

TERAPLAST SA

SIMPLIFIED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

prepared in accordance with International Financial Reporting Standards as adopted by the
European Union

**AT AND FOR THE SIX-MONTH PERIOD
ENDED JUNE 30, 2022**

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TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Note	Period ended June 30, 2022	Period ended June 30, 2021
Income from contracts with customers, of which:	4	373,691,113	272,903,026
<i>Income from the sale of finished goods</i>		346,014,651	246,824,198
<i>Income from the sale of goods</i>		25,973,078	25,119,640
<i>Income from provision of services</i>		1,703,384	959,188
Other operating income	5	242,567	364,151
Income from investment subsidies	5	1,600,265	1,026,654
Changes in stocks of finished goods and work in progress		21,760,640	10,105,754
Raw materials, consumables and merchandise	6	(277,483,301)	(183,738,596)
Expenses with employees' benefits	9	(41,328,217)	(30,083,040)
Transport expenses		(14,448,798)	(10,021,936)
Utilities expenses		(11,481,987)	(7,225,984)
Amortisation/depreciation and impairment of non-current assets, net	8	(14,713,914)	(9,852,895)
Impairment of non-current assets, net	8	(943,545)	1,106,831
Income/Expenses with reversal of provisions, net	8	183,447	(191,903)
Losses on the write-off of tangible and intangible assets, assets held for sale and investment property	7	161,308	(3,925)
Other operating expenses	10	(13,739,004)	(10,494,317)
Sponsorship		(507,472)	(133,562)
Operating profit/loss		22,993,102	33,760,258
FX differences, net		(214,573)	(1,328,083)
Interest expenses, net		(2,844,040)	(1,555,913)
Other financial income		22,583	1,093,399
Financial result, net	5	(3,036,030)	(1,790,597)
Profit before tax		19,957,072	31,969,661
Income tax expenses		(3,555,068)	(3,295,393)
Profit of businesses that continue their activity within the Group		16,402,004	28,674,268
Profit of Profiles business			(346,742)
Profit of Steel and TeraPlast Hungary businesses/ Profit from sale of business			189,231,375
Profit for the year		16,402,004	217,558,901

Signed and approved:
July 25, 2022
Board of Directors

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Note	June 30, 2022	December 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	316,479,523	278,313,714
Investment property	17	4,355,802	4,355,802
Leased right-of-use assets	13	9,557,473	9,618,149
Intangible assets	12	2,985,607	2,362,252
Long-term receivables		1,520,937	1,593,212
Other long-term equity investments	14	15,500	15,500
Total non-current assets		334,914,842	296,258,629
Current assets			
Inventories	15	166,886,624	118,075,643
Trade receivables	16	210,552,403	171,569,289
Receivables representing dividends paid and share capital increase out of year's profit		-	270,195,925
Advances to suppliers of non-current assets		10,204,395	15,265,483
Prepaid expenses		1,469,937	615,133
Cash	24	2,923,288	7,712,109
Total current assets		392,036,647	583,433,582
Total assets		726,951,489	879,692,211
EQUITY AND LIABILITIES			
Equity			
Share capital	18	217,900,036	217,900,036
Own shares		-	(4,935,035)
Revaluation reserves		15,877,973	15,877,973
Legal reserves		33,296,210	33,296,210
Retained earnings		39,008,012	325,740,259
Capital attributable to controlling interests		306,082,231	587,879,443
Non-controlling interests		3,504,832	3,651,481
Total equity		309,587,063	591,530,924
Long-term liabilities			
Bank loans	21	45,502,596	39,477,363
Finance lease liabilities		1,173,369	530,210
Right-of-use lease liabilities	22	5,833,255	6,517,775
Long-term liabilities for non-current assets	20	8,425,465	9,012,910

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TERAPLAST SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

(all amounts are expressed in RON, unless otherwise specified)

	Note	June 30, 2022	December 31, 2021
Employees' benefits	19	1,915,984	1,915,984
Subsidies for investments – long-term portion	25	29,541,022	31,829,530
Deferred tax liabilities		991,582	991,582
Total long-term liabilities		93,383,273	90,275,354
Current liabilities			
Trade and other payables	20	148,815,763	103,809,417
Dividends payable		32,730,518	45,550
Bank loans	21	133,784,395	86,512,393
Finance lease liabilities		565,249	465,906
Right-of-use lease liabilities	22	2,019,523	2,031,337
Income tax payable		1,688,635	278,444
Subsidies for investments – current portion	25	3,251,950	2,554,125
Provisions for risks and charges	19	1,125,120	2,188,761
Total current liabilities		323,981,153	197,885,933
Total liabilities		417,364,426	288,161,287
Total equity and liabilities		726,951,489	879,692,211

Signed and approved:
July 25, 2022
Board of Directors

ALEXANDRU STANEAN
CEO

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TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Legal reserves	Revaluation reserve	Own shares	Cumulated retained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance as at January 1, 2021	174,320,048	16,627,688	13,394,410	-	129,200,928	333,543,074	655,430	334,198,504
Result for the year	-	-	-	-	231,899,050	231,899,050	(358,938)	231,540,112
Other comprehensive income					5,481,682	5,481,682		5,481,682
Total comprehensive income	-	-	-	-	237,380,732	237,380,732	(358,938)	237,021,794
Share capital increase from reserves	43,579,988	-	-	-		43,579,988	-	43,579,988
Legal reserve setting		16,668,522			(16,668,522)	-	-	-
Reserves representing revaluation surplus	-	-	2,483,563	-	7,089,563	9,573,126	-	9,573,126
Buy-back of own shares	-	-	-	(4,935,035)		(4,935,035)	-	(4,935,035)
Dividends granted in Q1 2021	-	-	-	-	(30,682,530)	(30,682,530)	-	(30,682,530)
Purchase of Somplast (31.03.2021)					(579,912)	(579,912)	3,354,989	2,775,077
Balance at December 31, 2021	217,900,036	33,296,210	15,877,973	(4,935,035)	325,740,259	587,879,443	3,651,481	591,530,924
Balance as at January 1, 2022	217,900,036	33,296,210	15,877,973	(4,935,035)	325,740,259	587,879,443	3,651,481	591,530,924
Result for the year					16,548,653	16,548,653	(146,649)	16,402,004
Other comprehensive income								
Total comprehensive income					16,548,653	16,548,653	(146,649)	16,402,004
Benefits granted to employees in the form of financial instruments				4,935,035		4,935,035		4,935,035
Loss on sale of own shares					(354,457)	(354,457)		(354,457)
Dividends paid and share capital increase (2021)					(270,195,925)	(270,195,925)		(270,195,925)
Dividends declared					(32,730,518)	(32,730,518)		(32,730,518)
Balance at June 30, 2022	217,900,036	33,296,210	15,877,973	-	39,008,012	306,082,231	3,504,832	309,587,063

Signed and approved:
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Board of Directors

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

TERAPLAST SA
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE 6-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Period ended June 30, 2022	Period ended June 30, 2021
<i>Cash flows from operating activities:</i>		
Profit before tax*	19,957,072	217,558,901
Losses from sale or scrap of fixed assets	(161,308)	(51,584)
Impairment and amortization of non-current assets	14,713,914	9,852,895
Allowance for risks and charges, net	(183,447)	-
Allowance for doubtful debts	1,356,908	(931,174)
Inventory impairment	(413,367)	(175,657)
Gains from sale of Steel division and Joinery profiles business	-	(188,884,634)
Interest expense	2,844,040	1,555,913
Operating profit before changes in working capital	38,113,812	38,924,660
Increase in trade and other receivables	(41,194,829)	(82,802,013)
Increase in inventories	(48,397,614)	(43,627,405)
Increase in trade and other payables	43,181,814	60,463,813
Net asset Somplast	-	(18,972,284)
Income tax paid	(734,686)	(1,550,187)
Interest paid, net	(2,844,040)	(1,555,913)
Income from subsidies	(1,590,683)	(811,044)
Cash used in operating activities	(13,466,225)	(49,930,373)
<i>Cash flows used for investment:</i>		
Payments for acquisition of property, plant and equipment and intangible assets	(44,314,373)	(31,280,538)
Proceeds from the sale of property, plant and equipment	144,798	94,961
Proceeds from the sale of the Steel division and the Joinery Profiles business	-	375,483,190
Cash flows (used in) /generated by investing activities	(44,169,575)	344,297,613
<i>Cash flows generated by financing activities:</i>		
Payment of finance lease liabilities	(450,255)	(996,448)
Net repayments/ drawdowns from credit lines	53,297,235	(48,574,162)
Cash generated by / (used in) financing activities	52,846,980	(49,570,610)
Net increase/(decrease) of cash	(4,788,821)	244,796,630
Cash and cash equivalents at the beginning of the period	7,712,109	16,620,936
Cash and cash equivalents at the end of the period	2,923,288	261,417,566

Approved, July 25, 2022
Board of Directors

ALEXANDRU STANEAN
CEO

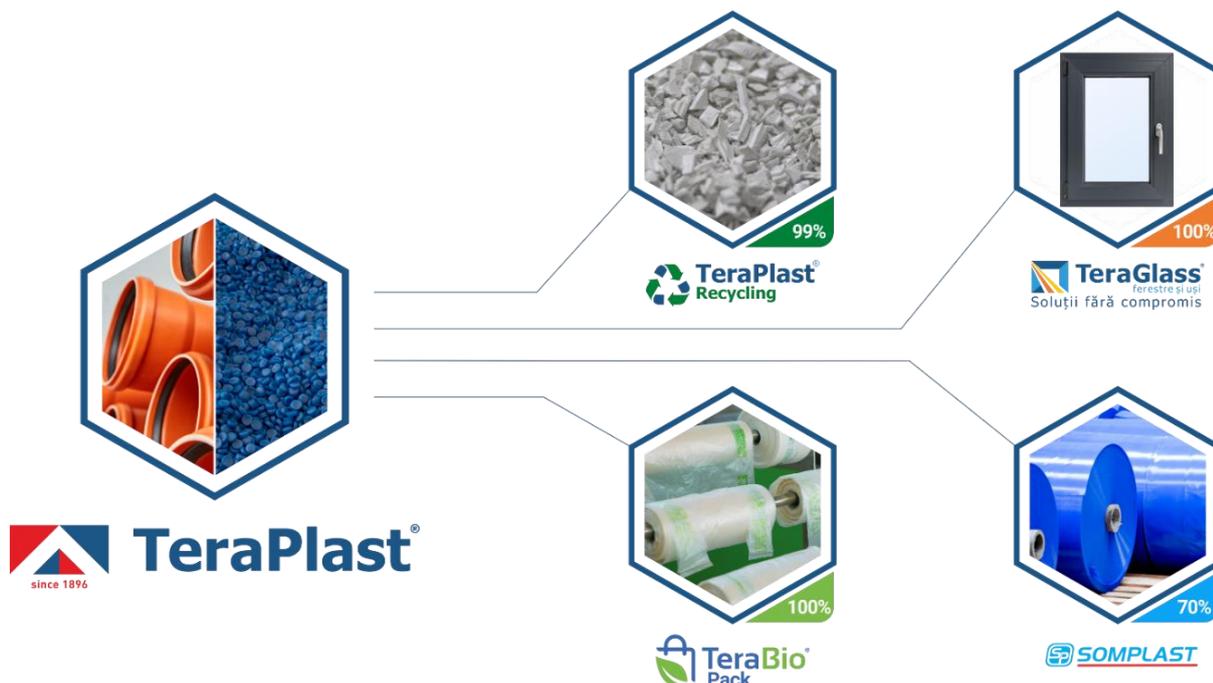
IOANA BIRTA
CFO

1. GENERAL INFORMATION

These are the consolidated financial statements of the Teraplast SA Group (the “Group”). These preliminary financial statements are not audited.

With a tradition of 125 years, TeraPlast SA is the parent company of the TeraPlast group, one of the most important manufacturers on the building materials and PVC compounds market.

Structure of TeraPlast group



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

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

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

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

TeraPlast SA sold its shares in TeraSteel Romania and Serbia and Wetterbest to the Kingspan group, based on a contract concluded on 24 July 2020. The transaction was completed on 26 February 2021, when TeraPlast received a price of RON 375 million. TeraPlast used the money to pay the special dividend and for investments.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with International Standard on Accounting – Interim Financial Reporting.

The accounting policies and measurement methods adopted in the preparation of the simplified consolidated interim financial statements are consistent with those used in the preparation of the annual consolidated financial statements of Teraplast SA at December 31, 2021.

These interim financial statements are not audited.

Acquisition of Somplast

Teraplast SA purchased a 70.8% stake in Somplast SA on AeRo, in December 2020, at a price of RON 4,897,400. The Group purchased this stake and integrated the production and sale of flexible polyethylene packaging in BioPack, in order to be able to offer its clients a complete range of flexible packaging. The production of polyethylene pipes was integrated into TeraPlast SA and the production of consumer goods was interrupted.

The fair value of Somplast at 1 January 2021 was RON 13,734 thousand determined further to a revaluation report prepared by an external valuer. Teraplast SA consolidates Somplast as of 1 April 2021, once it receives the approval of the Competition Council.

The fair value of the assets and liabilities of Somplast SA at the date of first consolidation are:

	31 March 2021 (lei)
Non-current assets	10,207,999
Inventories	7,514,132
Trade and other receivables	5,444,733
Cash and cash equivalents	2,749,827
Total assets	25,916,691
Trade and other payables	6,000,460
Bank loans	6,076,981
Provisions	90,280
Total liabilities	12,167,721
Total net assets at fair value	13,748,971
Fair value of 70.8% of the net assets purchased	4,897,400
Cost of acquisition	9,738,551
Negative goodwill	4,841,151

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

3. STANDALONE FINANCIAL STATEMENTS – TERAPLAST SA

The statement of comprehensive income and the standalone interim statement of financial position of Teraplast SA at June 30, 2022 are presented below:

	Period ended June 30, 2022	Period ended June 30, 2021
Income from contracts with customers, of which:	310,458,639	241,011,390
<i>Income from the sale of finished goods</i>	285,041,952	218,426,184
<i>Income from the sale of goods</i>	24,841,371	22,352,959
<i>Income from provision of services</i>	575,316	232,247
Other operating income	956,344	1,025,602
Income from investment subsidies	975,889	630,412
Changes in stocks of finished goods and work in progress	20,321,898	13,308,464
Raw materials, consumables and merchandise	(239,600,771)	(172,242,286)
Expenses with employees' benefits	(27,111,691)	(22,697,079)
Transport expenses	(10,826,932)	(8,322,557)
Utilities expenses	(8,001,841)	(5,741,610)
Amortisation/depreciation and impairment of non-current assets, net	(9,781,233)	(7,540,667)
Impairment of non-current assets, net	(1,081,585)	805,370
Reversal of provisions, net	1,058,682	(232,506)
Gains on write-off of tangible and intangible assets	96,696	345,374
Losses on the write-off of assets held for sale	-	(346,495)
Sponsorship, donations	(492,472)	(129,869)
Other operating expenses	(8,512,823)	(8,106,128)
Operating result	28,458,800	31,767,415
FX differences, net	(168,760)	(554,812)
Interest expenses, net	(1,651,665)	(1,239,753)
Other financial income	85,361	315,378
Income from dividends	-	2,998,500
Financial result	(1,735,064)	1,519,313
Profit before tax	26,723,736	33,286,728
Income tax expenses	(3,134,404)	(3,097,817)
Profit for the year	23,589,332	30,188,911
Net profit from the sale of the Steel and Joinery profiles	-	273,799,055
Total comprehensive income	23,589,332	303,987,966

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

3. STANDALONE FINANCIAL STATEMENTS – TERAPLAST SA (continued)

	June 30, 2022	December 31, 2021
ASSETS		
Non-current assets		
Property, plant and equipment	199,942,834	183,765,128
Investment property	16,304,309	16,304,309
Intangible assets	2,077,754	1,861,194
Leased right-of-use assets	9,482,295	9,515,212
Investments in subsidiaries	30,232,090	30,232,090
Other financial investments	15,400	15,400
Other long-term receivables	18,115,136	16,505,354
Total non-current assets	276,169,818	258,198,687
Current assets		
Inventories	138,390,999	91,752,798
Trade and other receivables	194,439,882	156,965,160
Receivables representing dividends paid and share capital increase out of year's profit	-	270,195,925
Prepaid expenses	1,057,692	460,621
Cash and short-term deposits	1,628,873	2,297,805
Total current assets	335,517,446	521,672,309
Total assets	611,687,264	779,870,996
EQUITY AND LIABILITIES		
Equity		
Capital subscribed	217,900,036	217,900,036
Own shares	-	(4,935,035)
Revaluation reserves	12,653,390	12,653,390
Legal reserves	29,082,256	29,082,256
Retained earnings	45,667,904	325,331,906
Capital attributable to controlling interests	305,303,586	580,032,553
Total equity	305,303,586	580,032,553
Long-term liabilities		
Loans and finance lease liabilities	21,272,885	17,092,131
Lease liabilities	6,950,255	6,970,598
Other long-term liabilities	8,425,462	9,012,909
Liabilities with employees' benefits	1,580,838	1,580,838
Subsidies for investments – long-term portion	17,749,547	19,413,678
Deferred tax liabilities	1,717,047	1,717,047
Total long-term liabilities	57,696,034	55,787,201

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	June 30,	December 31,
	2022	2021
Current liabilities		
Trade and other payables	129,361,470	81,777,723
Dividends payable	32,730,518	
Bank loans	79,155,553	55,815,884
Lease liabilities	2,644,297	2,536,051
Income tax payable	1,938,117	703,038
Subsidies for investments – current portion	1,942,678	1,244,853
Provisions	915,011	1,973,693
Liabilities with assets held for sale and discontinued operations		
Total current liabilities	248,687,644	144,051,242
Total liabilities	306,383,678	199,838,443
Total equity and liabilities	611,687,264	779,870,996

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

3. STANDALONE FINANCIAL STATEMENTS – TERAPLAST SA (continued)

Statement of cash flows	<u>June 30, 2022</u>	<u>June 30, 2021</u>
<i>Cash flows from operating activities:</i>		
Net profit before tax – business that continues its operations within the Group	<u>26,723,736</u>	<u>307,085,783</u>
<i>Adjustments for:</i>		
Profit from sale or scrap of fixed assets	(96,696)	(345,374)
Gains from sale of Steel division and Joinery profiles business	-	(274,163,434)
Impairment and amortization of non-current assets	9,781,233	7,540,667
Allowance for risks and charges, net	(1,058,682)	232,506
Allowance for doubtful debts	(1,093,639)	(846,974)
Inventory impairment	12,052	41,604
Interest expense	1,651,665	1,239,753
Operating profit before changes in working capital	<u>35,919,669</u>	<u>40,784,531</u>
Increase in trade and other receivables	(36,978,154)	(105,760,830)
Increase in inventories	(46,650,256)	(36,611,156)
Increase in trade and other payables	52,052,201	48,005,716
Income tax paid	(1,899,324)	(1,505,494)
Interest paid	(1,651,665)	(1,239,753)
Income from subsidies	(975,889)	(630,412)
Cash generated by operating activities	<u>(183,418)</u>	<u>(56,957,398)</u>
<i>Cash flows generated by investing activities:</i>		
Payments for acquisition of property, plant and equipment and intangible assets	(27,833,727)	(32,357,357)
Proceeds from the sale of property, plant and equipment	96,696	588,715
Proceeds from the sale of the Steel division and the Joinery Profiles business	-	384,887,335
Net cash generated by investing activities	<u>(27,737,031)</u>	<u>353,118,693</u>
<i>Cash flows generated by financing activities:</i>		
Net (repayments)/ drawdowns from credit lines	27,520,423	(43,523,852)
Payment of finance lease liabilities	(268,906)	(1,125,274)
Net cash generated by financing activities	<u>27,251,517</u>	<u>(44,649,126)</u>
Net changes in cash	(668,932)	251,512,169
Cash and cash equivalents at the beginning of the period	<u>2,297,805</u>	<u>2,708,894</u>
Cash and cash equivalents at the end of the period	<u>1,628,873</u>	<u>254,221,063</u>

4. REVENUES AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Sales of finished goods	351,309,797	250,441,991
Sale of merchandise	25,973,078	25,117,705
Revenues from other activities	1,703,384	959,188
Trade discounts granted	<u>(5,295,146)</u>	<u>(3,615,858)</u>
TOTAL	<u>373,691,113</u>	<u>272,903,026</u>

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

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

The distribution channels of the products of TeraPlast group are:

- distributors and resellers (domestic and exports)
- specialised networks (DIY stores – domestic and exports)
- contractors and builders (infrastructure projects auctions)
- producers (domestic and exports)

BUSINESS LINES

Installations

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

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

4. REVENUES AND OPERATING SEGMENTS (continued)

The company has a long history of market innovations:

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

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

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

Compounds

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

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

Recycling

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

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

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

Windows and doors

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

Flexible packaging

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

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

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4. REVENUES AND OPERATING SEGMENTS (continued)

Period ended June 30, 2022	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total	
Turnover	249,703,148	76,749,264	27,889,393	19,349,308	373,691,113	
Other operating income	156,528	52,782	13,680	19,577	242,567	
Total operating income	249,859,676	76,802,046	27,903,073	19,368,885	373,933,680	
Raw materials, consumables used and merchandise	(164,988,286)	(57,365,809)	(18,022,945)	(15,345,621)	(255,722,661)	
Employee benefits expenses	(25,376,318)	(4,349,909)	(5,754,143)	(5,847,847)	(41,328,217)	
Amortization net of subsidies and adjustments for the impairment of assets and provisions	(8,329,222)	(1,512,221)	(763,069)	(2,164,382)	(12,768,894)	
Adjustments for the impairment of current assets	(1,081,586)	-	(205,570)	343,611	(943,545)	
Other expenses	(27,501,872)	(4,267,832)	(4,450,357)	(3,957,201)	(40,177,262)	
Expenses related to indirect sales and administrative expenses	(227,277,284)	(67,495,771)	(29,196,084)	(26,971,440)	(350,940,579)	
Operating result	22,582,392	9,306,275	(1,293,012)	(7,602,554)	22,993,101	
EBITDA	30,911,614	10,818,496	(529,943)	(5,438,172)	35,761,995	
EBITDA %	12,4%	14,1%	-1,9%	-28,1%	9,6%	
June 30, 2022	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amounts	Total
Assets						
Total assets, out of which	510,896,906	75,239,533	48,560,843	83,880,805	8,373,402	726,951,489
Non-current assets	226,412,999	22,532,944	21,151,483	56,444,015	8,373,402	334,914,842
Current assets	284,483,907	52,706,589	27,409,361	27,436,790	-	392,036,647
Liabilities						
Total liabilities, out of which:	256,282,041	46,031,386	38,652,469	76,398,530	-	417,364,426
Non-current liabilities	50,411,760	7,648,786	7,035,538	28,287,189	-	93,383,273
Current liabilities	205,870,281	38,382,599	31,616,931	48,111,341	-	323,981,153

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4. REVENUES AND OPERATING SEGMENTS (continued)

Period ended June 30, 2021	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	182,242,209	64,591,986	19,914,536	6,154,296	272,903,026
Other operating income	326,988	3,634	6,392	27,137	364,151
Income from subsidies	623,357	-	403,297	-	1,026,654
Raw materials, consumables used and merchandise	(115,017,767)	(42,949,328)	(11,398,235)	(4,267,511)	(173,632,842)
Employee benefits expenses	(19,536,583)	(5,187,504)	(4,137,477)	(1,221,475)	(30,083,040)
Amortization and adjustments for the impairment of assets and provisions	(7,003,623)	(1,680,293)	(1,159,944)	(204,863)	(10,048,723)
Adjustments for the impairment of current assets	812,303	-	267,066	27,462	1,106,831
Other expenses	(19,225,761)	(4,685,822)	(3,283,606)	(680,611)	(27,875,800)
Expenses related to indirect sales and administrative expenses	(159,971,432)	(54,502,948)	(19,712,196)	(6,346,998)	(234,186,576)
Operating result	23,221,122	10,092,672	612,029	(165,566)	33,925,823
EBITDA	29,601,388	11,772,965	1,368,676	39,297	42,743,029
EBITDA %	16,2%	18,2%	6,9%	0,6%	15,7%

June 30, 2021	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amounts	Total
Assets						
Total assets, out of which	369,519,672	63,788,104	43,142,971	33,865,493	259,658,869	769,975,109
Non-current assets	128,188,726	23,509,101	24,508,293	13,854,416	9,609,877	199,670,412
Current assets	241,330,947	40,279,004	18,634,678	20,011,077	23,433,055	343,688,760
Cash for payment of dividends on July 22, 2021					226,615,937	226,615,937
Liabilities						
Total liabilities, out of which:	167,796,276	42,283,789	19,345,971	11,831,454	900,239	242,157,730
Non-current liabilities	37,517,600	8,736,948	9,044,396	214,679		55,513,623
Current liabilities	130,278,676	33,546,841	10,301,575	11,616,775	900,239	186,644,107

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

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

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 was settled with the retained earnings after the GMS approved the annual financial statements (in April 2022), according to the regulations on quarterly dividends.

The additions of fixed assets refer mainly to the extension of the production and storage capacity for PVC pipes and fittings and equipment for the floor heating system.

The extrusion and manufacturing divisions in the flexible packaging plant were put into operation in December 2021.

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

5. SUNDRY INCOME AND EXPENSES

Financial income and expenses

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Interest expense	(2,845,417)	(1,590,135)
Interest income	1,377	34,222
Income from foreign exchange differences, net	579,239	746,700
Loss from foreign exchange differences	(767,327)	(1,314,091)
Other financial income/ expenses	<u>(3,902)</u>	<u>332,707</u>
Net financial loss	<u>(3,036,030)</u>	<u>(1,790,597)</u>

Other operating income

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Compensations, fines and penalties	99,878	212,895
Income from subsidies	1,600,265	1,026,654
Other income	<u>142,689</u>	<u>151,256</u>
Total	<u>1,842,832</u>	<u>1,390,805</u>

The Group did not capitalize any borrowing cost in 2022 and 2021 because the investments financed through bank debt were assets with long implementation period (construction, installation and commissioning).

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

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Raw materials expenses	244,024,683	155,436,951
Consumables expenses	13,646,707	10,230,157
Merchandise expenses	19,140,237	16,662,357
Packaging expenses	<u>671,674</u>	<u>1,409,131</u>
Total	<u>277,483,301</u>	<u>183,738,596</u>

7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Income from the disposal of the tangible and intangible assets and investment property	144,798	549,640
Expenses with the disposal of tangible and intangible assets and investment property	16,510	(207,070)
Gains/Losses on the disposal of assets held for sale	-	(346,495)
Net loss from the disposal of tangible and intangible assets and assets held for sale and investment property	<u>161,308</u>	<u>(3,925)</u>

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	<u>Period ended June 30, 2022</u>	<u>Period ended June 30, 2021</u>
Adjustments for impairment and provisions, amortisation		
Expenses with non-current assets impairment	(1,378,246)	(1,114,634)
Income from reversal of non-current assets impairment	52,223	317,342
Amortization and depreciation expenses (Notes 11, 12 and 13)	(13,387,891)	(9,055,603)
Net adjustments for non-current assets impairment	<u>(14,713,914)</u>	<u>(9,852,895)</u>
Inventory impairment expenses	552	(4,741,785)
Income from inventory impairment reversal	412,815	4,884,147
Net adjustments for inventory impairment	<u>413,367</u>	<u>142,362</u>
Expenses with allowance for current receivables	(1,571,929)	(63,805)
Income from impairment reversal for current receivables	215,018	1,243,872
Current receivables charged to expenses	-	(215,598)
Net adjustments for current receivables	<u>(1,356,911)</u>	<u>964,469</u>
Expenses with provisions	-	(500,000)
Income from reversal/write-off of provisions	183,447	308,097
Net adjustment for provisions	<u>183,447</u>	<u>(191,903)</u>
Total impairment of current assets	<u>(15,474,011)</u>	<u>(8,937,967)</u>

Impairment of non-current assets

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

Inventory impairment

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

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

	Period ended June 30, 2022	Period ended June 30, 2021
Wages	37,993,700	27,697,138
Contributions to the public social security fund	1,301,647	794,842
Meal tickets	2,032,870	1,591,060
Total, as presented in line "Employee benefit expenses"	41,328,217	30,083,040

Remuneration of the Board of Administration

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

10. OTHER EXPENSES

	Period ended June 30, 2022	Period ended June 30, 2021
Transport costs	14,448,798	10,021,936
Expenses with utilities and green certificates	11,481,987	7,225,984
Expenses with third party services	6,263,620	5,569,729
Expenses with compensations, fines and penalties	2,544,403	1,615,638
Entertainment, promotion and advertising expenses	1,015,625	849,969
Other general expenses	868,758	478,127
Expenses with other taxes and duties	946,374	731,676
Repair expenses	468,176	431,673
Travelling expenses	873,307	379,990
Rent expenses	369,986	244,540
Mail and telecommunication expenses	251,471	189,476
Insurance premium expenses	137,285	3,499
Total	39,669,790	27,742,237

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11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment and vehicles	Installations and furniture	Tangible assets in progress	Total
COST/FAIR VALUE						
Balance at January 1, 2021	7,096,069	61,329,721	207,797,326	1,979,890	10,121,142	288,324,148
Increases:	896,384	1,793,423	4,558,828	68,486	113,734,018	121,051,139
Out of which:						
Transfer of Somplast business line			1,161,530			1,161,530
Additions from Somplast acquisition	2,139,000	5,573,531	13,119,436	207,720	7,154	21,046,841
Transfers in / from non-current assets in progress	-	(1,388,448)	60,046,304	635,176	(59,293,032)	-
Accumulated depreciation of revalued property, plant and equipment		(12,044,434)				(12,044,434)
Increase/(Decrease) in revaluation	(139,839)	6,535,834				6,395,995
Transfers of right of use			309,760			309,760
Disposals and other decreases	(321,016)	(495,804)	(9,156,855)	(332,928)	(1,185,336)	(11,491,939)
Balance at December 31, 2021	9,670,598	61,303,823	277,836,329	2,558,344	63,383,946	414,753,040
Balance at January 1, 2022	9,670,598	61,303,823	277,836,329	2,558,344	63,383,946	414,753,040
Increases:	53,434	570,533	3,729,324	8,480	47,671,928	52,033,699
Out of which:						
Transfers in / from non-current assets in progress		4,928,037	27,171,618	41,711	(32,141,367)	-
Transfers of right of use			(946,203)			(946,203)
Disposals and other decreases			(376,857)			(376,857)
Non-current assets related to Steel and Joinery Profiles businesses						
Balance at June 30, 2022	9,724,032	66,802,394	307,414,211	2,608,535	78,914,507	465,463,679

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Plant and equipment and vehicles	Installations and furniture	Tangible assets in progress	Total
ACCUMULATED DEPRECIATION						
Balance at January 1, 2021	1,381	9,998,752	111,808,743	1,029,150	1,255,176	124,093,202
Depreciation recorded during the year	346	3,594,274	16,968,565	243,276		20,806,461
Disposals and decreases		(16,570)	(7,688,626)	(535,941)		(8,241,137)
Impairment		(189,975)	(219,489)			(409,464)
Accumulated depreciation of revalued property, plant and equipment		(12,044,434)				(12,044,434)
Net transfers of right-of-use assets			(264,244)			(264,244)
Additions from Somplast acquisition		1,410,543	10,881,254	207,145		12,498,942
FX differences						
Balance at December 31, 2021	1,727	2,752,590	131,486,203	943,630	1,255,176	136,439,326
Balance at January 1, 2021	1,727	2,752,590	131,486,203	943,630	1,255,176	136,439,326
Depreciation recorded during the year	174	2,037,163	11,029,210	136,428		13,202,975
Disposals and decreases			(374,147)			(374,147)
Impairment		(2,544)	(29,795)	(354)		(32,693)
Transfers of right-of-use assets in leases			(251,305)			(251,305)
Accumulated depreciation of non-current assets related to Steel and Joinery Profiles businesses						
Balance at June 30, 2022	1,901	4,787,209	141,860,166	1,079,704	1,255,176	148,984,156
NET CARRYING AMOUNT						
Net carrying amount as at January 1, 2022	9,668,871	58,551,233	146,350,126	1,614,714	62,128,770	278,313,714
Net carrying amount as at June 30, 2022	9,722,131	62,015,185	165,554,045	1,528,832	77,659,331	316,479,523

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12. INTANGIBLE ASSETS

	Licenses and other intangible assets	Intangible assets in progress	Total
Cost			
Balance at January 1, 2021	7,178,916	199,572	7,378,488
Increases	655,582	1,425,289	2,080,871
Transfers into / from tangible assets in progress	33,387	-33,387	-
Disposals and other decreases	(10,919)	(140,735)	(151,654)
Increases from Somplast acquisition	155,392		155,392
Balance at December 31, 2021	8,012,358	1,450,739	9,463,097
Balance at January 1, 2022	8,012,358	1,450,739	9,463,097
Increases	61,220	978,842	1,040,061
Transfers into / from tangible assets in progress	1,258,501	(1,258,501)	-
Disposals and other decreases			
Non-current assets related to Steel and Joinery Profiles businesses			
Balance at June 30, 2022	9,332,079	1,171,079	10,503,158
Accumulated amortisation			
Balance at January 1, 2021	6,266,302	-	6,266,302
Amortization expense	729,121		729,121
Impairment	(39,051)		(39,051)
Decreases	(10,919)		(10,919)
Increases from Somplast acquisition	155,392		155,392
Balance at December 31, 2021	7,100,844		7,100,844
Balance at January 1, 2022	7,100,844		7,100,844
Amortization expense (Note 8)	436,231		436,231
Impairment	(19,525)		(19,525)
Decreases			
Balance at June 30, 2022	7,517,551		7,517,551
Net carrying amount			
At January 1, 2022	911,513	1,450,739	2,362,252
At June 30, 2022	1,814,529	1,171,079	2,985,607

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13. RIGHT-OF-USE ASSETS

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

Cost	Buildings	Vehicles and equipment from operating leases	Vehicles and equipment from previous operating leases	Equipment	Total
Balance at January 1, 2022	8,615,787	2,095,544	2,462,186	2,462,186	13,173,517
Additions		469,932	946,203	946,203	1,416,135
Disposals		(117,047)			(117,407)
Balance at June 30, 2022	8,615,787	2,448,430	3,408,389	3,408,389	14,472,605
Amortisation					
Balance at January 1, 2022	2,215,152	62,075	1,278,141	1,278,141	3,555,368
Amortisation expenses	861,222	265,720	251,304	251,304	1,378,246
Reductions		(18,481)			(18,481)
Balance at June 30, 2022	3,076,374	309,314	1,529,445	1,529,445	4,915,132
Carrying amount at January 1, 2022	6,400,635	2,033,469	1,184,045	1,184,045	9,618,149
Carrying amount at June 30, 2022	5,539,413	2,139,115	1,878,944	1,878,944	9,557,473

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14. SUBSIDIARIES AND FINANCIAL INVESTMENTS

At June 30, 2022 and December 31, 2021, the parent company has the following investments:

Subsidiary	Country	June 30, 2022		December 31, 2021	
		Shareholding %	RON	Shareholding %	RON
Teraglass Bistrița SRL	Romania	100	3,468,340	100	3,468,340
TeraPlast Recycling SA	Romania	99	11,766,350	99	11,766,350
Somplast	Romania	70,8	4,897,400	70,8	4,897,400
TerBioPack	Romania	100	10,100,000	100	10,100,000
		-	30,232,090	-	30,232,090

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

Other long-term equity investments

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

Investment name	Country	June 30, 2022		December 31, 2021	
		Investment share %	RON	Investment share %	RON
CERTIND SA	Romania	7.50	14,400	7.50	14,400
Partnership for sustainable development	Romania	7.14	1,000	7.14	1,000
ECOREP GROUP SA	Romania	0.1	100	0.1	100
		-	15,500	-	15,500

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

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

15. INVENTORIES

	Balance at June 30, 2022	Balance at December 31, 2021
Finished goods	67,613,201	46,701,636
Raw materials	81,749,791	59,191,087
Commodities	10,572,803	7,424,010
Consumables	6,270,815	5,298,998
Inventory items	363,227	311,334
Semi-finished goods	2,194,267	1,970,154
Residual products	862,010	718,238
Goods to be purchased	603,838	342,973
Packaging	751,302	625,210
Inventories – gross value	170,981,254	122,583,640

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15. INVENTORIES (continued)

Value adjustments for raw materials and consumables	(1,600,688)	(1,535,640)
Value adjustments for finished products	(1,697,926)	(1,837,956)
Value adjustments for merchandise	(796,016)	(1,134,401)
Total value adjustments	(4,094,630)	(4,507,997)
Total inventories – net value	166,886,624	118,075,643

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

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

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16. TRADE AND OTHER RECEIVABLES

	Balance at June 30, 2022	Balance at December 31, 2021
Short-term receivables		
Trade receivables	145,581,718	106,034,597
Trade notes not exigible	54,594,128	43,856,350
Advances paid to suppliers of inventories and services	18,638,909	29,969,566
Advances paid to employees	4,572	2,365
Other receivables	9,640,828	8,257,254
Loss allowance	(17,907,752)	(16,550,843)
Balance at the end of the year	210,552,403	171,569,289

The changes in adjustment for impairment on doubtful receivables

	June 30, 2022	December 31, 2021
	RON	RON
Balance at the beginning of the year	(16,550,843)	(18,206,973)
Receivables written-off during the year		3,166,606
Impairment adjustment charged to statement of comprehensive income for trade receivables	(1,356,909)	(488,686)
Impairment adjustment for assets held for sale and discontinued operations		
Receivables with transferred clients		(1,021,790)
Balance at the end of year	(17,907,752)	(16,550,843)

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

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

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

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

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

17. INVESTMENT PROPERTY

At June 30, 2022 and December 31, 2021, TeraPlast holds 21 thousand sqm of land in Bistrița for value appreciation, classified as investment property. The production unit of TeraPlast used to be located on this land, before the Company moved to TeraPlast Industrial Park. The land has a fair value of RON 4,332 thousand.

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. Investment properties were revalued as at 31 December 2021 by an external independent valuator. The valuation method used was the market comparison.

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18. SHARE CAPITAL

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
	<i>RON</i>	<i>RON</i>
Common shares paid in full	<u>217,900,036</u>	<u>217,900,036</u>

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

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

On 10.07.2020, the Financial Supervisory Authority issued Certificate for registration of securities, corresponding to the increase of share capital approved by the amount of RON 40,539,546, through the issuance of 405,395,460 new shares, at a nominal value of RON 0.1 /share.

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

The RON 4.9 million reserve is the fair value of the gains from the bargain purchase of the 70.8% ownership in Somplast SA. The report on the allocation of the purchase price was prepared by an independent valuer in compliance with IFRS 3 – Business combinations, according to which the purchaser must allocate the cost of the ownership purchased by recognising the acquiree’s identifiable assets and liabilities at fair value at the purchase date. The fair value at 31 December 2020 of the net assets of Somplast was estimated at RON 13,734 thousand. The valuer estimated the value of the minority RON 4,010 thousand ownership using the pro rata allocation method of IFRS 3. Teraplast SA acquired the ownership at RON 4,897 thousand.

At June 30, 2022 and 31 December 2021, the revaluation reserves include the amounts representing the surplus from the revaluation of lands and buildings. The Group commissioned a revaluation of land and buildings at 31 December 2021.

Shareholding

	<u>June 30, 2022</u>		<u>December 31, 2021</u>	
	<u>Number of shares</u>	<u>% ownership</u>	<u>Number of shares</u>	<u>% ownership</u>
Goia Dorel	1,020,429,614	46.83	1,020,429,614	46.83
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	261,832,007	12.02	261,832,007	12.02
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIANZ PP	135,167,485	6.2	135,167,485	6.2
LCS IMOBILIAR SA	78,628,275	3.6	78,628,275	3.6
Other natural and legal persons	<u>682,942,977</u>	<u>31.34</u>	<u>682,942,977</u>	<u>31.34</u>
Total	<u>2,179,000,358</u>	<u>100</u>	<u>2,179,000,358</u>	<u>100</u>

19. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

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

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

	Short-term		Long-term	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
Employee benefits		-	1,915,984	1,915,984
Provisions for risks and charges	1,125,120	2,188,761		
Total	1,125,120	2,188,761	1,915,984	1,915,984

	Financial year ended June 30, 2022	Financial year ended December 31, 2021
Long-term employee benefits		
Opening balance	1,915,984	1,321,041
Movements	-	594,943
Closing balance	1,915,984	1,915,984

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

The Group has established a benefits plan through which employees are entitled to receive retirement benefits based on their seniority in the Group, upon reaching retirement age. There are no other post-retirement benefits for employees. The provision represents the current value of the retirement benefit liability calculated on an actuarial basis.

The latest actuarial valuations were performed on 31 December 2021 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute.

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

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20. TRADE AND OTHER PAYABLES

	June 30, 2022	December 31, 2021
Trade payables	110,005,926	75,114,617
Trade notes payable	3,815,797	3,902,457
Liabilities from the purchase of non-current assets	20,759,892	16,771,308
Other current payables	20,081,055	15,566,474
Advance payments from clients	2,578,555	1,467,472
Total	157,241,225	112,822,328

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.

Long-term liabilities for non-current assets in amount of RON 8,425,462 at June 30, 2022 (December 31, 2021: RON 9,012,910) represent the debt to E.On for the solar cells.

21. OTHER CURRENT PAYABLES

	June 30, 2022	December 31, 2021
Salary-related payables to employees and social security payables	11,997,401	11,736,284
VAT payable	6,920,074	2,035,400
Unclaimed employee rights	587	587
Other creditors	362,929	594,553
Deferred income	(375)	-
Commercial guarantees received	71,655	339,980
Other taxes payable	728,784	814,120
Dividends payable	-	45,500
Total	20,081,055	15,566,474

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22. LOANS FROM BANKS

Teraplast SA

Financing bank	Type of financing	Origination date	Balance at December 31, 2021	Balance at June 30, 2022	Short term at June 30, 2022	Long term at June 30, 2022	Period
Banca Transilvania	Working capital	07.06.2017	31,092,264	32,392,378	32,392,378		12 MONTHS
BCR	Working capital	28.08.2020	12,594,456	18,315,933	18,315,933		12 MONTHS
Banca Transilvania	Investments	20.04.2017	5,416,924	4,235,562	2,117,781	2,117,781	84 MONTHS
Banca Transilvania	Investments	24.07.2017	544,706				60 MONTHS
Banca Transilvania	Investments	31.07.2017	1,188,536				60 MONTHS
Banca Transilvania	Investments	07.11.2017	1,500,000	1,500,000	1,500,000		60 MONTHS
Banca Transilvania	Investments	07.03.2019	6,126,200	4,900,960	2,450,480	2,450,480	60 MONTHS
Banca Transilvania	Investments	30.03.2020	6,754,670	5,526,549	2,456,244	3,070,305	60 MONTHS
Banca Transilvania	Investments	23.12.2020	7,769,410	10,656,076	2,841,620	7,814,456	72 MONTHS
Banca Transilvania	Investments	23.12.2020	-	4,936,147	4,936,147		
Banca Transilvania	Investments	15.03.2021	-	7,759,818	1,939,955	5,819,864	
Banca Transilvania	Investments	15.03.2021	-	10,306,009	10,306,009		
TOTAL			72,987,166	100,529,432	79,256,547	21,272,885	

Teraglass Bistrita SRL

Financing bank	Type of financing	Origination date	Balance at December 31, 2021	Balance at June 30, 2022	Short term at June 30, 2022	Long term at June 30, 2022	Period
Transilvania Bank	Investments	07.12.2017	183,753	77,083	77,083		60 MONTHS
Transilvania Bank	Investments	08.03.2019	3,486,458	3,181,550	763,838	2,417,712	60 MONTHS
Transilvania Bank	Working capital	08.07.2020	9,828,600	9,962,295	9,962,295		12 MONTHS
BCR Bank	Working capital	23.12.2020	4,875,585	6,747,868	6,747,868		12 MONTHS
TOTAL			18,374,396	19,968,796	17,551,084	2,417,712	

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

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22. LOANS FROM BANKS (continued)

TeraBio Pack SRL

<u>Financing bank</u>	<u>Type of financing</u>	<u>Origination date</u>	<u>Balance at December 31, 2021</u>	<u>Balance at June 30, 2022</u>	<u>Short term at June 30, 2022</u>	<u>Long term at June 30, 2022</u>	<u>Period</u>
BCR Bank	Investments	29.04.2021	19,664,034	24,242,027	2,430,028	21,811,999	60 MONTHS
BCR Bank	Investments	29.04.2021	9,088,008	17,594,877	17,594,877		12 MONTHS
BCR Bank	Working capital	29.11.2021	2,843,554	4,351,585	4,351,585		12 MONTHS
BCR Bank	Working capital	29.11.2021	2,495,336	10,000,000	10,000,000		12 MONTHS
TOTAL			34,090,932	56,188,489	34,376,490	21,811,999	

Somplast SA

<u>Financing bank</u>	<u>Type of financing</u>	<u>Origination date</u>	<u>Balance at December 31, 2021</u>	<u>Balance at June 30, 2022</u>	<u>Short term at June 30, 2022</u>	<u>Long term at June 30, 2022</u>	<u>Period</u>
Transilvania Bank	Working capital	08.07.2021	537,262	2,600,274	2,600,274	-	12 MONTHS

The financing facilities for working capital contracted for 12-month periods will be extended in 2022.

The Group's companies agreed with the financing banks upon the fulfillment of certain financial covenants, calculated on the consolidated financial statements of the group, namely gearing ratio, liquidity, debt service coverage ratio and share of equity in total assets.

At June 30, 2022 and December 31, 2021 the Group complied with such financial covenants and there were not cases of default in the financing agreements.

23. LEASE LIABILITIES

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

	Minimum lease payments	
	June 30, 2022	December 31, 2021
Present value of minimum lease payments		
Amounts payable in one year	640,664	541,654
More than one year but less than five years	1,332,786	689,294
More than 5 years		-
Total lease liabilities	1,973,450	1,230,948
Less future finance expenses	234,832	234,832
Current amount of minimum lease payments	1,738,618	996,116

24. RELATED PARTY TRANSACTIONS

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

June 30, 2022

Subsidiaries

- Teraglass Bistrita SRL
- TeraPlast Recycling SA
- TeraBioPack
- Somplast SA

Related parties (common shareholding/decision-makers)

- ACI Cluj SA Romania
- Ditovis Impex SRL Romania
- Hermes SA Romania
- INFO SPORT SRL
- ISCHIA ACTIVHOLDING SRL
- ISCHIA INVEST SRL
- LA CASA RISTORANTE PIZZERIA PANE DOLCE SRL
- NEW CROCO PIZZERIE SRL
- Parc SA
- Primcom SA
- Sens Unic Imobiliare SRL
- Alpha Quest Tech SRL
- Banca Romaneasca SA
- Bittnet Systems SA
- Compa SA
- Magazin Universal Maramures SA
- LCS Imobiliar SA

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation. In Q1 2022 and 2021, the Group did not enter into significant transactions with related parties.

25. 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:

	June 30, 2022	December 31, 2021
	RON	RON
Cash in bank accounts	2,556,794	7,406,650
Notes receivable	42,405	180,652
Cash on hand	132,154	30,010
Cash in bank accounts, restricted	191,935	94,797
Total	2,923,288	7,712,109

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

26. SUBSIDIES FOR INVESTMENTS

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

	June 30, 2022	December 31, 2021
At 1 January	34,383,655	19,887,503
Inflows of subsidies		16,659,942
Transferred to statement of comprehensive income	(1,590,682)	(2,379,400)
Transferred to assets held for sale		
In balance, Somplast SA		215,610
Total	32,792,973	34,383,655
Current	3,251,950	2,554,125
Non-current	29,541,022	31,829,530

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

27. SUBSEQUENT EVENTS

There were no significant events.

The ongoing military conflict 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 financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the consolidated financial statements of the TeraPlast Group give a true and fair view of the development and performance of the business and the position of the Group together with a description of the principal risks and uncertainties that the Group faces.

July 25, 2022
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

TERAPLAST SA Report on Q1 2022**as per FSA Regulation no. 5/2018 Annex no. 13A****Date of report:** 25 July 2022**Name of company:** TERAPLAST SA**Registered office:** Sieu-Magherus, Saratel village, DN 15A, KM 45+500, Bistrita-Nasaud**Telephone/Fax:** 0263 238202; Fax: 0263 231221**Tax reference number:** 3094980**Trade Register registration no.:** J06/735/1992**Regulated market for the trading of the securities issued:** Bucharest Stock Exchange**Subscribed and paid in share capital:** RON 217,900,035.80**Main characteristics of the securities issued by the company:**

- 2,179,000,358 nominal shares at a face value of RON 0.1/share.

B. Economic and financial ratios

	30.06.2021	30.06.2022
a) Current (general) liquidity <i>= Current assets / Current liabilities (recommended value is around 2)</i>	3.06	2.24

	30.06.2021	30.06.2022
a) Gearing ratio <i>= Capital borrowed / Capital employed</i>	0.04	0.13

	30.06.2021	30.06.2022
d) Turnover of payables – customers <i>= average client balance / turnover x 180 days</i>	99.68	76.37
a) Turnover of non-current assets <i>= turnover / non-current assets</i>	1.37	1.12

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO