables impairment	(9,541,178)	(9,541,178)	-
Total	**443,648,803**	**427,143,448**	**16,505,355**

	31 December 2020	Payable less than 1 year	Payable more than 1 year
Trade receivables	82,369,418	82,369,418	-
Advances paid to suppliers of non-current assets	1,951,760	1,951,760	-
Advances paid to suppliers of inventories and services	215,219	215,219	-
Loans granted to subsidiaries (Note 27)	4,447,350	4,447,350	-
Other receivables from affiliates (Note 27)	3,102,955	-	3,102,955
Other receivables	31,200,396	31,033,334	167,062
Adjustments for trade and other receivables impairment	(13,026,777)	(13,026,777)	-
Total	**110,260,321**	**106,990,305**	**3,270,016**

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

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

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

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

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

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

20. SHARE CAPITAL AND RESERVES

	31 December 2021	31 December 2020
Share capital subscribed and 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 and having a total nominal value of RON 217,900,036 (2020: RON 1,743,200,478). Common shares bear a vote each and give the right to dividends.

As at 31 December 2020, the value of the share capital subscribed and paid up of the Company included 1,743,200,478 (2019: 1,337,806,508) authorized shares, issued and paid in full, at a value RON 0.1 and having a total nominal value of RON 1,743,200.478 (2019: RON 1,337,806.508). Common shares bear a vote each and give the right to dividends.

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

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

Shareholding

	31 December 2021		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)

21. LOANS FROM BANKS

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

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	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	6,754,670	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	7,812,731	1,871,417	5,941,313	72 MONTHS
Banca Transilvania	Investments	23.12.2020	2,778,626	-	-	-	12 MONTHS
TOTAL			**121,504,083**	**72,908,016**	**55,815,884**	**17,092,131**	

** Includes the amount of RON 8,384,190 for the Joinery Profiles segment.*

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

22. LEASE LIABILITIES

Lease contracts – accounting treatment according to IAS 17

Finance leases

Finance leases relate to motor vehicles and equipment on lease periods of 5 - 6 years. The Company has the option of purchasing equipment for a nominal amount at the end of the contractual periods. The Company's obligations related to financial lease are guaranteed with the lessee's property right over the assets.

The fair value of finance lease liabilities is approximately equal to their carrying amount.

	Minimum lease payments
	31 December 2021
	RON
Present value of minimum lease payments	
Amounts payable in one year	462,461
More than one year but less than five years	473,450
Total lease liabilities	**935,911**
Less lease liabilities	**(57,525)**
Current value of minimum lease payments	**878,387**

At 31 December 2021, the present value of financial lease liabilities was in amount of RON 878,387 (31 December 2020: RON 855,355). The finance lease liabilities are for vehicles.

Operating leases

Total operating lease commitments as of 31 December 2020 were RON 3,702,342.

Lease contracts – accounting treatment according to IFRS 16

Maturity analysis of lease liabilities at 31 December 2020:

Year 1	2,031,337
Year 2	1,682,666
Year 3	1,434,255
Year 4	978,849
Year 5	2,422,006
Following years	8,549,113
Total	**6,517,776**
Non-current	2,031,337
Current	2,031,337

Maturity analysis of lease liabilities at 31 December 2020:

Year 1	1,497,569
Year 2	1,527,646
Year 3	601,669
Year 4	75,458
Total	**3,702,342**
Non-current	2,204,773
Current	1,497,569

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

23. EMPLOYEE BENEFIT LIABILITIES

The Company has established a benefits plan through which employees are entitled to receive retirement benefits based on their seniority in the Company, upon reaching retirement age of 65 for men and 61 for women. There are no other post-retirement benefits for employees. The provision represents the current value of the retirement benefit liability calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2020. Future salary increases are estimated in the long term at 1.1% in the first year, 1.4% in the second year, 1.6% in the third year, and 1.37% for the rest.

The latest actuarial valuations were performed on September 30, 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.

In 2021, the Company increased the long-term liability by RON 374,552 (31 December 2020: RON 247,476) related to the rights to compensate employees, based on the actuarial calculation, for the amounts granted to the employees on retirement; these amounts are provided under the collective labour agreement.

Employee benefits	**31 December 2021**	**31 December 2020**
Opening balance	1,206,286	1,453,762
(Decreases) / increases	374,552	(247,476)
Closing balance	**1,580,838**	**1,206,286**

The liability is included in the statement of financial position under "Employee benefit liabilities".

24. PROVISIONS

		Changes			
	1 January 2021	**Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2021**
Other provisions	398,312	-	-	1,575,383	1,973,693

		Changes			
	1 January 2020	**Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2020**
Provisions for environmental expenses	241,613	(241,613)	-	-	-
Provisions for litigation	-	-	-	-	-
Other provisions	398,312	-	-	-	398,312
Closing balance	**639,925**	**(241,613)**	**-**	**-**	**398,312**

In 2021, the Company reversed provisions in amount of RON 605,248 related to the joinery profiles business.

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

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

25. TRADE AND OTHER PAYABLES

	31 December 2021	31 December 2020
Trade payables	63,203,324	46,146,209
Trade notes payable	24,948	79,090
Liabilities from the purchase of non-current assets	13,905,558	11,391,786
Contractual payables	425,567	1,512,179
Other payables	13,231,238	11,182,313
Total	**90,790,635**	**70,311,576**

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

Other long-term payables of RON 9,012,908 (2020: RON 9,376,689) represent the debt to E.On for the solar cells.

Other payables

	31 December 2021	31 December 2020
Salary-related payables to employees and social security payables	10,199,690	7,356,770
VAT payable	1,826,634	1,398,995
Unclaimed employee rights	-	72,779
Sundry creditors	779,675	204,692
Dividends payable	45,550	1,132,111
Commercial guarantees received	339,980	978,978
Other taxes payable	39,708	37,988
Total	**13,231,238**	**11,182,313**

26. FINANCIAL INSTRUMENTS

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

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Financial assets	**Amortised cost 31 December 2021**	**Amortised cost 31 December 2020**
Non-current		
Long term receivable	16,505,355	3,270,016
Investment in Somplast SA shares	-	4,879,400
Other financial instruments measured at amortized cost	15,400	15,400
Current		
Trade receivable	156,947,523	106,990,305
Cash	2,297,805	2,708,894
Prepayment	460,621	524,163

(a) Capital risks management

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

The structure of the Company capital consists in debts, which include the loans detailed in Note 21, the cash and cash equivalents and the equity attributable to equity holders of the parent Group. Equity includes the share capital, reserves and retained earnings.

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

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

The gearing ratio as at 31 December 2021 and 2020 was as follows:

	2021	**2020**
Total loans	72,908,016	113,119,893
Cash	(2,297,805)	(2,708,894)
Net debt	70,610,210	110,410,999
Total equity	**580,032,553**	**239,634,745**
Total equity and net debt	**650,642,764**	**349,874,640**
Gearing ratio	**10.85%**	**31.56%**

26. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

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

(d) Market risk

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

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

(e) Foreign currency risk management

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

Transaction risk

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

The table below details the Company sensitivity to a 10% increase and decrease of EUR against RON. 10% is the sensitivity rate used when the internal reporting on the foreign currency risk to the Company is done and it represents the management estimate on
the reasonably possible changes in exchange rates. The sensitivity analysis only includes the remaining foreign currency expressed in monetary items and adjusts the conversion at the end of the period for a 10% change in exchange rates. In the table below, a negative value indicates a decrease in profit when the RON depreciates by 10% against the EUR. A 10% strengthening of the RON against the EUR will have an equal opposite impact on profit and other equity, and the balances below will be positive. The changes will be attributable to the exposure related to the loans, trade receivables and payables with foreign partners, and denominated in EUR at the end of the year.

Sensitivity analysis for primary currency risk

	31 December 2021		31 December 2020	
	RON	RON	RON	RON
Profit or (loss)	-4,046,226	4,046,226	3,219,940	(3,219,940)

The Company obtains revenues in EUR based on the contracts signed with foreign clients (as detailed in Note 4).

26. FINANCIAL INSTRUMENTS (continued)

(f) Interest rate risk management

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

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

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

(g) Other price risks

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

(h) Credit risk management

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

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

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

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

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

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

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

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

2021

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(27,340,747)	(52,261,946)	(2,175,028)	(2,349,792)	(2,349,792)	(4,313,326)	(90,790,632)
Interest-bearing instruments							
Short and long-term loans	(3,343,465)	(3,790,724)	(51,217,745)	(18,350,596)	(3,589,529)	(2,122,604)	(82,414,664)
Future interest on loans	54,483	277,094	589,138	661,699	42,843	-	-
Non-interest bearing							
Cash and cash equivalents	2,300,739	-	-	-	-	-	-
Receivable	93,372,202	329,279,399	4,506,549	430,365	273,239	15,801,751	443,663,506

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

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

26. FINANCIAL INSTRUMENTS (continued)

2020

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	2,824,452	8,690,379	34,901,303	(2,184,840)	(2,184,840)	(5,007,009)	37,039,446
Interest-bearing instruments							
Short and long-term loans	(41,291,673)	(47,971,917)	(10,735,678)	(21,287,670)	(5,391,386)	(130,759)	(126,809,082)
Future interest on loans	(152,456)	(501,150)	(1,423,762)	(3,042,876)	(1,801,574)	(257)	(6,922,074)
Non-interest bearing							
Cash and cash equivalents	2,708,894	-	-	-	-	-	2,708,894
Receivable	36,283,740	37,126,306	40,992,708	-	-	-	114,402,753
Net cash outflows	(14,997,713)	5,781,798	(25,104,498)	(47,776,095)	(24,165,313)	(200,400)	(106,462,221)

27. REALTED PARTY TRANSACTIONS

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

31 December 2021

Subsidiaries

- Teraglass Bistrita SRL
- TeraPlast Recycling SA
- TeraPlast Folii Biodegradabile SRL/ TeraBio Pack 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

31 December 2020

Subsidiaries

- Teraglass Bistrita SRL
- Terasteel SA
- TeraPlast Recycling SA
- TeraPlast Hungaria Kft
- Wetterbest SA
- Terasteel Doo Serbia
- Cortina WTB SRL
- Terasteel Slovakia Sro
- Teramed Sante SRL
- TeraPlast Folii Biodegradabile SRL
- Somplast SA

Related parties (common shareholding/decision-makers)

- ACI Cluj SA Romania
- Ditovis Impex SRL Romania
- Eurohold AD Bulgaria
- Hermes SA Romania
- INFO SPORT SRL
- ISCHIA ACTIVHOLDING SRL
- ISCHIA INVEST SRL
- LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
- Mundus Services AD Bulgaria
- NEW CROCO PIZZERIE SRL
- Parc SA
- RSL Capital Advisors SRL
- Sphera Franchise Group SA

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

27. REALTED PARTY TRANSACTIONS (continued)

Transactions and balances with other related parties	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Sales of goods and services	657,376	111,317
Purchases of goods and services	59,391	63,891
Debit balances	215,207	87,085
Credit balances	1,548	2,342

Transactions and balances with subsidiaries	Financial year ended 31 December 2021	Financial year ended 31 December 2020
Sales of goods and services	5,873,117	13,689,030
Re-invoice	3,310,907	3,066,350
Purchases of goods and services	27,317,661	30,173,933
Purchases of fixed assets	424,700	-
Debit balances current activity	2,647,495	5,414,074
Debit balances from the insulation joinery line	-	3,102,955
Debit balances – polyethylene pipes business line transfer	-	-
Debtor balance from sale assets to Teraplast Recycling	-	-
Credit balances current activity	354,056	703,138
Credit balances from the polyethylene pipes business line transfer	-	-
Affiliates borrowing balance	15,420,729	4,447,350

During 2021 and 2020, the Company did not have transactions with key management personnel or shareholders.

At 31 December 2021, the RON 15,420,729 includes the loan granted to TeraBio Pack SRL, in amount of RON 15,000,000, due in December 2027.

At 31 December 2020, the loan agreement between the Company and TeraPlast Hungaria was effective: loan in amount of EUR 0.2 million, due on 21 February 2020, when the term was extended by one more year.

28. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2021	31 December 2020
Cash at banks	2,189,922	2,594,843
Cash on hand	25,458	47,882
Cash equivalents	82,425	66,170
Total cash and cash equivalents	**2,297,805**	**2,708,894**

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

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

28. CASH AND CASH EQUIVALENTS (continued)

Non-cash transactions

The property, plant and equipment financed through the new leases, as follows:

	31 December 2021	31 December 2020
	RON	*RON*
Fork lifts	607,744	607,744
Vehicles	1,657,653	1,967,413
Total	**2,265,397**	**2,575,157**

29. COMMITMENTS AND CONTINGENT LIABILITIES

Unused credit facilities

At 31 December 2021, the Company registers unused credit facilities in amount 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 (31 December 2020: 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 manufacturing of fireproof compounds and indoor sewage

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 cashed in 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.

29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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.

Potential tax liabilities

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

Environmental matters

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

Transfer pricing

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

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

30. NET PROFIT FROM SOLD BUSINESSES

Sale of the Steel division

In 2020, the Company sold its Steel division to Kingspan group, resulting in a decrease of investments held by RON 101,377,430 representing investments in Terasteel Romania, Wetterbest, Terasteel Serbia and Teraplast Hungary.

The final price of the transaction was RON 375,523,228, from which the Company made a profit of RON 274,145,797.
The transfer was completed in February 2021.

Sale of the joinery profiles business

In 2021, the Company sold its joinery profiles business, including its stake in TeraPlast Hungary.

the joinery profiles business line registered a profit of RON 17 thousand, including from the sale of stocks and equipment to Dynamic Selling Group:

	Financial year:	
Caption	**2021**	**2020**
Total revenues – of which:	**17,222,623**	**54,395,971**
Revenue from sale of finished products	*14,265,035*	*49,486,396*
Revenue from the sale of merchandise	*2,957,588*	*4,909,575*
Changes in inventory of finished goods and work in progress	(4,948,716)	(1,394,916)
Raw materials, consumables used and merchandise	(9,610,109)	(33,368,926)
Employee benefit expenses	(1,525,952)	(7,043,281)
Amortization and the adjustments for impairment of non-current assets, net	(573,018)	(3,922,166)
Changes in inventory of finished goods and work in progress	(220,877)	-
Reversal of provisions, net	605,248	(25,880)
Loss on sale of equipment	(55,509)	-
Other expenses	(876,053)	(5,424,313)
Operating result	**17,637**	**3,216,488**
Financial costs	-	(87,142)
	17,637	**3,129,347**
Income tax expense	-	(133,407)
Profit for the year	**17,637**	**2,995,940**

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

31. SUBSIDIES FOR INVESTMENTS

	2021	2020
At 1 January	**13,047,890**	**5,285,168**
Additions of subsidies during the reporting period	8,967,836	9,012,429
Transferred to separate statement of comprehensive income	(1,357,195)	(1,249,707)
At 31 December	**20,658,531**	**13,047,890**
Current	1,244,853	1,244,853
Non-current	19,413,678	11,803,037

Subsidies for investments refer to non-reimbursable funds for investments made by the Company for production equipment and personal protective equipment. There are no unfulfilled conditions or other contingencies associated with such subsidies.

At 31 December 2021, the total value of outstanding subsidies is RON 20,658,531 (2020: RON 13,047,890) recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis, throughout the lifetime of the related assets.

32. COMMERCIAL IMPACT OF THE SPREAD OF CORONAVIRUS

In 2021, the Company's results were not affected by the pandemic. The rapid spread of the Covid-19 virus and its social and economic impact in Romania and globally may generate assumptions and estimates that require reanalysis that may lead to adjustments in the carrying amount of assets and liabilities in the next financial year.

All production units of the Company operated at normal capacity.

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

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

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

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

33. SUBSEQUENT EVENTS

There were no significant events.

The ongoing military operation in Ukraine and the related sanctions targeted against the Russian Federation may have impact on the European economies and globally. The Company does not have any significant direct exposure to Ukraine, Russia or Belarus. However, the impact on the general economic situation may require revisions of certain assumptions and estimates. This may lead to material adjustments to the carrying value of certain assets and liabilities within the next financial year. At this stage management estimates that the war does not have an impact on the financial statements.

As events are unfolding on a daily basis, the longer-term impact may also affect trading volumes, cash flows and profitability. Nevertheless, at the date of these financial statements the Company continues to meet its obligations as they fall due and therefore continues to apply the going concern basis of preparation.

Declaration of management

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

Signed and approved:

24 March 2022
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

Report of the Board of Administration
on the separate financial statements of TeraPlast Group for 2021

Registered office: Sieu-Magherus commune, Saratel village, Calea Teraplast nr. 1, Bistrita-Nasaud

Sole registration code with the Trade Registry Office: 3094980

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

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

Subscribed and paid in share capital: RON 217,900,035.80

Securities issued by the Company: 2,179,000,358 shares, at a nominal value of RON 0.1/share.

The financial statements for 2021, presented together with the Audit Report and this Administrators' Report, refer to:

Equity	**RON 580,033 thousand**
Turnover	**RON 531,842 thousand**
Net profit for the year	**RON 49,347 thousand**

The Company prepares financial statements in accordance with Ministry of Public Finance Order no. 2844/2016 approving the Accounting Regulations compliant with International Financial Reporting Standards, applicable to companies whose securities are admitted to trading on a regulated market, as revised.

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

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About Teraplast

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

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

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

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

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

Installations

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

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

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

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

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

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

TeraPlast is constantly investing in improving the solutions it offers. This involves obtaining systems with features that meet customer needs, but also reflect a sustainable development -

one of the main directions of the company in this field. In 2020, the company launched the PE 100-RC pipe with PP protection layer, which offers a lifespan of up to 100 years, ease of installation and superior properties.

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

Compounds

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

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

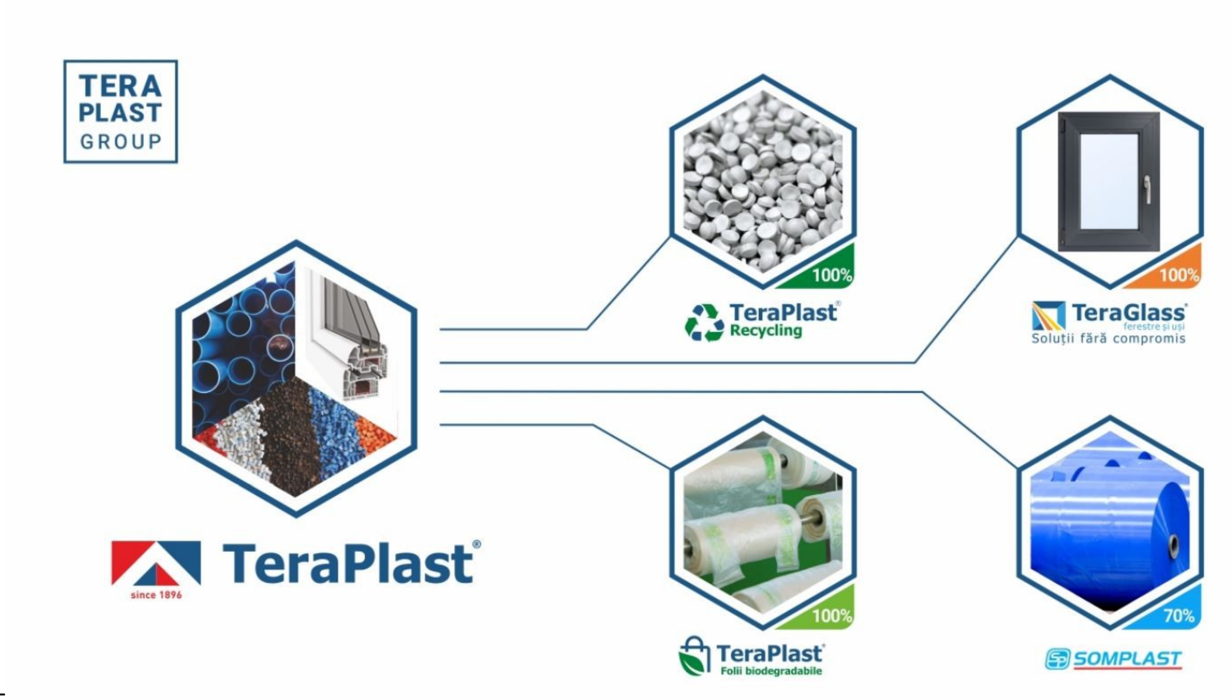
Structure of the Group

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

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

- Conclusion of the agreement for the sale of Steel division – Wetterbest, TeraSteel Romania and Serbia – to Kingspan Group --> in July 2020[1];
- Sale of the joinery profiles business of TeraPlast SA --> December 2020[2];
- Purchase of 70% of the shares of flexible packaging manufacturer Somplast --> December 2020[3].

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



[1] The transaction was completed after the suspensive conditions were fulfilled, namely the approval of the European Commission and the Competition Authority in Serbia, according to the provisions of the sale agreement, on 26 February 2021.
[2] The transaction was approved by the Competition Council in February 2021, and the transfer took place on 15 March 2021.
[3] The transaction received the approval of the Competition Council in March 2021, therefore Somplast SA is consolidated as of April 2021.

Results of the Company

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

Year ended 31 December 2021	Installations and facilities	Compounds	Unallocated amounts	Total
Total revenues	**401,026,000**	**134,813,973**	**-**	**535,839,972**
Expenses with indirect and administrative sales	(367,054,502)	(111,513,410)	-	(478,567,912)
Operating result	**33,971,498**	**23,300,563**	**-**	**57,272,060**
Financial result	(1,514,094)	243,763	277,241,632	275,971,300
Profit before tax	**32,457,403**	**23,544,326**	**277,241,632**	**333,243,361**
Operating assets	**381,036,912**	**67,066,630**	**331,767,454**	**779,870,996**
Non-current assets	172,623,023	24,004,135	61,571,529	258,198,687
Current assets	208,413,889	43,062,495	270,195,925	521,672,309
Operating liabilities	**160,638,586**	**39,199,857**	**-**	**199,838,443**
Non-current liabilities	46,898,586	8,888,616	-	55,787,202
Current liabilities	113,740,000	30,311,241	-	144,051,242
Additions of fixed assets	62,865,946	1,880,704	-	64,746,649

Unallocated non-current assets represent investment property, buildings leased to the buyer of the Joinery profiles business, investments in subsidiaries, and other financial assets including the loan granted by TeraPlast to TeraBio Pack.

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.

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.

Year ended 31 December 2020	Installations and facilities	Joinery profiles*	Compounds	Unallocated amounts	Total
Total revenues	**294,358,796**	**-**	**71,129,658**	**-**	**365,488,454**
Expenses with indirect and administrative sales	(267,458,461)	-	(59,783,522)	-	(327,241,983)
Operating result	**26,900,335**	**-**	**11,346,136**	**-**	**38,246,471**
Financial result	(3,906,604)	-	(339,422)	-	(4,246,026)
Profit before tax	**22,993,731**	**-**	**11,006,714**	**-**	**34,000,445**
Operating assets	**213,101,655**	**27,598,692**	**42,820,105**	**177,816,861**	**461,337,313**
Non-current assets	101,731,477	-	21,038,771	46,107,205	168,877,454
Current assets	111,370,178	27,598,692	21,781,333	131,709,656	292,459,859
Operating liabilities	**129,109,401**	**16,915,720**	**32,767,971**	**42,909,476**	**221,702,568**
Non-current liabilities	29,660,704	-	4,655,526	15,306,128	49,622,358
Current liabilities	99,448,697	16,915,720	28,112,445	27,603,348	172,080,210
Additions of fixed assets	26,123,358	1,729,030	2,963,233	-	30,815,621

Unallocated non-current assets refer to investment properties, investments in subsidiaries, as well as other financial assets, which include the long-term portion of the loan granted by TeraPlast to Terasteel Serbia.

Unallocated current assets are related to the short-term portion of TeraPlast's loan to Terasteel Serbia, and TeraPlast's short-term loan to TeraPlast Hungaria Kft, as well as short-term investments in the Steel division classified for sale.

The unallocated liabilities are related to the bank loans contracted by TeraPlast for the stake in Wetterbest and Politub and the financing of Terasteel Doo.

Company's employees

The structure of the staff is as follows:

	2021	2020
Officers	2	2
Managers	18	16
Administrative staff	125	112
Production staff	341	377
Total	**486**	**507**

According to the applicable collective employment agreement, the minimum wage within Teraplast is above the national minimum gross wage.

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

The human resources strategy is embedded into the business strategy and aims to achieve the business objectives through the organisation, recruitment and selection, performance and development of the human resource.

The guidelines for implementing the policy are:

- recruitment and hiring of staff on the basis of skills;
- rapid integration of new employees;
- design of training and development programs appropriate to the objectives of each organization in the group;
- developing incentive plans to encourage efficiency at low costs;
- elaboration of non-financial incentivisation systems;
- development of career programs;

Our values are: quality, commitment, performance. These values have engraved on our organizational culture and have been incorporated into our endeavours for continuous improvements of the Company.

The human resources policy focuses on the following areas:

- providing the necessary trained staff in the context of competition arising from the free movement of labour force within the European Community and achieving a balanced distribution of human resources at Company level;
- increasing the level of professional competence of employees;
- strengthening the internal system for promoting staff with performance potential;
- anticipating fluctuations in staff shortages or surpluses;
- covering the operational needs of the organization through the efficient use of human resources;
- compliance with the financial forecasts, and adapting the amount of human resource to the needs of the organisation.

The Company’s responsibility to employees means ensuring a safe and healthy work environment, providing opportunities for professional and personal development and establishing an ongoing dialogue to monitor their satisfaction and expectations. Every employee has a responsibility to maintain a safe and healthy workplace for all employees, complying with occupational health and safety regulations and practices, and reporting accidents, injuries, and unsafe equipment, practices, and conditions. The main strategic directions for occupational safety and health management that TeraPlast is planning and is committed to fulfilling are: prevention and continuous reduction of the risks of accidents and occupational diseases, creating the necessary conditions for continuous improvement of health and safety performance in work and the involvement of all staff in achieving the proposed objectives.

Effective solutions for people and the environment

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

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

- Waste management, recycling and keeping the percentage of waste / ton of finished product below 1%

- Optimizing the consumption of electricity, water and natural gas

- Monitoring environmental factors

TeraPlast has implemented and certified, at each company level, the integrated management system Quality-Environment-Occupational Health and Safety according to ISO 9001: 2015, ISO 14001: 2015 and OHSAS 18001: 2007.

The rigid PVC recycling department of TeraPlast is the materialisation of this responsible attitude towards sustainability. The department has an annual processing capacity of 12,000 tons, which makes us leaders in Romania and among the first 10 in Europe. In addition, the partnership with E.ON Energie at the end of 2019 implies the building of a photovoltaic plant with the help of which we will generate our own electricity, saving up to 11.45% of the total energy required so far. The energy systems will be installed on the roofs of 13 workshops of the TeraPlast Industrial Park and, in the long run, will make it possible to reduce CO2 emissions by up to 660 tons per year.

Involvement in the community means supporting initiatives in the fields of sport, health, welfare and education, both locally and nationally

Risk management

In the normal course of business, the Company is exposed to a variety of financial risks, including foreign currency risk, interest rate risk, liquidity risk and credit risk, market risk, geographic risk, but also operating risks and legal risks. The Company's focus is to understand these risks and to put in place policies that minimise the economic impact of an adverse event on the Company's performance.

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

The Company measures trade receivables and other financial assets at amortised cost.

- **Capital risks management**

The structure of the Company's capital consists in debts, cash and cash equivalents and the equity.

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

Like other industry representatives, the Company monitors capital on the basis of gearing ratio.

- **Market risk**

The Company's activities expose it primarily to financial risks regarding the exchange rate fluctuation.

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

- **Interest rate risk management**

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

The Company is permanently monitoring its interest rate risk.

- **Commercial credit risk management**

The Company has adopted a policy of performing transactions with trustworthy parties, which were evaluated based on financial position, past experience and other factors, and in addition, of obtaining sufficient guarantees or prepayments, if applicable, as a means of decreasing the financial losses caused by breaches of contracts. The Company exposure and the credit ratings of third parties to contracts are monitored by the management.

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

- **Liquidity risk management**

The Company manages the liquidity risks by maintaining appropriate reserves, bank facilities and reserve loan facilities, by continuously monitoring actual cash flows. Investment projects are only approved based on a concrete financing plan.

- **Fair value of financial instruments**

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

Financial liabilities are measured at book value, which is an approximate amount of their fair value, due to the fact that the debts are at variable interest and there are no significant commissions and initial costs amortized over time.

Budget for 2022

We plan on continuing to develop through investment.

Installations – the new projects that will be implemented in 2021/2022 will increase production capacity by 50%

Compounds – after a year when we extensively focused on improving margins, there comes a period when we will focus on gaining market share;

Budget for 2022	Installations	Compounds
Turnover	470,389,109	186,751,201
Other operating income, including subsidies	89,564	26,614
Revenue from subsidies	2,290,853	154,000
Operating income, total	**472,769,526**	**186,931,815**
Raw materials, consumables used and goods	-302,472,235	-126,072,325
Expenses with employee benefits	-50,078,035	-15,205,065
Depreciation and impairment allowances for assets and provisions	-18,019,272	-3,982,890
Other operating expenses	-52,451,458	-12,232,383
Total operating expenses	**-423,021,000**	**-157,492,663**
Operating result	**49,748,525**	**29,439,152**
EBITDA	**65,476,944**	**33,268,042**
EBITDA %	**13,9%**	**17,8%**
Financial result	-3,054,109	-744,276
Income tax	-7,555,035	-4,581,473
Net result	**39,139,382**	**24,052,733**
% net result	**8.3%**	**12.9%**

Non-financial declaration

In accordance with the legal regulations on the disclosure of non-financial information, the Company prepares and publishes a separate sustainability report, which includes the information required by the non-financial declaration and describes our sustainability initiatives. The TeraPlast sustainability report for 2021 will be published by 30.06.2022 on the website teraplast.ro, and access thereto will be communicated through the Company’s official communication channels, including on the BSE website (symbol TRP).

The sustainability report covers in detail the significant matters arising from the application of the stakeholder consultation methodology. The report contains the progress on the Group’s initiatives in the field of environmental protection, employwws and communities, corporate governance.

Environmental policy

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

Integrated management system

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

Sustainable development

Teraplast is actively involved in the development of sustainable systems, and the Research and Development Centre carries out annual research activities to improve existing products and obtain new products. In the development of products, their impact on the environment is also taken into account. Our goal is to offer the highest quality products, internationally certified, at a fair price and without having a negative impact on the environment and communities.

Preventing and combatting pollution

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

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

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

Waste management

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

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

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

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

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

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

Fight against corruption and bribe taking

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

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

Conflicts of interest may arise when the personal interests of staff conflict with their ability to perform their duties properly and effectively. To the extent possible, the relationships or activities that may affect or seem to affect the ability to make objective and correct decisions when carrying out activities on behalf of the Company are avoided.

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

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

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

Responsible procurement policy

Procurements are essential for the Company's competitiveness and its ability to innovate. The main objective of the procurement activity is the complete availability of materials both in terms of quantity and quality, in a timely manner, in conditions of maximum safety and with minimum costs of material resources necessary for the development of productive activities within the company. At the same time, the work involves proactively managing ***supply chain*** risks to reduce their potential impact.

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

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

The relations with our suppliers focus on trust, accountability for our products and aim at creating long-term partnerships. We constantly evaluate suppliers and apply an internal qualification and acceptance system.

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

Suppliers must comply with all applicable anti-corruption laws and regulations and have a zero tolerance policy for any form of bribery, corruption and embezzlement. They must carry out all transactions in a transparent manner and accurately reflect them in the accounting records and ledgers.

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

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

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

This provides the general conditions for:

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

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

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

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

Management of the Company

Administrators

Teraplast is managed on a one-tier system by a board of administration formed of five members apppointed by the General Meeting of Shareholders by secret vote. The duration of the administrators' mandates is one year, and they may be reappointed. At the date of this report, the structure of the Board of Administration is:

DOREL GOIA

• Position: chairman of the board
• Experience: entrepreneurship
• First year elected on the Board of Administration: 2008

LUCIAN CLAUDIU ANGHEL

• Position: temporary non-executive administrator
• Experience: banking, capital markets
• First year elected on the Board of Administration: 2021
• Activity: Banca Românească

VLAD NICOLAE NEACȘU

• Position: independent non-executive administrator
• Experience: financial
• First year elected on the Board of Administration: 2020
• Activity: Sens Unic Imobiliare SRL

MAGDA PALFI

• Position: non-executive administrator
• Experience: banking
• First year elected on the Board of Administration: 2008
• Activity: Raiffeisen Bank (Regional Corporate Officer – Cluj Operative Center)

ALEXANDRU STÂNEAN

• Position: executive manager
• Experience: business administration
• First year elected on the Board of Administration: 2007
• Activity: TeraPlast SA (Chief Executive Officer)

The members of the Board of Administration are elected at the General Meeting of Shareholders on the basis of the shareholders' vote in accordance with the legal requirements. Therefore, there are no agreements or understandings to report in this document.

Executive team members

The executive management of Teraplast is appointed by the Board of Administration, and on the date of this report is delegated to the Chief Executive Officer and the Chief Financial Officer. The officers run the daily activity of the company.

Corporate governance

Teraplast has implemented recommendations of the Corporate Governance Code of the Bucharest Stock Exchange, establishing governance principles and structures that mainly aim at respecting the rights of shareholders, as well as offering a fair treatment. In this regard, the Board of Administration has prepared a Regulation of Organisation and Operation, which is in accordance with the CGC principles, thus ensuring the transparency and sustainable development of the Company. The Regulation of Organization and Operation also sets out the roles of the board of administration, the powers and responsibilities of the board, so as to ensure that the interests of all the company's shareholders are respected, and last but not least, equal access for shareholders and potential investors to the company’s relevant information.

Governance structures

To continue the process of implementing the principles of the Corporate Governance Code, the September 2021 General Meeting elected a new Board of Administration consisting of five administrators, one of whom is independent of other major shareholders. Therefore, the members were chosen so as to guarantee the efficiency of the measures and the development strategy of the group's businesses, but also the analysis and evaluation of the efficiency of the executive management of Teraplast. The main objective of the board of directors is to promote and respect the interests of the Company’s shareholders.

In accordance with the GCC's recommendations, the Company has established strict rules on internal circulation and disclosure to third parties of confidential documents and privileged information, with particular emphasis on data and / or information that could influence market developments and / or the price of securities issued by Teraplast. In this regard, specific confidentiality agreements have been concluded with the company's management and administrators, as well as with employees who, based on their functions and / or responsibilities, have access to such confidential / privileged information.

CEO

ALEXANDRU STANEAN

CFO

IOANA BIRTA