

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 NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2022**

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TERAPLAST SA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the nine-month period ended September 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Note	Period ended September 30, 2022	Period ended September 30, 2021
Income from contracts with customers, of which:	4	563,677,076	451,044,553
Income from the sale of finished goods		519,214,592	406,955,938
Income from the sale of goods		40,897,761	42,517,638
Income from provision of services		3,564,723	1,570,977
Other operating income	5	360,158	483,655
Income from investment subsidies	5	2,925,301	1,758,987
Changes in stocks of finished goods and work in progress		24,561,650	16,575,895
Raw materials, consumables and merchandise	6	(414,805,892)	(310,229,379)
Expenses with employees' benefits	9	(62,108,283)	(48,043,385)
Transport costs		(22,658,375)	(16,432,351)
Utilities costs		(16,625,621)	(11,896,376)
Amortisation/depreciation and impairment of non-current assets, net	8	(22,605,370)	(15,695,990)
Impairment of non-current assets, net	8	(1,156,511)	92,976
Income / (expenses) from reversal of provisions, net	8	184,518	(147,333)
Gain on the write-off of tangible and intangible assets, of assets held for sale and investment property	7	50,093	98,054
Other operating expenses	10	(21,631,266)	(16,538,234)
Sponsorship		(1,082,599)	(529,007)
Operating profit/loss		29,084,879	50,542,065
Foreign exchange differences, net		(187,398)	(880,030)
Interest expenses, net		(6,371,043)	(755,774)
Other financial income		22,583	352,880
Dividend income		27,191	49,875
Financial result, net	5	(6,508,667)	(1,233,049)
Profit before tax		22,576,212	49,309,016
Income tax expenses		(6,190,469)	(6,053,026)
Profit of businesses that continue their activity within the Group		16,385,743	43,255,990
Loss of Joinery Profiles business			(856,089)
Profit from sale of Steel and TeraPlast Hungary businesses			189,231,375
Profit/loss for the year		16,385,743	231,631,276

Signed and approved:

October 24, 2022
Board of Directors

Alexandru Stanean
CEO

Ioana Birta
CFO

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

	Note	September 30, 2022	September 31, 2021
ASSETS			
Non-current assets			
Property, plant and equipment	11	328,765,306	278,313,714
Investment property	17	4,355,802	4,355,802
Leased right-of-use assets	13	9,723,186	9,618,149
Intangible assets	12	3,437,669	2,362,252
Non-current assets		1,681,056	1,593,212
Other long-term investments in equity	14	15,500	15,500
Total non-current assets		347,978,519	296,258,629
Current assets			
Inventories	15	131,169,944	118,075,643
Trade receivables	16	188,223,655	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		7,140,811	15,265,483
Prepaid expenses		1,625,266	615,133
Cash	24	7,450,245	7,712,109
Total current assets		335,609,921	583,433,582
Total assets		683,588,440	879,692,211
Equity and liabilities			
Equity			
Registered capital	18	217,900,036	217,900,036
Own shares		(170,404)	(4,935,035)
Revaluation reserves		15,877,973	15,877,973
Legal reserves		33,296,210	33,296,210
Retained earnings		38,957,490	325,740,259
Capital attributable to controlling interests		305,861,305	587,879,443
Non-controlling interests		3,539,087	3,651,481
Total equity		309,400,392	591,530,924
Long-term liabilities			
Bank loans	21	41,151,128	39,477,363
Finance lease liabilities		1,496,945	530,210
Lease liabilities for right of use	22	5,517,204	6,517,775
Long-term liabilities for non-current assets	20	8,131,738	9,012,910
Employees' benefits	19	1,915,987	1,915,984
Subsidies for investments – long-term portion	25	55,633,373	31,829,530
Deferred tax liabilities		2,365,051	991,582
Total long-term liabilities		116,211,426	90,275,354
Current liabilities			
Trade and other payables	20	94,311,066	103,809,417
Dividends payable		56,810	45,550
Bank loans	21	150,667,700	86,512,393
Finance lease liabilities		655,336	465,906
Lease liabilities for right of use	22	1,934,350	2,031,337
Income tax payable		2,950,568	278,444
Subsidies for investments – current portion	25	6,276,743	2,554,125
Provisions for risks and charges	19	1,124,049	2,188,761
Total current liabilities		257,976,622	197,885,933
Total liabilities		374,188,048	288,161,287
Total equity and liabilities		683,588,440	879,692,211

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

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October 24, 2022
Board of Directors

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CEO

Ioana Birta
CFO

TERAPLAST SA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the nine-month period ended September 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Total share capital	Legal reserves	Revaluation reserves	Treasury shares	Accumulated retained earnings	Attributable to parent's equity holders	Non-controlling interests	Total equity
Balance at January 1, 2021	174,320,048	16,627,688	13,394,410	-	129,200,928	333,543,074	655,430	334,198,504
Profit or loss 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
Increase of share capital out of reserves	43,579,988	-	-	-	-	43,579,988	-	43,579,988
Set-up of legal reserve	-	16,668,522	-	-	(16,668,522)	-	-	-
Reserves representing surplus from revaluation	-	-	2,483,563	-	7,089,563	9,573,126	-	9,573,126
Treasury shares bought back	-	-	-	(4,935,035)	-	(4,935,035)	-	(4,935,035)
Dividends granted in Q3 2021	-	-	-	-	(30,682,530)	(30,682,530)	-	(30,682,530)
Acquisition of Somplast (31.03.2021)	-	-	-	-	(579,912)	(579,912)	3,354,989	2,775,077
Balance at September 30, 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 at January 1, 2022					325,740,259	587,879,443	3,651,481	591,530,924
Profit or loss for the year					16,498,137	16,498,137	(112,394)	16,385,743
Other comprehensive income								
Total comprehensive income					16,498,137	16,498,137	(112,394)	16,385,743
Benefits granted to employees in the form of financial instruments				4,764,631		4,764,631		4,764,631
Losses on the sale of treasury shares					(372,441)	(372,441)		(372,441)
Dividends paid and increase of share capital (2021)					(270,195,925)	(270,195,925)		(270,195,925)
Dividends paid in 2022					(32,684,967)	(32,684,967)		(32,684,967)
Other equity items					(27,573)	(27,573)		(27,573)
Balance at September 30, 2022	217,900,036	33,296,210	15,877,973	(170,404)	38,957,490	305,861,305	3,539,087	309,400,392

Signed and approved:

October 24, 2022
Board of Directors

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CFO

TERAPLAST SA
CONSOLIDATED STATEMENT OF CASH FLOWS
For the nine-month period ended September 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

	Period ended September 30, 2022	Period ended September 30, 2021
Cash flows from operating activities:		
Profit before tax	22,576,212	49,309,016
Profit on the sale and scrapping of fixed assets	(50,093)	(98,054)
Amortisation/depreciation and impairment of non-current assets	22,605,370	15,695,990
Provisions for risks and charges, net	(184,518)	147,333
Impairment of doubtful customers	1,635,861	(637,091)
Impairment of inventories	(479,359)	544,115
Income from dividends	(27,191)	(49,875)
Gain from sale of Steel division and Joinery Profiles business		
Losses on the sale of investment property		
Interest expenses	6,371,043	755,774
Operating profit before changes in working capital	52,447,325	65,667,208
Increases of trade and other receivables	(19,300,368)	(87,366,590)
Increases of inventories	(12,614,942)	(43,118,379)
Increase / Decrease of trade and other liabilities	(8,619,180)	53,547,513
Net asset Somplast		(18,972,284)
Income tax paid	1,900,715	(4,792,617)
Interest paid, net	(6,371,043)	(755,774)
Income from subsidies	(2,910,928)	(1,758,987)
Cash generated by operating activities	4,531,579	(37,549,910)
Cash used in investing activities:		
Payments to purchase tangible and intangible assets, other immovable non-current receivables	(67,294,079)	(82,925,548)
Proceeds from the sale of tangible assets	218,523	(402,428)
Proceeds from the sale of the Steel division and the Joinery Profiles business		396,680,735
Proceeds from State aid subsidies	30,437,389	
Cash used in investing activities	(36,638,167)	313,352,759
Cash from financing activities:		
Payment of finance lease liabilities	(1,156,168)	(1,125,988)
Net draws/repayments of credit lines	65,829,072	(48,909,974)
Dividends received	27,191	49,875
Dividends paid	(32,684,967)	(226,615,937)
Shares redeemed	(170,404)	
Net cash from financing activities	31,844,724	(276,602,024)
Decrease of cash, net	(261,864)	(799,175)
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	7,450,245	15,821,761

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October 24, 2022
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CEO

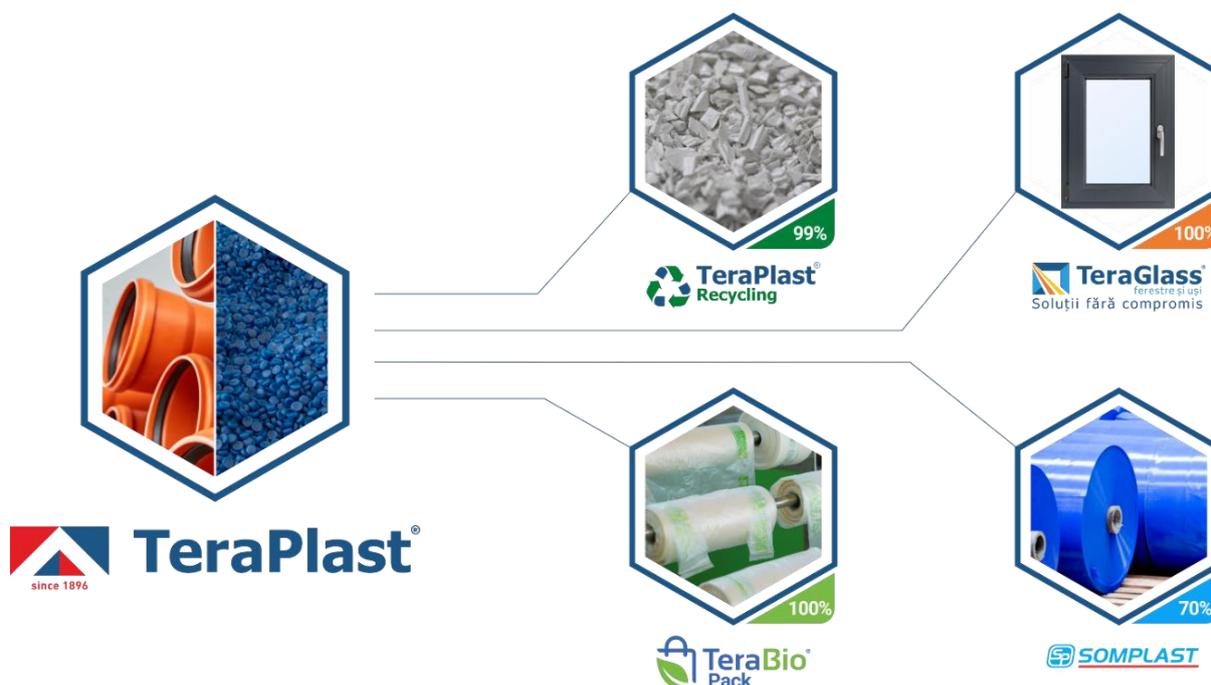
Ioana Birta
CFO

1. GENERAL INFORMATION

These are the consolidated financial statements of the TeraPlast SA Group (the “Group”). These 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 Saratel village, Sieu-Magherus commune, Calea TeraPlast no. 1, Bistrița-Nășăud county, Romania.

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

The TeraPlast Group 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. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared in accordance with the International Accounting Standard – 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 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

3. OPERATING INCOME AND SEGMENTS

An analysis of the Group's revenues is detailed below:

	Period ended September 30, 2022	Period ended September 30, 2021
Sales of finished goods	527,476,518	413,041,286
Sale of merchandise	40,897,761	42,482,783
Revenues from other activities	3,564,723	1,570,977
Trade discounts granted	<u>(8,261,926)</u>	<u>(6,050,493)</u>
TOTAL	<u>563,677,076</u>	<u>451,044,553</u>

The information reported by the management on the operating policy as regards the allocation of resources and analysis of segment performance are focused on the type of delivered products. The reporting segments of the Group were determined according to:

- the nature of the goods and services
- the nature of the production processes
- the type or category of clients for goods and services
- the methods used to distribute the goods or provide the services

3. OPERATING INCOME AND SEGMENTS (continued)

TeraPlast Group operates on the building materials market and as of 2021, through its investment in the biodegradable packaging plant and the integration of Somplast, the Group is also present on the flexible packaging market.



INSTALLATIONS

TeraPlast Industrial Park, Sărățel, BN, Romania

Full systems for:

- Outdoor sewage
- Water & gas
- Indoor sewage
- Cable protection
- Rain and household water management
- Floor heating

Market leader in PVC outdoor sewage



Residential/non-residential/infrastructure



PVC COMPOUNDS

TeraPlast Industrial Park, Sărățel, BN, Romania

- Rigid compounds
- Plasticized compounds
- HFFR compounds

Romanian market leader with a share of 34%



Production



WINDOWS AND DOORS

Bistrița, BN, Romania

- PVC and aluminum windows
- PVC and aluminum doors
- Facades and terraces
- Aluminum accessories

More than 60% annual exports



Residential/non-residential



RIGID PVC RECYCLING

TeraPlast Industrial Park, Sărățel, BN, Romania

- Regranulated PVC
- Micronized PVC

The biggest rigid PVC recycler in Romania and in top 10 across Europe



Production

3. OPERATING INCOME AND SEGMENTS (continued)

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, rainwater management, cable protection and floor heating.

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

The company has a long history of market innovations:

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

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

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

Compounds

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

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

Recycling

Through its recycling activity, TeraPlast Recycling is the largest rigid PVC recycler in Romania 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.

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended September 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

3. OPERATING INCOME AND SEGMENTS (continued)

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.

Period ended September 30, 2022	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	384,422,296	107,496,122	43,607,113	28,151,545	563,677,076
Other operating income	326,909	-	14,104	19,145	360,158
Total operating income	384,749,205	107,496,122	43,621,217	28,170,690	564,037,234
Raw materials, consumables used and merchandise	(255,918,151)	(84,507,832)	(27,434,570)	(22,383,689)	(390,244,242)
Employee benefits expenses	(39,599,123)	(5,415,552)	(8,584,902)	(8,508,706)	(62,108,283)
Amortization net of subsidies and adjustments for the impairment of assets and provisions	(13,728,351)	(1,985,066)	(1,154,169)	(2,577,872)	(19,445,458)
Adjustments for the impairment of current assets	(883,661)	-	(506,318)	233,468	(1,156,511)
Other expenses	(44,076,526)	(5,477,843)	(6,863,098)	(5,580,395)	(61,997,861)
Expenses related to indirect sales and administrative expenses	(354,205,811)	(97,386,293)	(44,543,057)	(38,817,194)	(534,952,355)
Operating result	30,543,394	10,109,829	(921,840)	(10,646,504)	29,084,879
EBITDA	44,271,745	12,094,895	232,329	(8,068,632)	48,530,337
EBITDA %	11.5%	11.3%	0.5%	-28.7%	8.6%

September 30, 2022	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amounts	Total
Assets						
Total assets, out of which	494,112,263	57,588,501	46,870,647	76,643,627	8,373,402	683,588,440
Non-current assets	244,562,504	22,146,313	20,574,489	52,321,811	8,373,402	347,978,519
Current assets	249,549,759	35,442,188	26,296,158	24,321,816	0	335,609,921
Liabilities						
Total liabilities, out of which:	232,436,930	32,241,242	36,822,553	72,687,323		374,188,048
Non-current liabilities	65,759,644	7,297,518	6,596,397	36,557,867		116,211,426
Current liabilities	166,677,286	24,943,724	30,226,156	36,129,456		257,976,622

TERAPLAST SA
NOTES TO THE SIMPLIFIED CONSOLIDATED FINANCIAL STATEMENTS
For the nine-month period ended September 30, 2022
(all amounts are expressed in RON, unless otherwise specified)

3. OPERATING INCOME AND SEGMENTS (continued)

Period ended September 30, 2021	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	300,839,421	108,051,460	31,378,936	10,774,736	451,044,553
Other operating income	439,072	6,628	9,105	28,850	483,655
Income from subsidies	1,154,041	-	604,946	-	1,758,987
Raw materials, consumables used and merchandise	(195,025,022)	(72,502,989)	(18,082,202)	(8,043,271)	(293,653,484)
Employee benefits expenses	(31,551,393)	(7,582,092)	(6,664,778)	(2,245,122)	(48,043,385)
Amortization net of subsidies and adjustments for the impairment of assets and provisions	(11,326,173)	(2,320,244)	(1,738,930)	(359,922)	(15,745,269)
Adjustments for the impairment of current assets	42,081		217,978	(167,083)	92,976
Other expenses	(32,798,642)	(6,776,464)	(4,555,745)	(1,265,117)	(45,395,968)
Expenses related to indirect sales and administrative expenses	(270,659,149)	(89,181,789)	(30,823,677)	(12,080,516)	(402,745,130)
Operating result	31,773,385	18,876,299	1,169,310	(1,276,930)	50,542,065
EBITDA	41,945,517	21,196,543	2,303,294	(917,008)	64,528,347
EBITDA %	13.9%	19.6%	7.3%	-8.5%	14.3%

December 31, 2021	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amounts	Total
Assets						
Total assets, out of which	413,482,964	67,066,630	44,052,372	76,520,918	278,569,327	879,692,211
Non-current assets	188,691,657	24,004,135	22,153,456	53,035,979	8,373,402	296,258,629
Current assets	224,791,307	43,062,495	21,898,916	23,484,939	270,195,925	583,433,582
Liabilities						
Total liabilities, out of which:	166,657,995	39,199,857	33,568,992	49,767,720		289,194,564
Non-current liabilities	47,263,095	8,888,616	8,180,624	26,976,297		91,308,632
Current liabilities	119,394,900	30,311,241	25,388,368	22,791,423		197,885,932

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. The equipment for the biodegradable compounds hall will be put into operation by the end of 2022.

Apart from such investments that enhanced the production capacity, the Group also invested in capital maintenance works.

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4. SUNDRY INCOME AND EXPENSES

Financial income and expenses

	Period ended September 30, 2022	Period ended September 30, 2021
Income from foreign exchange differences	3,674,373	2,814,395
Other financial income	22,583	352,880
Total	3,696,956	3,167,275
Income from dividends	27,191	49,875
Interest expense	(6,391,529)	(2,148,391)
Interest income	20,486	1,392,617
Interest expenses, net	(6,371,043)	(755,774)
Expenses with foreign exchange differences	(3,835,286)	(3,673,827)
Other financial expenses	(26,485)	(20,598)
Total	(3,861,771)	(3,694,425)
Net financial loss	(6,508,667)	(1,233,049)

Other operating income

	Period ended September 30, 2022	Period ended September 30, 2021
Compensations, fines and penalties	102,357	246,133
Income from subsidies	2,925,301	1,758,987
Other income	257,801	237,522
Total	3,285,459	2,242,642

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

5. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Period ended September 30, 2022	Period ended September 30, 2021
Expenses with raw materials	363,579,254	260,193,136
Expenses with consumables	20,179,130	16,516,647
Expenses with merchandise	29,906,289	31,790,959
Packaging used	1,141,219	1,728,637
Total	414,805,892	310,229,379

6. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	Period ended September 30, 2022	Period ended September 30, 2021
Income from the disposal of the tangible and intangible assets and investment property	218,523	402,428
Expenses with the disposal of tangible and intangible assets and investment property	<u>(168,430)</u>	<u>(304,374)</u>
Net loss from the disposal of tangible and intangible assets and investment property	<u>50,093</u>	<u>98,054</u>

7. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Period ended September 30, 2022	Period ended September 30, 2021
Adjustments for impairment and provisions, amortisation		
Expenses with non-current assets impairment	(2,229,967)	(1,711,596)
Income from reversal of non-current assets impairment	176,070	375,040
Amortization and depreciation expenses (Notes 11, 12 and 13)	<u>(20,551,473)</u>	<u>(14,359,434)</u>
Net adjustments for non-current assets impairment	<u>(22,605,370)</u>	<u>(15,695,990)</u>
Inventory impairment expenses	(225,004)	(5,446,470)
Income from inventory impairment reversal	<u>704,362</u>	<u>4,902,355</u>
Net adjustments for inventory impairment	<u>479,358</u>	<u>(544,115)</u>
Expenses with allowance for current receivables	(2,084,956)	(371,766)
Income from impairment reversal for current receivables	449,087	1,235,304
Current receivables charged to expenses	<u>-</u>	<u>(226,447)</u>
Net adjustments for current receivables	<u>(1,635,869)</u>	<u>637,091</u>
Expenses with provisions	-	(500,237)
Income from reversal/write-off of provisions	184,518	352,904
Net adjustment for provisions	<u>184,518</u>	<u>(147,333)</u>
Total impairment of current assets	<u>(23,577,363)</u>	<u>(15,750,347)</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.

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8. EXPENSES WITH EMPLOYEES' BENEFITS AND REMUNERATION OF THE MEMBERS OF THE BOARD OF DIRECTORS

	Period ended September 30, 2022	Period ended September 30, 2021
Salaries	56,685,222	43,816,583
Contributions to the State social insurance fund	2,188,711	1,634,152
Meal tickets	3,234,350	2,592,650
Total, as per the "Expenses with employees' benefits" line	62,108,283	48,043,385

Remuneration of the Board of Directors

The chairman and the members of the board of directors have a net monthly salary of EUR 2,000.

9. OTHER EXPENSES

	Period ended September 30, 2022	Period ended September 30, 2021
Transport	22,658,375	16,432,351
Utilities and green certificates	16,625,621	11,896,376
Third party services	9,799,973	8,043,010
Repairs	3,931,889	2,336,115
Other taxes and levies	1,481,184	1,289,276
Protocol, advertising and publicity	1,398,711	981,307
Insurance premiums	1,276,171	1,178,890
Other general expenses	537,046	1,118,998
Rentals	1,602,467	787,492
Travel	655,022	471,125
Postage fees and telecommunications	377,316	296,159
Damages, fines and penalties	571,487	35,862
Total	60,915,262	44,866,962

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10. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	Total
COST						
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
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 to / 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)
Revaluation increase/(decrease)	(139,839)	6,535,834				6,395,995
Transfers of right-of-use assets			309,760			309,760
Disposals and other write-downs	(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						
of which:	1,847,567	570,533	13,724,914	12,598	56,092,921	72,248,533
Transfers to / from non-current assets in progress		28,973,806	33,160,120	367,322	(62,501,248)	-
Transfers of right-of-use assets			(1,514,030)			(1,514,030)
Disposals and other write-downs			(2,595,946)	(35,346)	(51,308)	(2,682,601)
Non-current assets related to the Steel and Joinery Profiles businesses						
Balance at September 30, 2022	11,518,165	90,848,162	320,611,387	2,902,918	56,924,311	482,804,942

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10. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment	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 during the year	346	3,594,274	16,968,565	243,276		20,806,461
Disposals and reductions		(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 acquisition of Somplast		1,410,543	10,881,254	207,145		12,498,942
Differences from foreign currency conversions						
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, 2022	1,727	2,752,590	131,486,203	943,630	1,255,176	136,439,326
Depreciation during the year	259	3,192,125	16,968,669	205,854		20,366,908
Disposals and reductions			(2,462,804)	(30,022)		(2,492,826)
Impairment		68,985	(116,121)			(47,136)
Transfers of right-of-use assets			(226,636)			(226,636)
Accumulated depreciation of non-current assets related to the Steel and Joinery Profiles businesses						
Balance at September 30, 2022	1,987	6,013,700	145,649,311	1,119,462	1,255,176	154,039,636
NET BOOK VALUE						
Net book value at January 1, 2022	9,668,871	58,551,233	146,350,126	1,614,714	62,128,770	278,313,714
Net book value at September 30, 2022	11,516,178	84,834,462	174,962,076	1,783,455	55,669,135	328,765,306

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11. INTANGIBLE ASSETS

	Goodwill	Licence 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 to / from non-current assets in progress		33,387	-33,387	-
Disposals and write-downs		(10,919)	(140,735)	(151,654)
Additions from acquisition of Somplast		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		128,877	1,526,773	1,655,650
Transfers to / from non-current assets in progress		1,369,614	(1,369,614)	-
Disposals and write-downs				
Non-current assets related to the Steel and Joinery Profiles businesses				
Balance at September 30, 2022		9,510,849	1,607,897	11,118,746
Accumulated amortisation				
Balance at January 1, 2021		6,266,302	-	6,266,302
Amortisation		729,121		729,121
Impairment		(39,051)		(39,051)
Write-downs		(10,919)		(10,919)
Additions from acquisition of Somplast		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
Amortisation		610,422		
Impairment		(30,190)		
Write-downs				
Balance at September 30, 2022		7,681,077		
Net book value				
Net book value at January 1, 2022		911,513	1,450,739	2,362,252
Net book value at September 30, 2022		1,829,772	1,608,799	3,437,669

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12. RIGHT OF USE OF LEASED ASSETS

The Group has a right of use over the assets located in rented buildings, storages and exhibition centers. The Group finances vehicles through leases.

Cost	Buildings	Machinery and equipment from operating leases	Machinery and equipment from previous finance leases	Equipment	Total
Balance at January 1, 2022	8,615,787	2,095,544	2,462,186	2,462,186	13,173,517
Inflows	150,751	469,932	1,713,240	1,713,240	2,333,923
Outflows		(117,047)	(199,210)	(199,210)	(316,257)
Balance at September 30, 2022	8,766,538	2,448,430	3,976,216	3,976,216	15,191,182
Depreciation					
Balance at January 1, 2022	2,215,152	62,075	1,278,141	1,278,141	3,555,368
Depreciation expenses	1,309,886	394,585	425,845	425,845	2,130,316
Write-downs		(18,477)	(199,210)	(199,210)	(217,687)
Balance at September 30, 2022	3,525,038	438,183	1,504,776	1,504,776	5,467,996
Book value at January 1, 2022	6,400,635	2,033,469	1,184,045	1,184,045	9,618,149
Book value at September 30, 2022	5,241,500	2,010,247	2,471,440	2,471,440	9,723,186

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13. SUBSIDIARIES AND OTHER FINANCIAL ASSETS

At September 30, 2021 and December 31, 2022, the Company holds investments as follows:

Subsidiary	Country	September 30,		December 31,	
		Ownership	2022	Ownership	2021
		%	LEI	%	LEI
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
TeraPlast Folii Biodegradabile SRL	Romania	100	10,100,000	100	10,100,000
		-	30,232,090	-	30,232,090

In 2020, the Company sold the Steel division to Kingspan group, resulting in a decrease of investments held by RON 101,377,430 from TeraSteel România, Wetterbest, TeraSteel Serbia and TeraPlast Hungary.

Other long-term equity investments

Details on the equity investments of TeraPlast SA are as follows:

Name of investment	Country	September 30,		December 31,	
		Ownership	2022	Ownership	2021
		%	RON	%	RON
CERTIND SA	Romania	7.50	14,400	7.50	14,400
Parteneriat pentru dezvoltarea durabila	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.

14. INVENTORIES

	Balance at September 30, 2022	Balance at December 31, 2021
Finished goods	68,856,243	46,701,636
Raw materials	44,000,095	59,191,087
Commodities	10,202,188	7,424,010
Consumables	6,050,832	5,298,998
Inventory items	423,292	311,334
Semi-finished goods	2,936,777	1,970,154
Residual products	1,062,537	718,238
Goods to be purchased	811,878	342,973
Packaging	854,740	625,210
Inventories – gross value	135,198,582	122,583,640

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14. INVENTORIES (continued)

Value adjustments for raw materials and consumables	(1,532,867)	(1,535,640)
Value adjustments for finished products	(1,633,858)	(1,837,956)
Value adjustments for merchandise	(861,913)	(1,134,401)
Total value adjustments	(4,028,638)	(4,507,997)
Total inventories – net value	131,169,944	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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15. TRADE AND OTHER RECEIVABLES

	Balance at September 30, 2022	Balance at December 31, 2021
Short-term receivables		
Trade receivables	141,567,032	106,034,597
Trade notes not exigible	44,691,585	43,856,350
Advances paid to suppliers of non-current assets	7,140,811	15,265,483
Advances paid to suppliers of inventories and services	11,872,264	29,969,566
Advances paid to employees	(3,427)	2,365
Other receivables	8,282,913	8,257,254
Loss allowance	(18,186,712)	(16,550,843)
Balance at the end of the year	195,364,466	171,569,289

The changes in adjustment for impairment on doubtful receivables

	September 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	(1,635,869)	(488,686)
Receivables with transferred clients		(1,021,790)
Balance at the end of year	(18,186,712)	(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 was recorded by the Group for the full amount of trade receivables overdue for more than 90 days (at September 2021) and 60 days (at September 2022).

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.

16. INVESTMENT PROPERTY

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

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17. SHARE CAPITAL

	<u>September 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 September 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>Balance at September 30, 2022</u>		<u>Balance at 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>

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18. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

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

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

	Short-term		Long-term	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Employee benefits		-	1,915,984	1,915,984
Provisions for risks and charges	1,124,049	2,188,761		
Total	1,124,049	2,188,761	1,915,984	1,915,984

	Financial year ended September 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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19. TRADE AND OTHER PAYABLES

	September 30, 2022	December 31, 2021
Trade payables	64,614,884	75,114,617
Trade notes payable	2,282,158	3,902,457
Liabilities from the purchase of non-current assets	14,814,645	16,771,308
Other current payables	20,015,204	15,566,474
Advance payments from clients	772,723	1,467,472
Total	102,449,614	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 8,131,738 at September 30, 2022 (December 31, 2021: RON 9,012,910) represent the debt to E.On for the solar cells.

OTHER CURRENT PAYABLES

	Balance at September 30, 2022	Balance at December 31, 2021
Salary-related payables to employees and social security payables	11,352,581	11,736,284
VAT payable	7,272,904	2,035,400
Unclaimed employee rights	587	587
Other creditors	529,633	594,553
Commercial guarantees received	71,655	339,980
Other taxes payable	731,034	814,120
Dividends payable	56,810	45,500
Total	20,105,204	15,566,474

TERAPLAST SA
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20. LOANS FROM BANKS

Teraplast SA

Financing bank	Type of financing	Origination date	Balance at December 31, 2021	Balance at September 30, 2022	Short term at September 30, 2022	Long term at September 30, 2022	Period
Banca Transilvania	Working capital	07.06.2017	31,092,264	53,330,646	53,330,646		12 MONTHS
BCR	Working capital	28.08.2020	12,594,456	39,780,289	39,780,289		12 MONTHS
Banca Transilvania	Investments	20.04.2017	5,416,924	3,910,098	2,321,762	1,588,336	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	4,288,340	2,450,480	1,837,860	60 MONTHS
Banca Transilvania	Investments	30.03.2020	6,754,670	4,912,488	2,456,244	2,456,244	60 MONTHS
Banca Transilvania	Investments	23.12.2020	7,769,410	9,945,671	2,841,620	7,104,051	72 MONTHS
Banca Transilvania	Investments	23.12.2020	-				
Banca Transilvania	Investments	15.03.2021	-	7,274,830	1,939,955	5,334,875	
Banca Transilvania	Investments	15.03.2021	-				
TOTAL			72,987,166	124,942,361	106,620,996	18,321,365	

Teraglass Bistrita SRL

Financing bank	Type of financing	Origination date	Balance at December 31, 2021	Balance at September 30, 2022	Short term at September 30, 2022	Long term at September 30, 2022	Period
Transilvania Bank	Investments	07.12.2017	183,753	30,833	30,833		60 MONTHS
Transilvania Bank	Investments	08.03.2019	3,486,458	2,956,447	764,371	2,192,075	60 MONTHS
Transilvania Bank	Working capital	08.07.2020	9,828,600	9,906,079	9,906,079		12 MONTHS
BCR Bank	Working capital	23.12.2020	4,875,585	5,711,872	5,711,872		12 MONTHS
TOTAL			18,374,396	18,605,231	16,413,155	2,192,075	

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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20. 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 September 30, 2022</u>	<u>Short term at September 30, 2022</u>	<u>Long term at September 30, 2022</u>	<u>Period</u>
BCR Bank	Investments	29.04.2021	19,664,034	24,250,100	3,612,413	20,637,687	60 MONTHS
BCR Bank	Investments	29.04.2021	9,088,008	6,813,228	6,813,228		12 MONTHS
BCR Bank	Working capital	29.11.2021	2,843,554	4,755,368	4,755,368		12 MONTHS
BCR Bank	Working capital	29.11.2021	2,495,336	10,000,000	10,000,000		12 MONTHS
TOTAL			34,090,932	45,818,696	25,181,009	20,637,687	

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 September 30, 2022</u>	<u>Short term at September 30, 2022</u>	<u>Long term at September 30, 2022</u>	<u>Period</u>
Transilvania Bank	Working capital	08.07.2021	537,262	2,452,540	2,452,240	-	12 MONTHS

The financing facilities for working capital contracted for 12-month periods were 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 September 30, 2022 and December 31, 2021 the Group complied with such financial covenants and there were not cases of default in the financing agreements.

21. LEASE LIABILITIES

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

	Minimum lease payments	
	September 30, 2022	December 31, 2021
Present value of minimum lease payments		
Amounts payable in one year	731,085	541,654
More than one year but less than five years	1,656,028	689,294
More than 5 years		-
Total lease liabilities	2,387,113	1,230,948
Less future finance expenses	234,832	234,832
Current amount of minimum lease payments	2,152,281	996,116

22. RELATED PARTY TRANSACTIONS

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

September 30, 2022

Subsidiaries

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

Related parties (common shareholding/decision-makers)

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

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation. In Q3 2022 and 2021, the Group did not enter into significant transactions with related parties.

23. CASH AND CASH EQUIVALENTS

Cash

For cash flow statement purposes, the cash includes 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:

	September 30, 2022	December 31, 2021
	RON	RON
Cash at banks	7,141,730	7,406,650
Commercial papers receivable	33,081	180,652
Petty cash	105,831	30,010
Cash at banks, restricted	169,603	94,797
Total	7,450,245	7,712,109

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

24. SUBSIDIES FOR INVESTMENTS

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

	September 30, 2022	December 31, 2021
At 1 January	34,383,655	19,887,503
Inflows of subsidies	30,437,388	16,659,942
Transferred to statement of comprehensive income	(2,910,927)	(2,379,400)
In balance, Somplast SA		215,610
Total	61,910,116	34,383,655
Current	6,276,743	2,554,125
Non-current	55,633,373	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.

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

Approved:
October 23, 2022
The Board of Directors

Alexandru Stanean
CEO

Ioana Birta
CFO