TeraPlast®
since 1896

Annual Report

2022

Contents

Message from the Chairman of the Board

Esteemed shareholders,
Esteemed employees,
Esteemed partners,

If we were to distill the events of 2022 into a short formulation, it would necessarily include adjectives such as complex, volatile or unpredictable. It is far from the ideal environment, but TeraPast has proven that it can deal with instability, that it is a resilient business, and current difficulties do not derail our long-term plans.

We have known the challenges of inflation, but also an inflation of challenges. The whole world hears the sound of guns, and we, in terms of proximity, feel more sharply the effects of a war that turns our lives upside down.

It wasn't our best year, but it wasn't a year like others either. In such difficult context, we were able to optimize production flows and increase efficiency. Thanks to a prudent approach, we managed to protect the Group from strong negative effects from the energy crisis or supply chain disruptions. Thus, long-term contracts and lasting partnerships have helped us mitigate the impact of causes that have left a major imprint on the entire economy.

We manage the challenges of the moment without changing the long-term development strategy. Our plans for growth, diversification and fruition of the rising opportunities remain the same, driven by values such as sustainability and responsibility.

The flexible packaging division had a difficult start, generated by changes in the market, but it does not change our medium and long term ambitions, and we are confident that all goals will be achieved.

In the last five years we have invested almost 400 million lei in development and we want to see more companies that have such an approach.

We have benefited from the state aid scheme for several projects and we are proof that it is a very useful tool for stimulating the economy, retaining the workforce and increasing the standard of living. The main condition is that this support regime is directed to players who have implementation capacity, to projects with impact.

Through what we do, we contribute to the development of the national economy, and our business expansion, including in new market segments, has the potential to increase domestic supply and reduce imports.

Our development also required a greater labor force, and TeraPlast is a top employer, with a salary offer above the average of the area where it operates. But we face major difficulties in filling positions.

The prospect of the repatriation of the labor force migrated to the west of the European continent is distant and uncertain, while the needs are immediate.

Therefore, we must be active in growing the new generation through educational programs, and at the same time be open to importing labor.

Fair treatment for the people we work with is an integral part of our social responsibility. Environmental responsibility is another direction in which we focus our efforts and energies.

We have a duty to recycle and promote the circular economy. We are a polymer manufacturer, but we are active in removing plastic from the environment. Our portfolio includes biodegradable materials, where possible, but also products with a lifespan counted in decades, which reduces the environmental footprint compared to single-use packaging.

Out of concern for the environment, we invest in recycling and renewable energy capabilities. They are investments in the future. A sustainable future.

Another responsibility we bear in all our goals is to our shareholders. They are interconnected obligations.

We seek to add value while helping to build a better world. Rewarding shareholders is a priority for us and part of our long-term strategy. We have demonstrated that we know how to invest, grow and take advantage of market opportunities. With the sale of the Steel division, we rewarded the trust with value.

Our approach remains the same: we seek to grow in the interest of both ourselves and our shareholders.

We will continue to invest, acquire companies, in the country or abroad, based on thorough assessments and rigorous calculations of opportunity. And the promise is to share our success with the shareholders who stand by us, through thick and thin.

We are not discouraged by the delicate period that has overlapped with the operationalization of recent investments. The long-term conditions have not changed. 2022 just brought a pause we didn't want in investments in water and sewer infrastructure. But 2023 brings good prospects.

There are all the prerequisites for us to develop solidly while other countries are heading towards stagnation or recession. We have the chance to replicate the Polish model from 2008-2010, through major infrastructure investments.

Financing is available, from European funds, we have to fulfill the access conditions. We just have to set it off!

Sincerely,
Dorel Goia

TeraPlast Group

TeraPlast

Installation
Compounds

498

Parent company of the Group.
Listed on the BSE sincer 2008.

TERAPLAST SA

Systems for interior sewage
Systems for exterior sewage
Systems for transport and distribution of water and natural gas
Rainwater management systems
Cable protection systems
Underfloor heating

Plasticized and rigid PVC compounds
HFFR compounds

TeraPlast Recycling

98

100%

Rigid PVC recycling

TERAPLAST RECYCLING SA

Micronized recycled PVC
Regranulated recycled PVC

TeraBio TeraPack

150

100%

Flexible Packaging

TERABIO PACK SRL

Biodegradable and compostable packaging
Polyethylene packaging

TeraGlass ferestre și uși

196

100%

PVC and Aluminum windows & doors

TERAGLASS BISTRIȚA SRL

PVC windows and doors
Aluminum windows & doors
Garage doors
Curtain walls

The structure of the Group from above reflects the core operational activities in 2022. To them, **the company Somplast SA** is added, whose production activity has been transferred to the flexible packaging segment of TeraBio Pack. Currently, TeraPlast owns 70.75% of Somplast, which on 31.12.2022 had 17 employees and manages the location in Năsăud. In 2022, there were no significant reorganizations, acquisitions, disposals of assets or mergers within the TeraPlast Group that would change its structure.

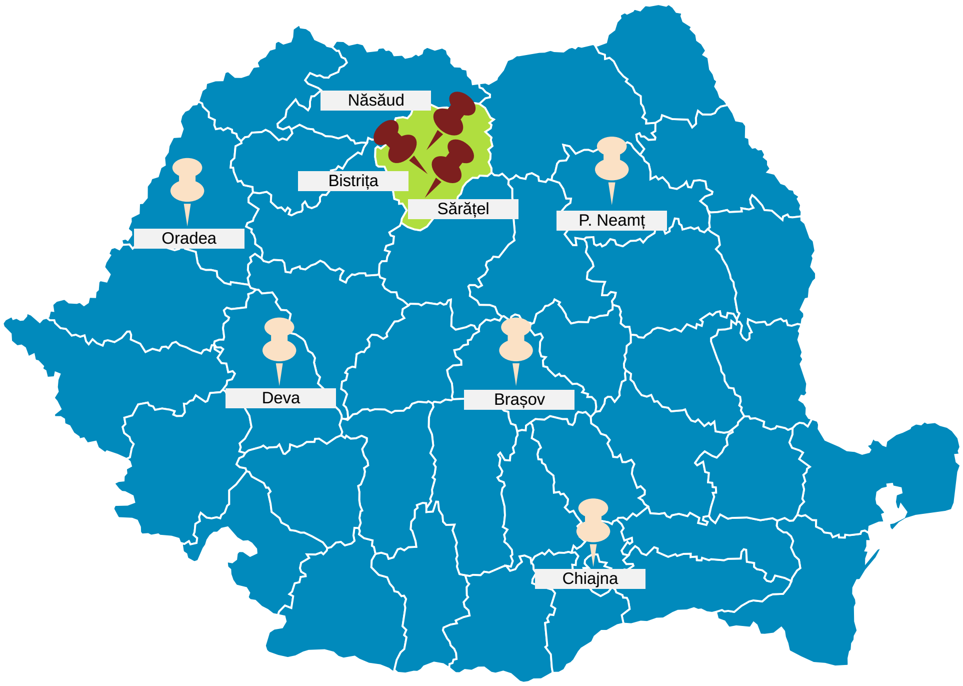
Business lines | Medium no. of employees | TeraPlast's stake | LEGAL NAME | Product categories

Our production activity is carried out in **3 locations in Bistrița-Năsăud county**: Sărățel, Bistrița and Năsăud. The headquarters of the Group is located in the industrial park in Sărățel, which concentrates most of our factories.

The surfaces of TeraPlast Group locations add up to a total of 346,000 m2, of which 103,600 m2 represent production and storage spaces, and 114,600 m2 outdoor storage platforms. The production activity of TeraPlast, the biodegradable film factory of TeraBio Pack and part of the recycling activity of TeraPlast Recycling are carried out in the industrial park in Sărătel. TeraBio Pack's polyethylene production is carried out in Năsăud together with the rest of TeraPlast Recycling's production, and the TeraGlass factory is located in Bistrita.

TeraPlast's distribution force is supported, in addition to the solid network of partners, by 5 own distribution centers, as can be seen in the adjacent image. Thus, we ensure that we are close to our customers and respond promptly to their requests.

The distribution center in Hungary is not present in the picture because although it was established in 2022, it became operational from the beginning of 2023.



Distribution centers for TeraPlast's products (own warehouses)

Headquarters - Sărățel
Production units - Sărățel
Production units - Bistrița
Production units - Năsăud

Our factories are equipped with state-of-the-art equipment which, together with the production programming software, ensures high productivity and the best quality products according to international standards. Maintenance and modernization of the manufacturing equipment takes place annually. The technologies in our factories are aged between 1 year and a maximum of 10 years. The total processing capacity of TeraPlast Group is 174,500 tons of polymers annually.

The factories of the TeraPlast Group are:

1. PVC factory, Sărătel (TeraPlast)
2. Polypropylene factory, Sărătel (TeraPlast)
3. Polyethylene products factory, Sărătel (TeraPlast)
4. PVC windows and doors factory, Bistrita (TeraGlass)
5. Rigid PVC recycling factory, Sărătel (TeraPlast Recycling)
6. Polyethylene packaging factory, Năsăud (TeraPack)
7. Biodegradable packaging factory, Sărătel (TeraBio)
8. Factory of polyethylene systems for water and gas, Sărătel (TeraPlast).

Product portfolio and markets

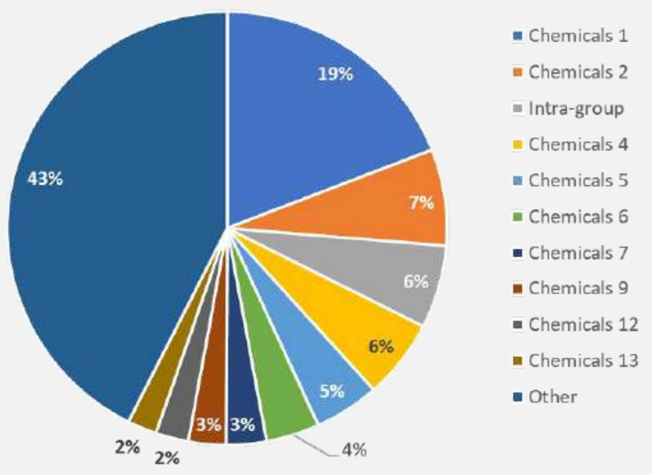
We have a tradition of over 125 years, and over time our business resilience and adaptability have strengthened. We pay attention to the trends of the markets we operate in and apply the lessons learned in the past. We are diversifying our business portfolio through new segments and new product categories in the field of polymer processing and aim to occupy the leading position in all the markets we operate on.

In the current structure of our Group, we address the construction market through the installations and window profiles segments, the manufacturing industry through the compounds segment, the PVC processors market through the recycling of rigid PVC and the flexible packaging market through the portfolio of polyethylene and biodegradable films and bags .

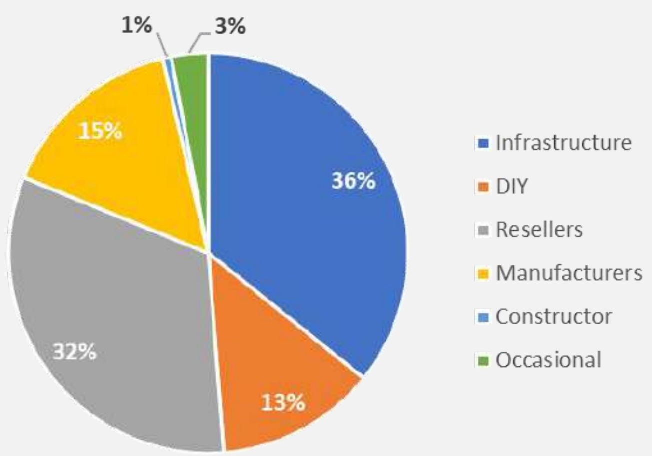
The customers of the Installations and Windows and Doors business lines represent contracting companies, distributors, DIY stores, for the Compounds business, the customers are producers whose raw material is PVC compounds, respectively PVC processors that use extrusion and injection processes, at likewise in the case of the rigid PVC recycling business, and for the flexible packaging segment, the customer base consists of large retail networks, distributors and industrial companies that use films, bags and sacks for packaging goods.

The commercial activity of our Group's segments follows a B2B (business to business) business model. The customer base of each company of the group, as well as that of suppliers, is based on the principle of diversification, so that dependence on the customer, respectively on the supplier, is reduced.

Supplier mix in TeraPlast Group in 2022



Client mix in TeraPlast Group in 2022



TeraPlast Group's Business lines

Installation

The Installations portfolio includes systems for internal sewers, systems for external sewers, systems for the transport and distribution of water and natural gas, rainwater management systems, cable protection systems and the underfloor heating system. The detailed portfolio of Installations can be consulted in the dedicated section on the TeraPlast website. In this segment, we are the market leader of external sewers and hold top positions in the other categories.

In the last 3 years we have invested significantly in expanding existing production capacities and diversifying our product portfolio. Thus, starting 2022, **two new product ranges** were added to the Installations business line: **TeraDuct** - microtubes for the protection of optical fiber cables - and **NeoTer** - a complete system for underfloor heating. Investments in the micro-tubes and the underfloor heating system were initiated in 2021 and were completed in 2022. With these two new systems we address new markets with great development potential.

The portfolio of Installations currently includes **PVC pipes with recycled material** in 3 variants under the brand **Gri(n) Pipe**:

- PVC pipes with multi-layer structured wall, with expanded core of 100% micronized recycled PVC, with the outer walls of virgin raw material (50% recycled content);
- PVC pipes with multi-layer structured wall, with compact core of
- 100% recycled PVC and outer walls of virgin raw material (55% recycled content);
- PVC pipes with multi-layer structured wall and expanded core, made of 100% micronized recycled PVC both in the core, as well as in the compact layers.

Compounds

TeraPlast is the **leader on the Romanian compounds market** and the main supplier of PVC compounds for the cable industry in Romania. The portfolio includes plasticized and rigid compounds with applications in the extrusion and injection industry. The product portfolio of this business line also includes halogen-free, fire-resistant (HFFR) compounds.

Windows & Doors

The production and trade of windows and doors in our portfolio includes 2 product families, namely:
1) **PVC windows, doors and accessories**, with the following product groups:
• TeraGlass window and door systems with 4, 6 and 7 chambers;
• Salamander window and door systems with 5 and 6 chambers;
2) **Aluminum doors, windows and structural walls**, with or without thermal barrier according to requirements and needs of the beneficiary.
The company's objective is to reach the top 10 producers of heat-insulating carpentry in Romania. More details about the portfolio of this segment are available at https://www.teraglass.ro/.

Rigid PVC recycling

The finished product of this segment is obtained from PVC pipes or profiles and can be regranulated PVC or Micronized PVC 1,000 microns. By processing capacity, TeraPlast Recycling is **the largest producer of rigid micronized PVC in Europe**. Recycled PVC can be successfully used in the production of sewer pipes or in the production of PVC profiles. More details at https://teraplastrecycling.com/en/.
In 2021, the processing capacity of the recycling plant was expanded, reaching 31,000 tons annually.

Flexible Packaging

The flexible packaging segment operates within the company TeraBio Pack SRL and is organized in two divisions:

- **TeraBio** – the division of biodegradable products – includes foils, films, bags and sacks made of biodegradable material. The products are OK Compost certified by TUV Austria.
- **TeraPack** – the polyethylene products division – includes polyethylene foils, films, bags and sacks. This division includes the polyethylene packaging production capacities taken over from Somplast Năsăud and Brikston Construction Solutions.

TeraBio Pack products are aimed at distributors and retail chains as well as industrial customers. From the beginning of the activity (December 2021) until the end of 2022, TeraBio Pack has reached the top 5 manufacturers in the market.

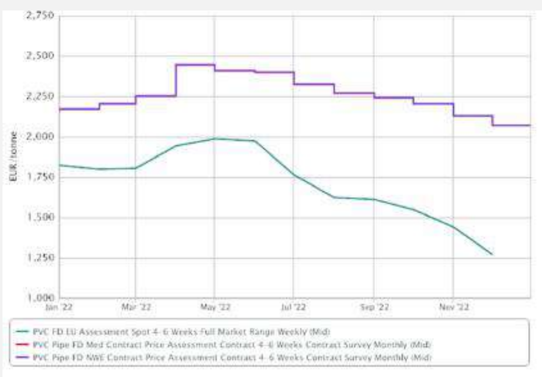
TeraPlast Group's products are certified and tested by institutions such as: IFT Rosenheim, SRAC, ICECON Romania, DIN CERTCO and TUV Austria. In accordance with European standards, the activity of our companies is carried out in the Quality-Environment-Health and Occupational Safety Integrated Management System: ISO 9001, 14001, 45001.

The internal testing laboratory is accredited by RENAR (Romanian Accreditation Association). In addition, research and development activities for our product portfolio are conducted annually. In 2022, the main projects in this area were underfloor heating pipes (PE-Xa), PVC compounds and HFFR (halogen-free, fire retardant). Thus, our colleagues have developed recipes through which our compounds have new, expanded applications, as well as recipes for improving current products. The budget for this area of activity is over 250 thousand lei annually (including personnel expenses), and for 2023, the main directions are: continuing the development of compounds recipes and improving recipes for PVC pipes to increase their resistance.

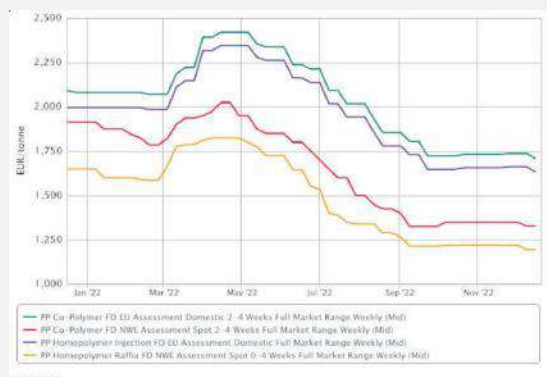
At Group level, we have **sources of supply** that have proven their efficiency in 2022 as well. We have increased our degree of diversification on the main raw materials, and their **prices have fluctuated in line with market trends**. We have an extensive base of approved suppliers so that there is no risk of dependence on a single supplier or a single geographical area.

Price evolution for the main raw materials in 2022, according to ICIS

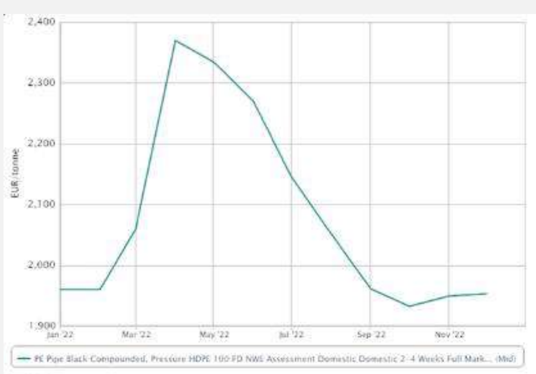
PVC



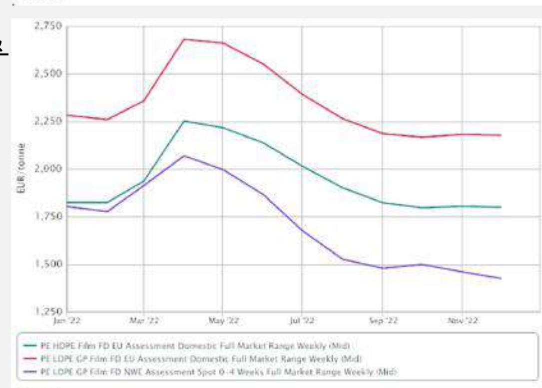
PP



PE



HDPE & LDPE



2022 Key figures

2022 was the second best year in the history of TeraPlast Group, after the record levels of 2021. The group also completed the implementation of the most ambitious investment plan in its history, becoming the largest polymer processor in the Center and East Europe.

+16% Turnover	-29% EBITDA	-63% Net profit	EBITDA margin
711 mln. Lei	52,7 mln. Lei	15,4 mln. Lei	7,4%
2021: 615 mln. Lei	*2021: 74,6 mln. Lei*	*2021: 42,3 mln. Lei*	*2021: 12%*

The turnover of TeraPlast Group increased in 2022 by 16% compared to 2021, reaching 711 million lei. EBITDA stood at 52.7 million lei, down 29% compared to the previous year's result, because of the volatility of raw material prices and a below-estimated level of water & sewage works financed from European and public funding. The Installations & Recycling segment - "the engine of the Group" - despite the most challenging year in the last 5 years, managed to exceed the record EBITDA achieved in 2021.

The EBITDA margin eroded during the year and reached 7.4% at the end of 2022. The result was marked mainly by the challenges faced by the Windows & Doors and Flexible Packaging segments, where delays in indexing the selling prices were experienced, respectively high ramp-up and market penetration costs. Furthermore, we have been impacted by both accelerated raw material price increases and delays in price increases in the market.

The net profit of 2022 was almost 15.4 million lei, down 64% compared to the exceptional result of the previous year. The evolution was determined, on one hand, by depreciation costs, against the background of the increase in the Group's asset base following the large investments made, and, on the other hand, by the increase in interest rates for lei, which for the Group meant an additional expense of 8.3 million lei in 2022 compared to 2021.

-4% Volume		959 employees
77.904 tons		as of 31.12.2022
2021: 80.843 tons		*2021: 950*

Information about price, liquidity and cash flow risk can be consulted in the notes to the consolidated financial statements, respectively note 24. Financial instruments (pages 53-57).

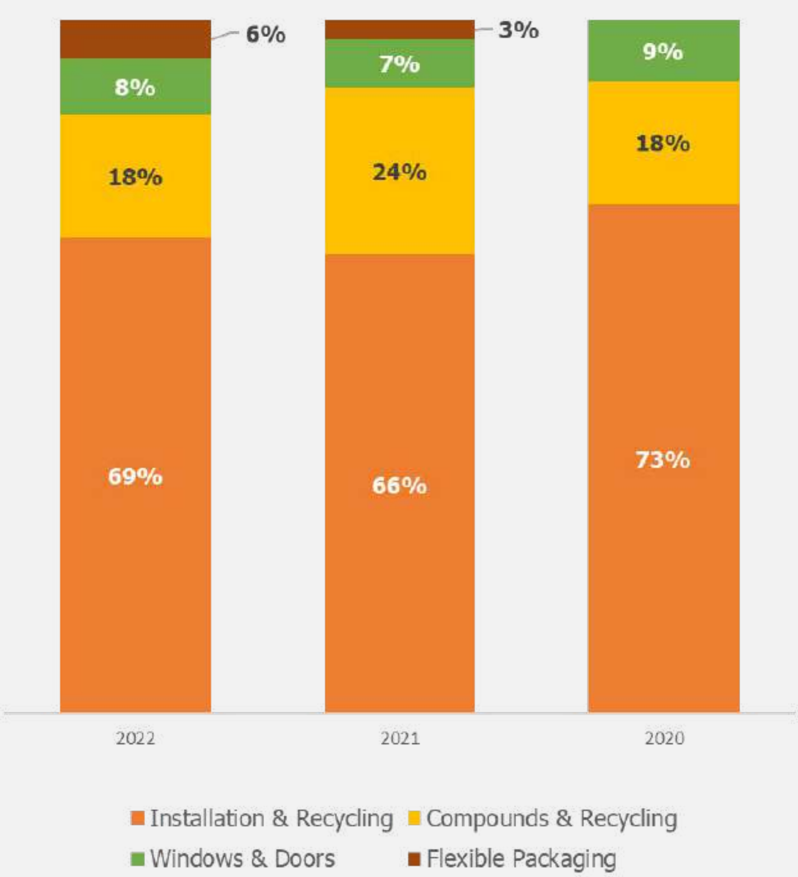
In 2022 we managed to consolidate our market share, and the leading position will allow us to reap business opportunities once the markets in which we operate recover in the coming years. **The major investments** completed in the period 2021-2022, **in the amount of 219 million lei**, are added to those made in recent years with the aim of diversifying the field of activity, the geographical footprint of the Group, increasing energy independence and for the substitution of virgin raw materials with recycled material.

At the same time, it is natural that in the first years from commissioning the investments in some new state-of-the-art production capacities, the financial results do not shine against the background of the enormous challenges determined by the unprecedented global and regional economic context. However, our approach aims at a long time horizon of more than 5 years in order to maximize added value for shareholders. Therefore, **we remain confident in the long-term potential of the investment projects started in recent years**.

The decrease from the budget, but also from the 9-month reforecast, was caused by the radical change in the dynamics of the raw materials market as a collateral effect of the war in Ukraine. Another impact was the slower start of the Flexible Packaging segment and a below-expected performance of the Windows & Doors segment generated by delays in the transfer of production costs to the market. The immediate challenges, while eroding 2022 margins, have not affected our medium to long-term development, development with a **growing sustainability component**.

In 2022, **TeraPlast Group exports increased by 23% compared to 2021** and accounted for 15% of the consolidated turnover. Our Group's products were present in 20 countries in 2022, among the most important being Hungary, Germany, Bulgaria, the Czech Republic and the Netherlands.

Share of business segments in consolidated turnover



Evolution in volumes 2022 vs 2021

> 24 mln. linear meters of pipes ↑ **17%**

~ 13 mln. pcs; fittings & rotomolded products ↓ **-10%**

> 16 thousand tons of compounds ↓ **-17%**

> 14 thousand tons of recycled material ↑ **10%**

> 3 thousand tons of flexible packaging ↑ **77%**

172 thousand units; windows, doors & accessories ↑ **20%**

https://www.teraplast.ro/en/release/teraplast-groups-growth-prospects-were-not-affected-by-the-challenges-of-2022/

Evolution of business segments in 2022

The Installations and Recycling segment maintained a positive trend compared to the record result of 2021: **EBITDA improved significantly in absolute terms and reached 51 million lei. The EBITDA margin remained solid at 10.4% for the full year 2022.**
The turnover of this segment increased by 20% compared to 2021, up to 488 million lei. Although the turnover of the Installations segment increased due to inflation, volumes stagnated compared to 2021, which generated pressure on the margin, namely the partial transfer of costs to the market. The objective achieved in 2022 was the consolidation of the market share, the leading position being essential for the fruition of business opportunities once the activity in the field recovers.

The Compounds and Recycling segment faced an atypical situation in the market, with the emergence of disruptive factors, impossible to anticipate. Against the background of increased energy costs in the European Union, significant differences in quotations have appeared between raw materials in the EU, including Romania, and those outside the European Union. This climate put pressure on margins, but the Group focused on preserving its market share and maintaining its leading position in this segment. The background left traces in **the evolution of the turnover of the Compounds segment and caused a reduction of EBITDA by 53% compared to 2021. The margin remained at a level of 10.1%, above the TeraPlast average.**

The Windows & Doors business line, managed by TeraGlass, had a turnover increasing by 30%, including from the increase in sales volumes. The segment faced rapidly increasing raw material prices, the biggest influences being felt in PVC profiles and glass. The Group's ability to pass on these costs up the value chain has been limited as the customers are Europe's large DIY chains with considerable bargaining power. As a result, margins suffered, and EBITDA for this business line saw a 65% contraction compared to 2021.

The Flexible Packaging segment was heavily burdened by the lack of optimal loading of the lines. The quantities produced in 2022 are half of the production capacity. Approval costs, translated into small production batches, also contributed to the inefficiency of the business line. Profitability of this new division within the Group requires more time than initial estimates. However, in the second half of 2022, some industrial products were approved and contracts with large retail chains entered into force, including in foreign markets, which indicates an increasing trend.

	Installations and recycling			Compunds			Windows&Doors			Flexible Packaging			Teraplast Group		
RON '000	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b
Net sales	**407.320**	**488.214**	**543.279**	**147.540**	**126.073**	**148.421**	**43.397**	**56.500**	**68.721**	**16.853**	**40.340**	**87.338**	**615.111**	**711.126**	**847.759**
Other operating income	1.050	556	-	-	61	-	8	16	704	31	21	-	1.089	655	704
Total operating income	**408.370**	**488.770**	**543.279**	**147.540**	**126.134**	**148.421**	**43.406**	**56.516**	**69.425**	**16.884**	**40.361**	**87.338**	**616.200**	**711.781**	**848.463**
Raw materials, consumables, merchan	(268.521)	(320.704)	(346.874)	(99.955)	(98.286)	(112.555)	(25.683)	(34.679)	(40.271)	(12.350)	(32.830)	(60.926)	(406.509)	(486.499)	(560.627)
Salaries and employee benefits	(44.217)	(52.885)	(59.707)	(11.409)	(7.827)	(10.980)	(9.133)	(11.204)	(13.598)	(4.516)	(11.641)	(12.911)	(69.275)	(83.556)	(97.196)
Depreciation and adjustments for asset	(15.976)	(18.919)	(19.812)	(3.005)	(2.680)	(3.208)	(1.595)	(1.352)	(1.217)	(747)	(3.334)	(6.643)	(21.321)	(26.285)	(30.880)
Other operating expenses	(45.124)	(64.233)	(82.228)	(9.357)	(7.340)	(11.393)	(7.590)	(10.288)	(12.069)	(3.705)	(7.148)	(9.945)	(65.776)	(89.008)	(115.634)
Total operating costs	**(373.837)**	**(456.741)**	**(508.621)**	**(123.726)**	**(116.133)**	**(138.135)**	**(44.000)**	**(57.522)**	**(67.155)**	**(21.318)**	**(54.952)**	**(90.425)**	**(562.882)**	**(685.349)**	**(804.337)**
EBIT	**34.533**	**32.029**	**34.658**	**23.814**	**10.001**	**10.285**	**(594)**	**(1.007)**	**2.270**	**(4.434)**	**(14.591)**	**(3.087)**	**53.319**	**26.433**	**44.126**
EBITDA	**50.508**	**50.948**	**54.470**	**26.819**	**12.681**	**13.493**	**1.000**	**346**	**3.487**	**(3.687)**	**(11.257)**	**3.556**	**74.640**	**52.718**	**75.006**
EBITDA %	*12,4%*	*10,4%*	*10,0%*	*18,2%*	*10,1%*	*9,1%*	*2,3%*	*0,6%*	*5,1%*	*-21,9%*	*-27,9%*	*4,1%*	*12,1%*	*7,4%*	*8,8%*
Financial result, net	(1.437)	(6.774)	(13.710)	(235)	(708)	(1.120)	(395)	(1.174)	(2.236)	(276)	(1.221)	(3.131)	(2.344)	(9.877)	(20.196)
Profit before tax	**33.096**	**25.255**	**20.948**	**23.579**	**9.293**	**9.166**	**(990)**	**(2.180)**	**34**	**(4.710)**	**(15.812)**	**(6.218)**	**50.975**	**16.556**	**23.930**
Income tax expenses	(4.625)	(1.647)	(3.736)	(4.012)	(928)	(808)	-	(418)	-	(46)	1.812	-	(8.684)	(1.182)	(4.544)
Net profit	**28.471**	**23.608**	**17.212**	**19.566**	**8.365**	**8.357**	**(990)**	**(2.599)**	**34**	**(4.756)**	**(14.000)**	**(6.218)**	**42.291**	**15.374**	**19.385**
Net Profit %	*7,0%*	*4,8%*	*3,2%*	*13,3%*	*6,6%*	*5,6%*	*-2,3%*	*-4,6%*	*0,0%*	*-28,2%*	*-34,7%*	*-7,1%*	*6,9%*	*2,2%*	*2,3%*

2022 Main events

Our activity in 2022 has been an intense one, which involved maintaining focus on business development, but also managing external challenges determined by the raw materials market, energy and the difficult macroeconomic context.

Also last year, we completed the investments of over 219 million lei implemented in the period 2021-2022, in the expansion of production capacities and the diversification of the business portfolio through new segments of activity.

In dialogue with the decision makers

In 2022, the Group's management held several discussions with representatives of the central administration regarding the opportunities and challenges in the Romanian business environment, especially in the construction and recycled materials market, as well as the advantages of the development of companies with Romanian capital. A special emphasis was placed on the issues arising in the current complex context, marked by rising raw material costs, stress in supply chains, tension in the energy market and labor shortages.
TeraPlast's CEO also participated in the "nZEB Standards Conference - The role of sustainable materials in the energy efficiency of buildings", an event organized by Deputy Oana Marciana Özmen, Secretary of the Commission for Industries and Services in the Chamber of Deputies.

Financing agreement for a new factory

The new stretch film plant will have two production lines for industrial polyethylene films, which represent a capacity of more than 14,000 tons annually. The equipment is state-of-the-art, with a high degree of robotization and automation of the production flow.
The project will be co-financed through the state aid scheme, which provides for a state support of 50% of the total eligible expenses. Through this facility, the beneficiary undertakes to contribute to the consolidated general budget within five years from the completion of the investment with an amount at least equal to that of the state aid received.

Investor relations

Our communication with both investors and the financial press, was recognized externally also by the awards received by TeraPlast: scored 10 in the Vektor evaluation and the award for the Best communication of an issuer in 2022 - the financial press award, within the BVB Awards.

In the second part of the year, we organized the TeraPlast Investor's Day, during which shareholders and investors interested in TRP interacted with the company's management and visited the Group's factories.

More details about our activity on the capital market and the relationship with investors are available in the dedicated chapter of this report.

Investment in a new photovoltaic plant

In line with our objective to increase the share of renewable energy in our electricity consumption, we are investing in a new photovoltaic plant. The total value of the project exceeds 19 million lei. The investment includes a photovoltaic plant with a power of about 4.56 MWp, respectively a power produced (from inverters) of 3.8 MW.

The new plant will contribute to reducing the Group's carbon footprint by reducing emissions by up to 3,200 tons of CO2e annually.

To finance the project, we also submitted a funding request through the National Recovery and Resilience Program.

Regional development

One of the main business objectives of the TeraPlast Group is the expansion of the regional footprint. As a result of the increase of the share of the Hungarian market in the Group's exports, we decided to establish a distribution point in Berettyoujfalu, Hajdu-Bihar county.

Thus, our Group reaches 7 distribution points, 6 in Romania and 1 in Hungary.

The warehouse is operational from the beginning of 2023.

Adapting to the market context

In 2022, the construction market faced a complex climate that generated increases in the prices of construction materials, combined with the accelerated evolution of energy and fuel costs. They significantly impacted the costs with suppliers and materials related to the real estate project started by Alfa Construct Partners on the former location of the TeraPlast factory. So, in agreement with the developer, we decided to terminate the partnership.

As part of the partnership, our company provided the land, and the real estate developer would build the buildings at his own expense. We remain open to capitalizing on this asset for the benefit of our shareholders and the local community.

NeoTer

NeoTer by TeraPlast

NeoTer is a state-of-the-art underfloor heating system with a high degree of energy efficiency and significant advantages in terms of heating energy consumption and environmental impact. The system is calibrated to current consumer needs, in line with new trends in housing construction and development, and is a reliable heating solution applicable to both new construction and renovation projects.

Complex information about the NeoTer by TeraPlast underfloor heating system is available on neoter.ro

TeraDuct by TeraPlast

Under the TeraDuct brand, the Group has developed a new technical solution designed for fiber optic telecom infrastructure. TeraPlast is the only Romanian manufacturer that brings to the market this type of solution from the internal offer.

TeraDuct ONE by TeraPlast is a microduct made of high density polyethylene, used to protect fiber optic microcables. It is available in a variety of diameters and can be bundled with different configurations: TeraDuct LINE and TeraDuct MIX.

Complete information about TeraDuct by TeraPlast microtubes is available at teraduct.teraplast.ro

TeraDuct® by TeraPlast

Our team

We regard the employees of the TeraPlast Group as a living, dynamic organism, constantly adapting and changing. We are attentive to the evolution of our colleagues' preferences and strive to be the best option for them as an employer.

At the same time, we pay particular attention to respecting a minimum set of principles that refer to business ethics, professionalism, integrity, loyalty, transparency, equal opportunities, non-discrimination, rights and freedoms. All these things are detailed in the **Code of Conduct** publicly available on our website.

At the level of our Group, we encourage initiative and reward performance, we promote a harmonious work environment, conducive to the personal and professional development of our colleagues. **The union** represents all employees of the Group companies and we hold regular discussions to keep up with the evolution of the labor market and the personalized needs of our team.

We are committed to respecting and promoting fundamental human rights, civil rights and the free movement of people in every company and in all business relationships we conduct. We comply with international directives, norms and standards regarding respect for human rights.

We have implemented a publicly available **Whistleblower system** for both our colleagues and collaborators. It can be accessed directly from our website and we encourage people who have, from a professional context, objective information related to violations of laws or integrity rules by the company, its employees or collaborators, to report these irregularities. Reports can be signed or submitted anonymously.

Also through the Code of Conduct, and as a signatory of the UN initiative - UN Global Compact, **our commitment to comply with the regulations in the field of anti-corruption**, to promote the fight against corruption in all companies and in all the activities that we unfold, takes shape. We do not tolerate any action or behavior that could be considered susceptible to active or passive corruption, preferential treatment or favoritism. We comply with the provisions of Law no. 78/2000 for the prevention, detection and sanctioning of acts of corruption. Also, if an employee is put in a position to receive gifts or advantages of any other nature from partners and collaborators, other than symbolic ones, he/she has the obligation to declare them to his/her direct boss and the Ethics and Integrity Commission, according to the provisions of the code.

In 2022, the number of employees of TeraPlast Group was 959, at approximately the same level as in 2021. Identifying and attracting labor is a constant challenge for us, as well as for the entire market. Our priority in recruitment is to attract colleagues who share our values and principles and who either specialize in the area of activity for which they are recruited or wish to develop to specialize. We also have a **customized e-learning platform** where our colleagues can take courses in different fields of activity. Detailed information on training programs and involvement in training future generations of professionals will be available in the sustainability report we will publish by the end of June 2023.

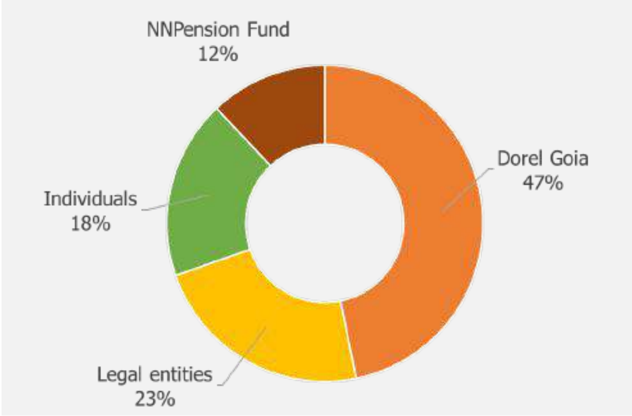
TeraPlast on the capital market

The company TeraPlast SA is listed on the Bucharest Stock Exchange since July 2, 2008, under the symbol TRP. In 2022, TeraPlast was consistently in the top 10 companies traded on the BSE, from the BET index, in terms of value and volume.

TRP shares are also included in the **FTSE Russell Small Cap and All Cap indexes, but also in the CECE MID CAP index of the Vienna Stock Exchange**, thus having increased visibility at the regional level. *(TeraPlast is also part of the ROTX index of the Vienna Stock Exchange as a result of the revision of its structure, but the new structure, of which TeraPlast is also a part, entered into force in March 2023)*

TeraPlast's **shareholding structure** has not changed significantly in 2022 and can be consulted in the adjacent chart and on the BVB website.

As of 31.12.2022, Mr. Dorel Goia (President of the Board of Directors) held 1,020,429,614 TRP shares, Mr. Alexandru Stânean (CEO) held 1,356,252 TRP shares, and Mrs. Ioana Birta (CFO) held 56,309 TRP shares.
The rest of the administrators had no holdings in TRP on the said date.



In 2022, our company distributed, following the proposal of the Board of Directors, respectively the approval of the General Shareholders' Meeting of April 28, 2022, **dividends** in the total amount of 32,684,967.26 lei, the gross dividend/share being 0.015 lei, related to the profit of quarters 2, 3 and 4 of 2021.

In addition to this, from the profit recorded in the 1st quarter of 2021, dividends were distributed in the total amount of 226,615,937 lei, respectively 0.13 gross lei/share, and the share capital was increased by 43,579,988 lei, both based on of the decision of the general meeting of shareholders on June 25, 2021. **Dividends from the related T1 profit were paid in July 2021, and the share capital increase took place in September 2021.**

Therefore, in the last 3 years, simultaneously with the major investments in the diversification and development of the Group that will bring added value to our shareholders in the medium term, we have also rewarded our shareholders by distributing dividends when this was possible and did not raise risks on the soundness and development of our businesses, even by distributing quarterly dividends (2020: dividend 0.026 lei/share related to the profit in Q3, paid in December 2020; 2021: quarterly dividend paid in July 2021; 2022: dividend related to the last 3 quarters, paid in July 2022).
One of the basic aspects that the TeraPlast Board of Directors considers in evaluating the opportunity to propose the distribution of dividends is represented by the company's investment needs and opportunities, which may include both expansions of existing production capacities and product development new in the portfolio or M&A activities. **TeraPlast's full dividend policy can be viewed by accessing the dedicated document on the company's website.**

In 2022, the program to buy back own shares was also carried out with the aim of offering them to employees, members of the management of TeraPlast Group companies and board members, free of charge, as part of a **stock option plan program**. This action was carried out as a result of the shareholders' approval for the buy back of a **maximum number of 2,760,000 shares with a nominal value of 0.1 lei/share at a minimum price equal to the BVB market price at the time of the purchase and a maximum price of 2 lei/share**, within a budget of 5,520,000 lei. The shares so redeemed were allotted in February 2023. More details are available here.

Our activity on the capital market has also been recognized externally, which confirms our constant efforts to apply the best practices in the **relationship with investors**, namely respect for their rights, market regulations, accurate, complete and timely information, as well as openness to dialogue. We publish quarterly consolidated financial results, organize teleconferences with investors and analysts, press conferences, meetings with investors (Investor Day) and participate in events dedicated to interacting with them. At the same time, whenever there is new information, relevant to our investors, regarding our operational activity, perspectives, investments and other projects, as well as to optimally disseminate our messages, we send press releases, answer interviews and participate in shows and profile events.

Among the most important **awards received by TeraPlast** for the activity in 2022 are:

- **"The best company in IR - the vote of individual investors"** at the Gala organized by ARIR (Romanian Association for Investor Relations at the Romanian Stock Exchange) - November 2022, title received by TeraPlast for the third consecutive year.
- **Score 10 in ARIR's Vektor Evaluation** based on 12 investor relations criteria, covering topics such as availability of information, contact details, corporate governance/policy documents, implementation of voluntary initiatives, etc. - January 2023, score received by TeraPlast for the fourth consecutive year.
- **"The best communication with journalists of an issuer in 2022. The financial press award"** at the BVB Awards event organized by the Bucharest Stock Exchange - February 2023, award received by TeraPlast for the second consecutive year.

Complete information about corporate governance documents (policies, governance statute, etc.), reports and other relevant aspects about TeraPlast's activity on the capital market are available on the website dedicated to investors: https://investors.teraplast.ro/

Board of Directors and Group management

Our company is a company managed in a unitary system, by the Board of Directors. The General Meeting of Shareholders (GMS) is the highest decision-making body. The members of the Board of Directors are elected at the proposal of the significant shareholders of the company and appoints the executive management.

The members of the TeraPlast Board of Directors were re-elected during the OGMS of September 14, 2022, with a 1-year mandate (September 14, 2022 - September 14, 2023). The president of the Board of Directors elected by the members of the board is Mr. Dorel Goia, with a mandate of 1 year identical to that of the rest of the administrators. **Currently, 2 out of 5 administrators are independent.**

Structure of the TeraPlast Board of Directors

Dorel Goia
Chairman

- Birth year: 1954
- Experience: entrepreneurship
- First time elected in the Board: 2008
- Entrepreneur with extensive experience in various fields

Lucian Anghel
Independent Non-Executive Director

- Birth year: 1972
- Experience:banking, capital markets
- First time elected in the Board: 2021
- Activity: Banca Românească

Alexandru Stânean
Executive director (CEO)

- Birth year: 1982
- Experience: Business administration
- First time elected in the Board: 2007
- Activity: TeraPlast SA (CEO)

Vlad Neacșu
Independent Non-Executive Director

- Birth year: 1981
- Experience: financial
- First time elected in the Board: 2020
- Activity: Sens Unic Imobiliare SRL

Magda Palfi
Non-Executive Director

- Birth year: 1967
- Experience: banking
- First time elected in the Board: 2008
- Activity: Raiffeisen Bank (Regional corporate director - Cluj center)

More information on the structure of the Board of Directors is available in the dedicated section on our website.

Advisory Committees

Within TeraPlast there are two advisory committees - the Audit Committee and the Remuneration and Nomination Committee.

The Audit Committee consists of the following members: Vlad Nicolae Neacșu (chairman), Nadir Geafer Ali, Magda Eugenia Palfi, Lucian Claudiu Anghel.

During 2022, the Audit Committee held 5 meetings. The main recommendations or proposals made by the Audit Committee to the Board of Directors were the following:
- Improving the debt recovery process, paying more attention to customer monitoring and granting commercial credit;
- Recommendations regarding the internal audit process;
- Revision of provisioning policy to current market conditions.

As a result of the self-assessment of the Audit Committee for its activity, carried out in 2022, in terms of the creation and management of an effective audit committee, corporate reporting and risk supervision as well as internal and external audit supervision, the results of the self-assessment highlight that, overall, the committee functioned properly and effectively supervised the risk management and internal control system at company level, fulfilling its role of providing effective support to the Board of Directors in fulfilling its responsibilities in the field of financial reporting, internal control and risk management.

The Nomination and Remuneration Committee consists of the following members: Lucian Claudiu Anghel (chairman), Dorel Goia, Vlad Nicolae Neacșu, Magda Eugenia Palfi.

During 2022, the Nomination and Remuneration Committee held 6 meetings. The main recommendations made by the Nomination and Remuneration Committee to the Board of Directors are:
- Recommendations regarding the analysis of the implementation of some tools for the remuneration of employees;
- Recommendations regarding the preparation of the remuneration report.

Additional information on TeraPlast's committees, their composition and duties are available on our website.
Also, complete information regarding the Remuneration Policy is available on our website here, as well as the remuneration report.

Group's Management

The executive management is provided by:
- **Alexandru Stânean**, Chief Executive Officer, whose current office is 4 years, started in July 2020.
- **Ioana Birta**, Chief Financial Officer, whose current office is 4 years, started in June 2019.

The members of the Board of Directors are elected in the General Meeting of Shareholders based on the vote of the shareholders in accordance with legal requirements, and the executive management is appointed by the Board of Directors based on competences and evaluated based on performance indicators. Therefore, there are no agreements or understandings to report in this document. Also, there are no past or ongoing administrative litigations or proceedings involving the directors and/or executive management regarding their activity or their ability to perform their duties within TeraPlast.

Other relevant information on TeraPlast (TRP) share

Total number of shares	2.179.000.358
Share capital (lei)	217.900.035,80
Nominal value (lei)	0,1000
Number of shares traded in 2022	272.399.773
Value traded in 2022 (lei)	216.157.782
Minimum medium price in 2022 (lei)	0,4685
Maximum medium price in 2022 (lei)	1,1660
Number of shareholders as of 31.12.2022	12.406
Market maker	BRK Financial Group

Sustainable development in TeraPlast Group

In accordance with legal regulations on the disclosure of non-financial information, we prepare and publish a separate **sustainability report**, which includes the information required by the non-financial statement and describes our sustainability initiatives. The TeraPlast sustainability report for 2021 is available on our website, and the one for 2022 will be published by 30.06.2023 on the teraplast.ro website, and its availability will be communicated through the official communication channels of the company, including on the BVB website (symbol TRP).

In preparing the sustainability report, we consider the **Global Reporting Initiative (GRI)** standards, the Core option. Starting with the report for 2022, we will also consider eligible activities according to the **European taxonomy** (Regulation no. 852/2020 on the establishment of a framework to facilitate sustainable investments).

We are also a **signatory to the UN Global Compact**, the most important initiative in the field of responsible corporate governance in the world. Through this voluntary membership, TeraPlast has made a commitment to promote the ten principles of the UNGC in the fields of human rights, labor standards, environment, anti-corruption and contribute to the achievement of sustainable development goals. We have been reporting our progress annually since last year, and in 2023, this information will be an integral part of the sustainability report.

In the process of reporting information on our impact and initiatives in relation to sustainable development, we use a **methodology based on**:

- Review the list of material topics and stakeholders to determine any new categories, taking into account two quantitatively assessed criteria: the stakeholder's influence on TeraPlast's business and TeraPlast's impact on the stakeholder.
- Consultation with interested parties to obtain their views on material topics.
- Realization of the materiality matrix based on the information collected from internal and external stakeholders.

List of material topics

Dimension	Material topic
Governance	Corporate governance
	Risk management & conformity
	Business ethics, integrity and best practices
	Cybersecurity
	Supply chain & raw materials procurement from responsible sources
	Use of recycled raw materials
	Product quality and safety
	Sustainable products within the portfolio
Environment	Resource management
	GHG emissions & climate protection
	Waste management & circular economy
Social	Employee recruitment & retention
	Workplace health and safety
	Equal opportunities, rights & freedoms
	Employee welfare
	Professional development and promotion at work
	Care for the community

Our vision on sustainable development

Our group is the largest polymer processor in Central and Eastern Europe. In our view, plastics provide a certain level of comfort in everyday life; its sudden and complete elimination is not a solution. Instead, we believe in the **power of transition**. An optimal management of plastic products, from manufacturing to the end of use, respectively to their recovery, can significantly contribute to reducing the negative impact that plastics have in the world.

We encourage the use of alternatives where possible (e.g. biodegradable packaging), responsible waste management and contribution to the circular economy, use of renewable energy sources and following ethical frameworks and professional practices that increase adoption of behaviors and actions with a reduced impact on the environment.

Our sustainable development initiatives

Paying attention to the integration of sustainability in our Group's activity has been part of our development strategy for many years. Since 2017 we have started investing in the **rigid PVC recycling plant** (TeraPlast Recycling), we have developed internationally patented recipes for the inclusion of **recycled material in PVC pipes** and we even have in our portfolio a PVC pipe for outdoor sewers made from 100% recycled material.

We also develop solutions to **increase the durability of our products** and reduce their impact on the environment throughout their lifetime. We also invested in 2021 in the **factory of biodegradable and compostable films** and products according to EN 13432, OK Compost certified by TUV Austria. We invested in a **photovoltaic plant** in 2019-2020 and, in 2023, we will invest in a new photovoltaic plant to increase the supply of energy from renewable sources in the industrial park in Sărătel.

In 2022 we quantified direct emissions (Scope 1) and indirect emissions related to electricity consumption (Scope 2) in tCO2 eq. (tons of carbon dioxide equivalent), in accordance with the requirements of the **GHG Protocol** - A Corporate Accounting and Reporting Standard.

In 2023, we will assess the Group's **carbon footprint on Scope 3** (indirect emissions - not included in Scope 2 - occurring in the company's value chain, including upstream and downstream emissions).

CO_2

25.163 tons CO2eq

TeraPlast Group footprint for Scope 1 and Scope 2 (market based) in 2021

In 2020, the Bucharest Stock Exchange initiated a project with Sustainalytics to carry out ESG ratings for listed companies. Our company was one of the issuers that, right from the beginning, agreed to publish the obtained score. Updated information is available on the BVB Research Hub portal, in the dedicated section.

ESG Risk Score	ESG Risk Ranking Score	Exposure	Management	Momentum
22.7	36/143 top 25%	40.4	46.6	+0.7

Report Date: **12/15/2022**
Report Type: **Core Framework**

In 2022, there were no existing or anticipated environmental litigations.

2023 Budget and perspectives

We are constantly looking at a long time horizon of over 5 years. We maintain our development direction by diversifying our business segments, increasing our geographic footprint, increasing energy independence and substituting virgin raw materials with recycled material where possible. Thus, we will maximize the added value for shareholders.

2022 was the second best year in the history of TeraPlast Group, in which we completed the implementation of the most ambitious investment plan in the history of the Group (219 million lei in the period 2021-2022) and we are the largest polymer processor in Europe Central and Eastern.

Despite the difficult context in which we carried out our activity and the impact it had on the Group's results (erosion of margins, decrease in net profit), **the Group's medium and long-term development was not affected**. The leading positions in the markets in which we operate, the supply policy and the synergies at the Group level diminish the potential negative impact on the evolution of our businesses.

Development prospects for the markets we operate on, per segment*:

INSTALLATION

8 billion EUR

Budgeted for infrastructure through National Recovery & Resilience Plan and Anghel Saligny program (water, sewerage and gas networks)

WINDOWS & DOORS

2,2 billion EUR

Budgeted for renovations – apartment blocks & public buildings renovated/ rehabilitated (PNRR Renovation Wave)

COMPOUNDS

18 billion EUR

Budgeted for other projects where the Group's products (i.e. compounds) can be used (energy, waste management, transport, social & institutional buildings, healthcare, education etc.)

FLEXIBLE PACKAGING

274 million EUR

is worth the flexible packaging market in Romania, of which 169 mln EUR are imports

Long-term development prospects for the Installation segment in Romania**:

74,1% Of the Romanian population is connected to the public water supply system

35% Of the Romanian population is connected to the public natural gas supply system

56,2% Of the Romanian population is connected to sewage systems with treatment stations

57,4% Of the Romanian population is connected to the public sewage system

*According to the information on this topic from the public administration.
**According to the latest data available published by the National Statistics Institute and the publicly communicated information.
https://www.teraplast.ro/en/release/teraplast-groups-growth-prospects-were-not-affected-by-the-challenges-of-2022/

Consolidated results in 2023 will improve amid reduced price volatility. Turnover will increase from increased volumes.

+19%
TURNOVER
848
MLN. LEI
(2022: 711 MLN. LEI)

+42%
EBITDA
75
MLN. LEI
(2022: 52,7 MLN. LEI)

EBITDA
MARGIN
8,8%
(2022: 7,4%)

+14,8%
VOLUMES
89.468 TONS
(2022: 77.904 TONS)

lei, thousand	Group Total	Installation & Recycling	Compounds & Recycling	Windows & doors	Flexible Packaging
Turnover	847.759	543.279	148.421	68.721	87.338
% vs 2022	19%	11%	18%	22%	117%
EBITDA	75.006	54.470	13.493	3.487	3.556
% vs 2022	42%	7%	6%	n/a	n/a
EBITDA Margin	8,8%	10,0%	9,1%	5,1%	4,1%

102 mln. lei

Total value of the investments for 2023.

The budget presented for 2023 does not include the effects determined by possible mergers/acquisitions.

The **Installations and Recycling segment** will benefit, starting from the second half of the year, from a positive effect of the entry into the execution phase of the projects from the Anghel Saligny Program and those remaining under the POIM. The start of infrastructure works will lead to the breaking of record volumes in 2021.

For the **Compounds and Recycling segment**, a normalization of market conditions is forecast from the perspective of price stability and implicitly the demand for products manufactured in the EU.

TeraGlass, through the **Windows and doors segment**, is considering a positive impact following the start of PNRR projects on the energy efficiency of buildings, with a market-wide potential of 2 billion lei. In this segment, we anticipate a decrease in the average price and an increase in volumes. Profitability will improve as upward pressure on raw material prices fades. On the other hand, there will be an adverse impact due to the increase in the minimum wage in construction.

The **flexible packaging segment** will see an increase in volumes as a result of overcoming the ramp-up phase, expanding the customer base and increasing demand. In 2023, segment-level EBITDA will enter positive territory.

We continue to invest in 2023

It concerns investments the total amount of **102 million lei**, of which the most important projects aim a new factory for the production of stretch films and a new photovoltaic plant. Thus, we continue our diversification of our activities and the geographical regions in which we develop business, in parallel with green investments aimed at improving our energy independence sustainably and also based on government economic support programs.

https://www.teraplast.ro/en/release/teraplast-groups-growth-prospects-were-not-affected-by-the-challenges-of-2022/

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Teraplast SA and its subsidiaries ("the Group"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the consolidated financial statements.

2. The consolidated financial statements as at December 31, 2022 are identified as follows:

• Net assets/Total equity:	RON 309,479,173
• Net profit for the financial year:	RON 15,373,868

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Basis for Opinion

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

Key Audit Matters

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

Deloitte.

KEY AUDIT MATTER	How our audit addressed the key audit matter
Income recognition	
Income generated by the sale of finished products and the merchandise is the Group's core activity. The recognition of income from the sale of finished products and merchandise depends on the proper evaluation of the amount of the contractual consideration, including of discounts granted in certain sale transactions and their registration in the period they refer to, according to the commercial clauses provided in the contracts with customers. In our opinion, income recognition is a significant audit area, as the Group's management may incorrectly account for the income generated by the sale of finished products and merchandise due to the nature of the sale transactions and the contractual clauses regarding the modalities and date of transfer of control over the goods sold. In addition, income is one of the most important key performance indicators of the Group. The Group's disclosures on income are included in Note 4 to the financial statements.	Our audit procedures conducted to address the risk of significant misstatement of income recognition included as follows: • We have assessed the Group's accounting policies regarding income recognition. • We have assessed the design and implementation of existing key controls on the sales of the finished products and merchandise. • We have confirmed the income with the most important customers selected on a random sample basis at December 31, 2022 in order to assess the completeness of the transactions conducted by the Group therewith. • We have selected a random sample of income, which we compared against the relevant supporting documents to ensure the accuracy and completeness of the income registered, by also validating the financial period when they should have been registered depending on the date of transfer of control over the finished products or the merchandise sold by the Company as seller, to the customer as buyer. • We have reviewed the income by comparing the current period with the prior period for: sales, volume of products, volume of customers and margin.

Deloitte.

Other information – Administrators' Consolidated Report

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

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

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

Moreover, based on our knowledge and understanding concerning the Group and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrators' consolidated report and the Remuneration report. We have nothing to report in this regard.

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

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

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

9. Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

    - Obtain sufficient and adequate audit evidence regarding the financial information of the Group entities or business lines in order to express an opinion on the consolidated financial statements. We are responsible for the coordination, supervision and performance of the group audit. We are solely responsible for our audit opinion.

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

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

Deloitte.

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 28 April 2021 to audit the consolidated financial statements of Teraplast Group for the financial years ended December 31, 2021 and December 31, 2022. The uninterrupted total duration of our commitment is 4 years, covering the financial years ended December 31, 2019 until December 31, 2022.

We confirm that:

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

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

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

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

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

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

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

- the design, implementation and maintenance of internal control relevant to the application of the ESEF;
- the selection and application of appropriate iXBRL mark-ups;
- ensuring consistency between the Digital Files and the consolidated financial statements to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

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

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

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

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

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

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

- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;

- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.
In our opinion, the consolidated financial statements for the year ended December 31, 2022 included in the annual consolidated financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Company for the year ended December 31, 2022 is set out in the "*Report on the audit of the consolidated financial statements*" section above.

Alina Ioana Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 24, 2023

TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

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

AT AND FOR THE YEAR ENDED
31 DECEMBER 2022

CONTENTS: **PAGE:**

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

	Note	Financial year ended 31 December 2022	31 December 2021
Total revenue from customer contracts, *out of which:*	**4**	**711,126,448**	**615,111,229**
Revenue from sale of finished products		*654,126,106*	*556,634,789*
Revenue from the sale of merchandise		*51,748,740*	*56,136,137*
Revenue from services		*5,251,602*	*2,340,303*
Other operating income	5	654,821	1,088,999
Income from investment subsidies		4,275,737	2,396,968
Changes in inventory of finished goods and work in progress		20,545,382	17,937,485
Raw materials, consumables used and merchandise	6	(507,044,623)	(424,446,513)
Employee benefit expenses	9	(83,556,135)	(69,274,901)
Travel expenses		(29,700,043)	(22,306,207)
Expenses with utilities		(21,127,920)	(17,478,236)
Amortization and the adjustments for impairment of non-current assets, net	8	(31,527,728)	(22,381,746)
Impairment of current assets, net	8	(5,353,970)	514,475
Provisions, net	8	320,894	(2,220,537)
Gains from the disposal of tangible and intangible assets	7	86,785	214,873
Gains from the disposal/fair value measurement of investment properties	7	559,154	669,035
Other expenses	10	(31,063,568)	(24,802,602)
Sponsorships		(1,762,653)	(1,703,718)
Operating result		**26,432,581**	**53,318,604**
FX differences, net	5	(85,224)	(1,207,342)
Interest expense, net	5	(9,873,715)	(1,581,557)
Other financial income	5	26,737	365,503
Income from dividends	5	55,691	79,698
Financial result, net		**(9,876,511)**	**(2,343,698)**
Profit before tax		**16,556,070**	**50,974,906**
Income tax expense		(1,182,202)	(8,683,806)
Profit of businesses that continue their activity within the Group		**15,373,868**	**42,291,100**
Profit from sale of Steel and Profiles businesses		**-**	**189,249,012**
Profit for the year		**15,373,868**	**231,540,112**
Other comprehensive income:			
OCI that will not be reclassified subsequently to profit or loss			-
Revaluation of fixed assets, net		1,363,014	6,525,812
Deferred tax, net	**11**	(281,655)	(1,044,130)
Other comprehensive income		**1,081,359**	**5,481,682**

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

	Note	Financial year ended 31 December 2022	Financial year ended 31 December 2021
Attributable to			
Parent entity equity holders		16,844,287	237,380,732
Non-controlling interests		(389,060)	(358,938)
Profit or loss for the year		16,455,227	237,021,794
Number of shares (weighted average)		2,179,000,358	1,888,467,105
Basic and diluted earnings per share		**0.007**	**0.022**

Approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	338,129,808	278,313,714
Investment property	18	4,914,955	4,355,802
Right of use of the leased assets	14	17,822,871	9,618,149
Intangible assets	13	3,771,984	2,362,252
Long-term receivable	24	1,843,922	1,593,212
Deferred tax assets		298,077	-
Other long-term equity investments	15	15,500	15,500
Total non-current assets		**366,797,117**	**296,258,629**
Current assets			
Inventories	16	129,120,491	118,075,643
Trade receivables	17	146,301,682	171,569,289
Receivables representing dividends paid and share capital increase out of the year's profit		-	270,195,925
Prepayments granted to suppliers of non-current assets		7,380,625	15,265,483
Prepayments		825,641	615,133
Income tax recoverable		415,696	-
Cash	25	10,713,209	7,712,109
Total current assets		**294,757,344**	**583,433,582**
Total assets		**661,554,461**	**879,692,211**
EQUITY AND LIABILITIES			
Equity			
Share capital	**19**	**217,900,036**	**217,900,036**
Treasury shares		(495,209)	(4,935,035)
Revaluation reserves		17,304,558	15,877,973
Legal reserve		35,211,724	33,296,210
Retained earnings		36,295,643	325,740,259
Capital attributable to controlling interests		**306,216,752**	**587,879,443**
Non-controlling interests		3,262,421	3,651,481
Total equity		**309,479,173**	**591,530,924**
Non-current liabilities			
Bank loans	22	38,845,711	39,477,363
Lease liabilities	23	1,354,523	530,210

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

	Note	31 December 2022	31 December 2021
Right-of-use lease liabilities	23	5,893,504	6,517,775
Non-current liabilities for non-current assets	21	8,371,526	9,012,910
Employee benefit liabilities	20	1,956,847	1,915,984
Investment subsidies – long-term portion	26	55,127,841	31,829,530
Deferred tax liabilities		-	991,582
Total non-current liabilities		**111,549,952**	**90,275,354**
Current liabilities			
Trade and other payables	21	79,523,181	103,809,417
Dividends payable		45,550	45,550
Bank loans	22	151,781,759	86,512,393
Lease liabilities	23	639,914	465,906
Right-of-use lease liabilities	23	2,143,844	2,031,337
Income tax payable		-	278,444
Investment subsidies - current portion	26	5,438,448	2,554,125
Provisions for risks and charges	20	952,640	2,188,761
Total current liabilities		**240,525,336**	**197,885,933**
Total liabilities		**352,075,288**	**288,161,287**
Total equity and liabilities		**661,554,461**	**879,692,211**

Approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

	Share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated retained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance at 1 January 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	-	-	-	-	15,762,928	15,762,928	(389,060)	15,373,868
Other comprehensive income	-	-	-	-	1,081,359	1,081,359	-	1,081,359
Total comprehensive income	**-**	**-**	**-**	**-**	**16,844,287**	**16,844,287**	**(389,060)**	**16,455,227**
Set up of legal reserves		1,915,514	-	-	(1,915,514)	-	-	-
Reserves representing revaluation surplus	-	-	1,426,585	-		1,426,585	-	1,426,585
Benefits granted to employees in the form of financial instruments	-	-	-	4,439,826		4,439,826	-	4,439,826
Losses on the sale of treasury shares	-	-	-	-	(411,138)	(411,138)	-	(411,138)
Dividends paid and share capital increase (2021)	-	-	-	-	(270,195,925)	(270,195,925)	-	(270,195,925)
Dividends paid in 2022	-	-	-	-	(32,684,967)	(32,684,967)	-	(32,684,967)
Other increases/(decreases) of equity items	-	-	-	-	(1,081,359)	(1,081,359)	-	(1,081,359)
Balance at 31 December 2022	**217,900,036**	**35,211,724**	**17,304,558**	**(495,209)**	**36,295,643**	**306,216,752**	**3,262,421**	**309,479,173**

Approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Total share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated retained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance at 1 January 2021	**174,320,048**	**16,627,688**	**13,394,410**	**-**	**129,200,928**	**333,543,074**	**655,430**	**334,198,504**
Result for the year	-	-	-	-	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 (Note 19)	43,579,988	-	-	-		43,579,988	-	43,579,988
Set up of legal reserves	-	16,668,522	-	-	(16,668,522)	-	-	-
Reserves representing revaluation surplus	-	-	2,483,563	-	7,089,563	9,573,126	-	9,573,126
Own shares redeemed	-	-	-	(4,935,035)		(4,935,035)	-	(4,935,035)
Dividends granted in Q1 2021	-	-	-	-	(30,682,530)	(30,682,530)	-	(30,682,530)
Other increases/(decreases) of equity items					(579,912)	(579,912)	3,354,989	2,775,077
Balance at 31 December 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**

Out of the profit registered in March 2021, TeraPlast SA distributed a special dividend of RON 226,615,937 and awarded 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 distributed shares, took place in August 2021.

Approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

INDIRECT METHOD	**Year ended 31 December 2022**	**Year ended 31 December 2021**
Cash flows from operating activities:		
Profit before tax	**16,556,070**	**50,974,906**
Profit from disposal of fixed assets	(86,785)	(214,873)
Impairment and amortization of non-current assets	31,527,728	22,381,746
Provisions for risks and charges, net	(320,894)	2,220,537
Allowance for doubtful debts	3,826,083	488,686
Inventory impairment, net	1,527,886	(1,003,161)
Income from dividends	(55,691)	(79,698)
Gains from the revaluation of investment property	(559,153)	(669,035)
Interest expense	9,873,715	1,581,557
Operating profit before changes in working capital	**62,288,959**	**75,680,665**
Decrease/(Increase) in gross trade receivables	21,231,016	(90,898,845)
Increase in inventories	(12,572,734)	(52,023,294)
(Decrease)/Increase in trade and other payables	(23,530,354)	29,035,311
Income tax paid	(3,166,003)	(10,610,509)
Interest paid, net	(9,873,715)	(1,581,557)
Income from subsidies	(4,254,756)	(2,396,968)
Cash from /(used in) operating activities	**30,122,413**	**(52,795,197)**
Cash flows used for investment*:*		
Payments for acquisition of non-current assets	(90,643,566)	(127,319,722)
Receipts under State aid	30,437,390	16,893,120
Receipts from the sale of Steel division and the profile business	-	384,887,335
Receipts from the sale of tangible assets	2,485,887	2,574,013
Net cash (used for) / from investment	**(57,720,289)**	**277,034,746**
Cash inflows from financing activities:		
Repayment of lease liabilities	(998,324)	(22,986)
Dividends paid	(32,684,967)	(226,615,937)
Dividends received	55,691	79,698
Net drawdowns / (repayments) of loans	64,637,714	(1,654,116)
Own share redemption net of exercising the options	(411,138)	(4,935,035)
Net cash used in financing activities	**30,598,976**	**(233,148,376)**
Increase / (Decrease) in cash	3,001,100	(8,908,827)
Cash at the beginning of the financial year	**7,712,109**	**16,620,936**
Cash at the end of the financial year	**10,713,209**	**7,712,109**

Approved:
1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

1. GENERAL INFORMATION

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

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

Membership of TeraPlast

Teraplast SA (or the “Company”) is a joint stock company established in 1992. The Company’s head office is in the “Teraplast Industrial Park”, Bistrița- Năsăud County, Romania.

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

TeraPlast produces systems for sewage, water and natural gas transport and distribution, rainwater management systems and for cable protection and PVC plasticised and rigid compounds.

Group Teraplast includes Teraplast and its subsidiaries:

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors;
- TeraPlast Recycling SA – PVC recycler;
- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging;
- Teraplast Magyarország – distributor of TeraPlast’s products in Hungary;
- 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;
- TeraGreen Compound – inactive company.

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. In 2021, TeraPlast Hungaria Kft. (distributor) along with the joinery profiles business of TeraPlast SA were sold to Dynamic Selling Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with the provisions of Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended and clarified ("**MoPFO 28422/2016**"). These provisions are compliant with the provisions of the International Financial Reporting Standards adopted by the European Union ("**EU IFRS**").

2.2. Basis of accounting

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

- adjusted to the effects of hyperinflation until 31 December 2003 for fixed assets, share capital and reserves,
- measurement at fair value of certain items of fixed assets and investment property, as presented in the Notes.

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

2.3. Going concern

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

At 31 December 2022, the Group's current assets exceed the current liabilities by RON 54,275,555 (31 December 2021: RON 115,161,219). In 2022, the Group registered net profit from the businesses that continue their activity in the Group in amount of RON 15,373,866 (2022: RON 42,291,100). The Group depends on bank financing.

The budget prepared by the Group management and approved by the Board of Administration for 2023 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Group to fulfil its contractual clauses with the financing banks. Group management believes that the support from banks is sufficient for the Group to continue its activity in the ordinary course of business, as a going concern.

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

Basis for consolidation

The financial statements comprise the financial statement of the parent and of its subsidiaries as at 31 December 2022. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements;
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognized in profit or loss. Any investment retained is recognized at fair value.

Business combinations

The purchases of businesses are accounted for by using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is computed as the sum of the fair values at the purchase date of the assets transferred by the Company, the liabilities registered by the Company towards the former owners of the acquire and the investments in the equities issued by the Company in exchange for the control over the obtained entity. The costs related to the purchase are, in general, recognized in profit or loss when incurred.

As of the purchase date, the purchased identifiable assets and the undertaken liabilities are recognized at their fair value at the purchase date, except for assets held for sale, in accordance with IFRS 5, which are recognised according to the standard.

Goodwill is measured as the positive difference between the transferred consideration, the value of any non-controlling interests in the obtained entity, the fair value at the date of purchasing the investment in the equities previously held by the acquirer in the acquired entity (if any), and the net values at the date of purchasing the identifiable assets purchased and the liabilities undertaken. If the difference mentioned above is negative, it is recognized in profit or loss as gains from a bargain purchase.

Non-controlling interests which represent investments in equity and entitle the holders to a proportional share of the entity's net assets in case of liquidation can be measured either according to the fair value or according to the proportional share of the non-controlling interests of the recognized values of the net assets of the obtained entity. The measurement basis is chosen depending on the transaction. Other types of non-controlling interests are measured at fair value or, when applicable, according to the basis specified in other IFRS standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

When the consideration transferred by the Group in a business combination includes assets or liabilities resulted from a commitment with a contingent consideration, the contingent consideration is measured at the fair value at the date of purchase and it is included as a part of the consideration transferred in a business combination. The amendments to the fair value of the contingent consideration which are qualified as adjustments of the measurement period are adjusted retroactively against goodwill. The adjustments of the measurement period are adjustments that arise from additional information during the "measurement period" (which cannot exceed a year from the purchase date) concerning the facts and circumstances existing at the date of purchase.

The subsequent accounting of the changes in fair value of the contingent consideration which is not included in the adjustments for the assessment period depends on the manner in which it is classified. The contingent consideration classified as equity is not revalued at subsequent reporting dates. The contingent consideration classified as asset or liability is revalued at subsequent reporting dates in accordance with IFRS 9, the corresponding gain or loss being recognized in profit or loss.

When a business combination is performed in stages, the investment into the equities held previously by the Company in the obtained entity is remeasured at fair value at purchase date (i.e. the Group obtains control) and the resulted gains or losses, if any, is recognized in profit and loss. The values resulting from interests in the entity obtained prior to the date of purchase which were previously recognized in other comprehensive income are reclassified in profit and loss on the same basis that would be required if the acquirer had directly disposed of the previously held investment in equities.

If the initial accounting of a business combination is incomplete at the end of the reporting period when the combination takes place, the Company reports temporary values for the items for which the accounting is incomplete. These temporary values are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect the new information obtained concerning the facts and circumstances existing at the date of purchase which, if recognized, would have influenced the values recognized at the respective date.

Goodwill

The goodwill generated by a business combination is accounted for at cost as determined at the purchase date minus the cumulated impairment losses, if any. For the purpose of the impairment test, the goodwill is allocated to each cash generating unit of the group (or to the groups of cash generating units) which are expected to benefit from the combination's synergies. A cash generating unit that was allocated goodwill is tested annually for impairment or more often when there is an indication that the unit may be impaired. If the recoverable value of the cash generating unit is lower than its book value, the impairment is allocated, first of all, to decrease the book value of any goodwill allocated to the unit and then to the other unit assets, proportionally to the book value of each asset in the unit. Any goodwill impairment is recognized directly in profit and loss. The impairment recognized for goodwill cannot be reversed in the following periods.

At the sale date of the relevant cash generating unit, the attributable value of goodwill is included in determining the gains or losses from the sale.

Intangible assets purchased in a business combination

Intangible assets purchased as part of a business combination and recognized separately from the goodwill are recognized initially at their fair value at the purchase date (which is considered as their cost), less assets, liabilities and the result, classified as held for sale as per the requirements of IFRS 5, recognised according to the standard regulations. Subsequent to initial recognition, intangible assets purchased as part of a business combination are presented at cost minus the accumulated amortization and the cumulated impairment loss on the same basis as intangible assets that are purchased separately.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of intangible assets

An intangible asset is derecognized upon disposal or when no other future economic benefits are expected to be obtained from is use or disposal. Gains or losses resulted from the derecognition of an intangible asset, measured as difference between the net receipts from the sale and the book value of the asset, are recognized in statement of comprehensive income.

Non-current assets held for sale and discontinued operations

Long-term assets held for sale are recognized at the lower of carrying amount and fair value less costs to sell and depreciation of those assets.

The Group classifies a non-current asset (or a group of assets) as held for sale if its carrying amount will be hedged, primarily as a result of a sale transaction, rather than as a result of continued use. To this end, the asset (or group of assets) must be available for immediate sale in its current state, exclusively under normal and current conditions of sale existing for such assets (or groups of assets), and the sale of the asset must present a high degree of certainty.

In order for the sale of the asset to have a high probability, the appropriate management level must have drawn up a plan for the sale of the asset (or group of assets), and an effective buyer identification program must have been initiated, as well as finalization of the sales plan. Moreover, the asset (or group of assets) must be able to be sold in an active market at a price that is reasonably related to the current fair value. In addition, the sale is expected to qualify for recognition as a "closed, completed sale" within 1 year from the date of classification, and the actions required to complete the sale plan reflect the fact that it is unlikely that significant changes to the plan will occur, or the plan will be withdrawn.

When the Group implements a sale plan that involves the loss of control over a subsidiary, all its assets and liabilities are classified as held for sale, regardless of whether the Group will continue to hold minority interests in the subsidiary after the sale.

Standards, amendments and new interpretations of standards

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

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

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

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

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and new interpretations of standards (continued)

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

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

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

- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),

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

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

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

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

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

Cash and cash equivalents

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenues from contracts with customers

The TeraPlast Group is the largest polymer processor in the EEC.
The TeraPlast Group is one of the largest Romanian business groups, with more than 125 years of tradition and vast expertise in the processing of polymers. The Group has a solid history of growth and innovation.

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

Revenues from the sale of **goods and merchandise** are recognized at a certain point in time, when the products are delivered to the customers or readily available for the buyer. The payment terms are – in general – between 30 and 120 days from the date of issuing the invoice and delivering the goods. The contracts with the customers for sales of finished goods and merchandise imply one obligation: to deliver the goods at the agreed location (under the agreed INCOTERMS). In rare cases, when the Group's distributors request, the Group enters into bill-and-hold arrangement, for which revenue is recognized when the goods are invoiced and the specific instructions from the clients to store the goods on their behalf for a certain period are received.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from contracts with customers (continued)

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

The interest income presented on the face of the Consolidated Statement of Comprehensive Income is similar to interest income and is included in finance income in the statement of profit or loss.

Leases

The Group as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (continued)

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

- The Group did not make any such adjustments during the periods presented.

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

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

The Group does not act as lessor.

Foreign currency transactions

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

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

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

	31 December 2022	**31 December 2021**
EUR 1	4.9474	4.9481
USD 1	4.6346	4.3707
CHF 1	5.0289	4.7884

Non-monetary items which are measured at historic cost in a foreign currency are not translated back.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to long-term borrowings

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

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

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

Government grants

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

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

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

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

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

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

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the revaluated value of the asset.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the statement of comprehensive income, the increase is recognized in the statement of comprehensive income. A revaluation deficit is recognized in the statement of comprehensive income of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

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

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

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

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

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

Assets held in finance lease are depreciated over the useful life, similarly to assets held or, if the lease period is shorter, during the respective lease contract.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

The following useful lives are used for the computation of amortization:	**Years**
Licenses	1 – 5
Brand	20
Client lists	20

Impairment of tangible and intangible assets

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

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

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

If the recoverable value of an asset (or of a cash generating unit) is estimated as being lower than its carrying amount, the carrying amount of the asset (of the cash generating unit) is reduced to the recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income, except for revalued assets for which there is a revaluation that can be decreased with the impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (of the cash generating unit) is increased to the reviewed estimation of its recoverable value, but so as the reviewed carrying amount does not exceed the carrying amount which would have been determined had any impairment loss not been recognized for the respective asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

A revaluation surplus is recognized as an item of comprehensive income and credited to the asset's revaluation reserves, except for the cases in which a decrease in value was previously recognized in profit and loss for a revalued asset, case in which the surplus can be recognized in profit and loss within the limit of this prior decrease.

Goodwill is tested for impairment at the same level as the goodwill is monitored by management for internal reporting purposes, which is at the individual cash generating unit level. In case of a cash generating unit with allocated goodwill, any impairment loss first adjusts the goodwill.

Goodwill is subject to impairment testing on an annual basis and at any time during the year if an indicator of impairment is considered to exist. Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized in the profit or loss. Impairment losses arising in respect of goodwill are not reversed following recognition.

Inventories

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

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

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

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

A provision is made, where necessary, in all inventory categories for obsolete, slow moving and defective items.

Share capital

Common shares are classified in equity.

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

Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Segment reporting

The Group's accounting policy for identifying segments is based on internal management reporting information that is routinely reviewed by the Board of Administration and management. The measurement policies used for the segment reporting under IFRS 8 are the same as those used in the consolidated financial statements. Segment results that are reported to the directors and management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group has determined that it has four operating segments: Installations (systems for sewage, water and gas), recycled micronized PVC produced by TeraPlast Recycling, which is raw material for the PVC pipes), Compounds and PVC windows and doors and Flexible packaging.

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

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

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

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through the statement of comprehensive income, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.5.2 Revenues from contracts with customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments). The Group's financial assets at amortized cost includes trade receivables and long term receivable.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through the statement of comprehensive income

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts and trade and other payables.

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

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

Impairment of financial assets

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit risk

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

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

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

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

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

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

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

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

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of assets and liabilities

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

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

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

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

Fair value measurement

An entity measures financial instruments and non-financial assets, such as investment property, at fair value at each balance sheet date. Also, the fair values of financial instruments measured at amortized cost are presented in Note 24 j).

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

External valuators are involved for valuation of significant assets, such as investment property and available for sale financial assets. Involvement of external valuators is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and professional standards, if they are specified.

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

Group's management, in conjunction with the entity's external valuators, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of the notes and fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Impairment of intangible and tangible assets

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

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

- The relationship between its market capitalization and its book value
- The operating performance, for which the Group used EBITDA as KPI, was RON 52.7 million, 29% less compared to the prior year record. The drop compared to the budget and the 9-month revision, was caused by the radical change of dynamics on the raw materials market as a collateral effect of the war in Ukraine. Another trigger was the slow start of the flexible packaging segment and a less-than-expected performance of the Windows & Doors segment generated by delays in transfers of production costs in the market. Immediate challenges, although they eroded margins in 2022, did not affect the medium- and long-term development of the Group, a type of development with a growing sustainability component.
- Utilization of production capacity was similar to the previous year on all CGUs.

As a result, the Group decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36. Therefore, an allowance for asset impairment proved not to be necessary.

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment property

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

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

The land and buildings were revalued for financial reporting purposes at December 31, 2021 and investment property were revalued at December 31, 2022.

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

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	Year ended 31 December 2022	Year ended 31 December 2021
	RON	*RON*
Sales of finished goods	664,079,300	564,333,623
Sale of merchandise	51,748,740	56,136,137
Revenues from other activities	5,251,602	2,340,303
Trade discounts granted	(9,953,194)	(7,698,834)
Total	**711,126,448**	**615,111,229**

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

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

The Group's distribution channels for its products are:

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

Based on the distribution channels, the turnover is broken down as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
	RON	*RON*
Infrastructure	254,378,226	202,844,474
Distributors	167,040,825	141,263,425
Processors	107,694,038	118,183,727
Export dealer	63,408,422	55,809,533
Retail	92,427,875	57,938,143
Ocasional distributors	21,257,579	28,769,389
Constructors	4,919,483	10,302,538
Total	**711,126,448**	**615,111,229**

BUSINESS LINES

Installations

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

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

The company has a long history of market innovations:

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

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

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

Compounds

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

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

Recycling

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

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

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

Windows and doors

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Flexible packaging

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

As of September 2021, TeraBio Pack took over the polyethylene flexible packaging business from Somplast. The flexible packaging line includes polyethylene foils and films, polyethylene covers, sacks (thick, thin, household), and bags.

Polyethylene foils and films for agricultural use (solarium foil), in the construction industry (film, protection foil) and as semi-finished product in the packaging industry.

Financial year ended 31 December 2022	**Installations and recycling**	**Compounds, including recycled**	**Joinery profiles**	**Flexible packaging**	**Total**
Turnover	**488,213,820**	**126,073,058**	**56,499,542**	**40,340,028**	**711,126,448**
Other operating income	556,207	61,203	16,001	21,410	654,821
Operating income, total	**488,770,027**	**126,134,261**	**56,515,543**	**40,361,438**	**711,781,269**
Raw materials, consumables used and merchandise*	(320,704,410)	(98,286,241)	(34,678,665)	(32,829,925)	(486,499,241)
Employee benefits expenses	(52,884,791)	(7,826,950)	(11,203,540)	(11,640,854)	(83,556,135)
Travel expenses	(20,907,922)	(2,008,091)	(5,286,775)	(1,497,255)	(29,700,043)
Expenses with utilities	(15,811,883)	(1,877,062)	(932,674)	(2,506,301)	(21,127,920)
Amortization and adjustments for the impairment of assets and provisions**	(18,918,819)	(2,680,181)	(1,352,116)	(3,334,042)	(26,285,158)
Adjustments for the impairment of current assets	(4,357,097)	0	(1,070,460)	73,587	(5,353,970)
Sponsorships	(368,546)	(1,383,907)	(10,200)	0	(1,762,653)
Other expenses	(22,787,559)	(2,070,722)	(2,987,718)	(3,217,569)	(31,063,568)
Expenses related to indirect sales and administrative expenses	**(456,741,028)**	**(116,133,154)**	**(57,522,148)**	**(54,952,358)**	**(685,348,688)**
Operating result	**32,029,000**	**10,001,107**	**(1,006,605)**	**(14,590,921)**	**26,432,581**
EBITDA* **	**50,947,819**	**12,681,288**	**345,511**	**(11,256,878)**	**52,717,739**
EBITDA %	***10.4%***	***10.1%***	***0.6%***	***-27.9%***	***7.4%***
Financial result	(6,773,797)	(707,806)	(1,173,621)	(1,221,287)	(9,876,511)
Corporate tax	(1,647,444)	(928,181)	(418,415)	1,811,838	(1,182,202)
Net result	**23,607,759**	**8,365,120**	**(2,598,641)**	**(14,000,370)**	**15,373,866**

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

31 December 2022	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amount	Total
Assets						
Total assets, out of which	**449,356,052**	**56,566,773**	**46,677,820**	**100,021,262**	**8,932,554**	**661,554,461**
Non-current assets	236,983,116	24,018,018	19,961,013	76,902,416	8,932,554	366,797,117
Current assets	212,372,936	32,548,755	26,716,807	23,118,846	-	294,757,344
Liabilities						
Total liabilities, out of which:	**207,211,030**	**31,804,062**	**37,735,646**	**75,324,550**	**-**	**352,075,288**
Non-current liabilities	61,220,356	6,717,566	6,575,521	37,036,509	-	111,549,952
Current liabilities	145,990,675	25,086,496	31,160,125	38,288,041	-	240,525,336
Additions of fixed assets	**67,413,828**	**4,834,573**	**123,593**	**27,938,776**		**100,310,770**

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

Unallocated non-current assets represent property leased to the buyer of the Joinery Profiles business for a period of one year and investment property.

The major investments completed during 2021-2022 in amount of RON 221 million are added to those completed in the past years for the purpose of diversifying the field of activity, the geographical footprint of the Group, of increasing the energetic independence and replacing the primary raw materials with recycled material.

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

3. REVENUE AND OPERATING SEGMENTS (continued)

Financial year ended 31 December 2021	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	**407,320,267**	**147,540,192**	**43,397,457**	**16,853,313**	**615,111,229**
Other operating income	1,049,926	0	8,498	30,575	1,088,999
Income from subsidies	1,220,644	154,119	806,595	215,610	2,396,968
Operating income, total	**409,590,837**	**147,694,311**	**44,212,550**	**17,099,498**	**618,597,196**
Raw materials, consumables used and merchandise*	(268,520,686)	(99,954,873)	(25,683,299)	(12,350,171)	(406,509,028)
Employee benefits expenses	(44,216,877)	(11,409,391)	(9,132,785)	(4,515,848)	(69,274,901)
Travel expenses	(16,321,866)	(1,906,896)	(3,394,651)	(682,794)	(22,306,207)
Expenses with utilities	(14,100,888)	(1,559,277)	(767,722)	(1,050,349)	(17,478,236)
Amortization and adjustments for the impairment of assets and provisions**	(17,196,289)	(3,158,751)	(2,401,108)	(962,227)	(23,718,375)
Adjustments for the impairment of current assets	1,352,733	-	(379,057)	(459,201)	514,475
Sponsorships	(951,507)	(733,416)	(15,893)	(2,902)	(1,703,717)
Other expenses	(15,102,623)	(5,157,616)	(3,032,453)	(1,509,910)	(24,802,602)
Expenses related to indirect sales and administrative expenses	(375,058,003)	(123,880,220)	(44,806,968)	(21,533,401)	(565,278,592)
Operating result	**34,532,834**	**23,814,091**	**(594,418)**	**(4,433,903)**	**53,318,604**
EBITDA* **	**50,508,479**	**26,818,723**	**1,000,095**	**-3,687,286**	**74,640,011**
EBITDA %	***12.4%***	***18.2%***	***2.3%***	***-21.9%***	***12.1%***
Financial result	(1,437,044)	(235,378)	(395,355)	(275,921)	(2,343,698)
Corporate tax	(4,625,092)	(4,012,327)	0	(46,388)	(8,683,806)
Net result	**28,470,698**	**19,566,386**	**(989,773)**	**(4,756,211)**	**42,291,100**

31 December 2021	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amount	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**	**48,734,442**	**-**	**288,161,287**
Non-current liabilities	47,263,095	8,888,616	8,180,624	25,943,019	-	90,275,354
Current liabilities	119,394,900	30,311,241	25,388,368	22,791,423	-	197,885,932
Additions of fixed assets	**69,670,639**	**1,880,704**	**224,821**	**49,274,976**		**121,051,139**

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

5. SUNDRY INCOME AND EXPENSES

Financial income and costs

	Year ended 31 December 2022	Year ended 31 December 2021
Interest expense	(9,940,197)	(2,975,775)
Interest income	66,482	1,394,218
Loss from foreign exchange differences, net	(85,224)	(1,207,342)
Dividend income	55,691	79,698
Other financial income	26,737	365,503
Net financial loss	**(9,876,511)**	**(2,343,698)**

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.

Dividend income includes the dividends received from CERTIND in amount of RON 55,691 (2021: RON 79,698).

Other operating income

	Year ended 31 December 2022	Year ended 31 December 2021
Compensations, fines and penalties	356,370	257,736
Other income	298,451	831,263
Total	**654,821**	**1,088,999**

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2022	Year ended 31 December 2021
Raw materials expenses	441,034,908	357,408,718
Consumables expenses	26,326,636	23,016,839
Merchandise expenses	37,961,537	42,081,659
Packaging expenses	1,721,542	1,939,297
Total	**507,044,623**	**424,446,513**

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

7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	Year ended 31 December 2022	Year ended 31 December 2021
Income from the disposal of the tangible and intangible assets and investment property	2,485,885	2,574,012
Expenses with the disposal of tangible and intangible assets and investment property	(2,399,100)	(1,868,289)
Expenses with valuation of property, plant and equipment	-	(490,850)
Net loss from the disposal of tangible and intangible assets	**86,785**	**214,873**
Income from fair value measurement of investment property	559,154	669,035

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2022	Year ended 31 December 2021
Expenses with non-current assets impairment (IAS 36)	(3,156,884)	(2,363,570)
Income from reversal of non-current assets impairment (IAS 36)	412,830	494,970
Amortization and depreciation expenses (Notes 11 and 12 (IAS 36)	(28,783,672)	(20,513,146)
Net adjustments for non-current assets impairment	**(31,527,728)**	**(22,381,746)**
Inventory impairment expenses (IAS 36)	(2,287,535)	(3,883,773)
Income from inventory impairment reversal (IAS 36)	759,649	4,886,934
Net adjustments for inventory impairment (Note 14)	**(1,527,886)**	**1,003,161**
Expenses with allowance for doubtful debts (IFRS 9)	(4,835,176)	(2,265,622)
Income from impairment reversal (IFRS 9)	3,302,732	4,943,543
Receivables charged to expenses (IFRS 9)	(2,293,638)	(3,166,607)
Net adjustments for doubtful debts (Note 15)	**(3,826,082)**	**(488,686)**
Provisions (IAS 36)	(46,424)	(2,578,311)
Revenues from provisions reversal / cancellation (IAS 36)	367,318	357,774
Net adjustments for provisions	**320,894**	**(2,220,537)**

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION (continued)

Impairment of non-current assets

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

Inventory impairment

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

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

	Year ended 31 December 2022	**Year ended 31 December 2021**
Wages	75,843,437	63,210,475
Contributions to the public social security fund	3,052,358	2,386,136
Meal tickets	4,660,340	3,678,290
Total, as presented on line "Employee benefit expenses"	**83,556,135**	**69,274,901**

Remuneration of the Board of Administration

The remuneration of non-executive and executive officers is presented in the Remuneration Report.

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

10. OTHER EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Expenses with third party services	14,157,212	11,981,323
Expenses with compensations, fines and penalties	574,169	44,782
Entertainment, promotion and advertising expenses	2,406,923	1,949,489
Other general expenses	1,376,467	1,273,761
Expenses with other taxes and duties	2,259,950	2,061,377
Repair expenses	5,113,452	3,378,232
Travelling expenses	983,346	762,193
Rent expenses	1,923,242	1,158,981
Mail and telecommunication expenses	505,071	417,316
Insurance premium expenses	1,763,736	1,775,148
Total	**31,063,568**	**24,802,602**

The value of the auditor's fee was RON 441,000 in 2022 (2021: RON 418,000).

11. INCOME TAX

The total expenses for the year may be reconciled with the accounting profit as follows:

	Year ended 31 December 2022	Year ended 31 December 2021
Profit before tax	**16,556,070**	**50,974,906**
Profit from sale of Steel and Joinery Profiles businesses	**-**	**189,249,012**
Income tax calculated (16%)	2,648,971	52,603,625
Elements similar to income	63,572	1,134,330
Deductions	(4,840,802)	(6,074,812)
Non-taxable income	(1,502,199)	(62,639,193)
Non-deductible expenses	9,513,171	23,836,701
Sponsorships, reinvested profit (tax credit)	(3,678,892)	(2,424,228)
Credit from tax loss used	(709,643)	(157,080)
Bonus as per GEO 153/2020	(311,974)	(797,780)
Total income tax at effective rate of 7.1% (2021: 10.8%)	**1,182,203**	**5,481,563**
Current income tax recognised in the statement of comprehensive income – expense	2,408,290	6,433,560
Deferred income tax – expense/ (benefit)	(1,226,088)	2,250,246
Total income tax - expenses	**1,182,202**	**8,683,806**

The tax rate applied for the reconciliation above for 2022 and 2021 is 16% and is paid by Romanian legal entities.

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

11. INCOME TAX (continued)

	Statement of financial position		**Registered to profit or loss**		**Registered to other comprehensive income**	
	31.12.2021	**31.12.2022**	**2021**	**2022**	**2021**	**2022**
Property, plant and equipment and investment property	(3,125,663)	(3,071,961)	3,895,016	9,871	2,100,375	(63,572)
Investments in subsidiaries	-	-	(8,000)			
Employees' benefits payables	232,602	252,934		(20,332)		
Trade and other payables	868,201	690,406	465,768	177,795		
Tax loss carried forward/recovered/profit reinvested	-	-	(1,069,260)			
DTA tax loss Teraglass and TeraBio 2021/2022	1,033,278	2,426,698	1,033,278	1,393,421		
Total	**(991,582)**	**298,077**	**4,316,802**	**1,560,754**	**2,100,375**	**(63,572)**

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment in progress	Total
COST						
Balance at 1 January 2022	9,670,598	61,303,823	277,836,329	2,558,344	63,383,946	414,753,040
Increases:	1,847,567	570,533	6,165,212	58,387	81,470,714	90,112,414
Transfers to/ from non-current assets in progress		35,487,664	88,107,389	1,544,653	(125,139,706)	-
Revaluation increase /(decrease)	475,105	887,909				1,363,014
Transfers related to right-of-use			(1,514,030)			(1,514,030)
Disposals and other decreases			(6,909,596)	(35,347)	(53,624)	(6,998,567)
Balance at 31 December 2022	11,993,270	98,249,929	363,685,304	4,126,037	19,661,330	497,715,871
Balance at 1 January 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 acquisition of Somplast	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 related to 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 31 December 2021	**9,670,598**	**61,303,823**	**277,836,329**	**2,558,344**	**63,383,946**	**414,753,040**

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment in progress	Total
ACCUMULATED DEPRECIATION						
Balance at 1 January 2022	**1,727**	**2,752,590**	**131,486,203**	**943,630**	**1,255,176**	**136,439,326**
Depreciation during the year	346	4,602,074	23,728,015	295,326		28,625,761
Disposals and decreases			(4,545,784)	(30,022)		(4,575,805)
Impairment		(152,055)	107	4,569		(147,379)
Net transfers of right-of-use assets			(755,840)			(755,840)
Balance at 31 December 2022	**2,073**	**7,202,609**	**149,912,702**	**1,213,503**	**1,255,176**	**159,586,063**
Balance at 1 January 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 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						
Additions from acquisition of Somplast			(264,244)			(264,244)
FX differences		1,410,543	10,881,254	207,145		12,498,942
Balance at 31 December 2021	**1,727**	**2,752,590**	**131,486,203**	**943,630**	**1,255,176**	**136,439,326**
NET CARRYING AMOUNT						
Net carrying amount at 31 December 2022	**11,991,197**	**91,047,320**	**213,772,602**	**2,912,534**	**18,406,154**	**338,129,808**
Net carrying amount at 31 December 2021	**9,668,871**	**58,551,233**	**146,350,126**	**1,614,714**	**62,128,770**	**278,313,714**

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

13. INTANGIBLE ASSETS

	Licenses and other intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2022	**8,012,358**	**1,450,739**	**9,463,097**
Increases	214,721	1,933,667	2,148,389
Transfers into / from tangible assets in progress	2,533,327	(2,533,327)	
Disposals/decreases			
Balance at 31 December 2022	**10,760,406**	**851,079**	**11,611,485**
Balance at 1 January 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/decreases	(10,919)	(140,735)	(151,654)
Increases from purchase of Somplast	155,392		155,392
Balance at 31 December 2021	**8,012,358**	**1,450,739**	**9,463,097**
Accumulated amortisation			
Balance at 1 January 2022	**7,100,844**		**7,100,844**
Amortization expense	777,706		777,706
Impairment	(39,049)		(39,049)
Decreases			
Balance at 31 December 2022	**7,839,501**		**7,839,501**
Balance at 1 January 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 purchase of Somplast	155,392		155,392
Balance at 31 December 2021	**7,100,844**		**7,100,844**
Net carrying amount			
At 31 December 2022	**2,920,905**	**851,079**	**3,771,984**
At 31 December 2021	**911,513**	**1,450,739**	**2,362,252**

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

14. RIGHT-OF-USE ASSETS

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

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Cost	**Buildings**	**Equipment from operating leases**	**Vehicles and equipment from previous finance leases**	**Equipment**	**Total**
Balance at 1 January 2022	**8,615,787**	**2,095,544**	**2,462,186**	**2,462,186**	**13,173,517**
Additions	1,326,440	469,932	9,772,811	9,772,811	11,569,183
Disposals		(117,047)	(199,210)	(199,210)	(316,257)
Balance at 31 December 2022	**9,942,227**	**2,448,430**	**12,035,787**	**12,035,787**	**24,426,443**
Amortisation					
Balance at 1 January 2022	**2,215,152**	**62,075**	**1,278,141**	**1,278,141**	**3,555,368**
Amortisation expenses (Note 8)	1,787,393	523,449	955,048	955,048	3,265,892
Decreases		(18,477)	(199,210)	(199,210)	(217,687)
Balance at 31 December 2022	**4,002,545**	**567,048**	**2,033,979**	**2,033,979**	**6,603,572**
Carrying amount at 1 January 2022	**6,400,635**	**2,033,469**	**1,184,045**	**1,184,045**	**9,618,149**
Carrying amount at 31 December 2022	**5,939,682**	**1,881,382**	**10,001,807**	**10,001,807**	**17,822,871**

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

	2022	**2021**
Amortization expense	2,930,484	2,317,115
Interest expense on lease liabilities	367,869	290,585

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

15. SUBSIDIARIES AND FINANCIAL INVESTMENTS

As at 31 December 2022 and 31 December 2021, the parent company has the following investments:

Subsidiary	Country	Shareholding	31 December 2022	Shareholding	31 December 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 SA	Romania	70.8	4,897,400	70.8	4,897,400
TeraBio Pack SRL	Romania	100	10,100,000	100	10,100,000
Teraplast Magyarorszag KFT	Hungary	100	36,492	-	-
TeraGreen Compound SRL	Romania	100	98,832	-	-
		-	**30,367,414**	**-**	**30,232,090**

Other long-term equity investments

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

Investment name	Country	Investment share	31 December 2022	Investment share	31 December 2021
		%	*RON*	*%*	*RON*
CERTIND SA	Romania	7.50	14,400	7.50	14,400
Partnership for sustainable development	Romania	7.14	1,000	7.14	1,000
ECOREP GROUP SA	Romania	0,1	100	-	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.

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

16. INVENTORIES

	Balance at 31 December 2022	**Balance at 31 December 2021**
Finished goods	63,079,752	46,701,636
Raw materials	51,325,425	59,191,087
Commodities	9,184,846	7,424,010
Consumables	6,201,126	5,298,998
Inventory items	339,349	311,334
Semi-finished goods	2,669,734	1,970,154
Residual products	1,283,995	718,238
Goods to be purchased	194,634	342,973
Packaging	877,513	625,210
Inventories – gross value	**135,156,374**	**122,583,640**
Value adjustments for raw materials and consumables	(2,245,425)	(1,535,640)
Value adjustments for finished products	(2,940,662)	(1,837,956)
Value adjustments for merchandise	(849,796)	(1,134,401)
Total value adjustments	**(6,035,883)**	**(4,507,997)**
Total inventories – net value	**129,120,491**	**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.

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

17. TRADE AND OTHER RECEIVABLES

	Balance at 31 December 2022	Balance at 31 December 2021
Short-term receivables		
Trade receivables	108,951,974	106,034,597
Trade notes not exigible	38,381,908	43,856,350
Advances paid to suppliers of non-current assets	7,380,625	15,265,483
Advances paid to suppliers of inventories and services	10,903,090	29,969,566
Advances paid to employees	3,506	2,365
Other receivables	6,144,493	8,257,254
Loss allowance	(18,083,289)	(16,550,843)
Balance at the end of the year	**153,682,307**	**186,834,772**

The changes in adjustment for impairment on doubtful receivables

	31 December 2022	31 December 2021
	RON	*RON*
Balance at the beginning of the year	**(16,550,843)**	**(18,206,973)**
Receivables written-off during the year	2,293,638	3,166,606
Impairment adjustment charged to statement of comprehensive income for trade receivables	(3,826,083)	(488,686)
Receivables with transferred customers	-	(1,021,790)
Balance at the end of year	**(18,083,288)**	**(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 at 31 December 2021 and 60 days at 31 December 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.

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

18. INVESTMENT PROPERTY

At 31 December 2022 and 31 December 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 4,915 thousand (RON 4,356 thousand at 31 December 2021).

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 2022 by an external independent valuator. The valuation method used was the market comparison.

	Balance at 31 December 2022	Balance at 31 December 2021
Opening balance	4,355,802	3,686,767
Net gains/ (loss) on the valuation of investment property at fair value (Note 7)	559,153	669,035
Closing balance	**4,914,955**	**4,355,802**

19. SHARE CAPITAL

	Balance at 31 December 2022	Balance at 31 December 2021
	RON	*RON*
Common shares paid in full	217,900,036	217,900,036

As at 31 December 2022, the value of the share capital subscribed and paid up of the Company included 2,179,000,358 (2021: 2,179,000,358) 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 (2021: RON 217,900,036). Common shares bear a vote each and give the right to dividends. In 2022, the dividends in amount of RON 32,684,967 were paid in July 2022, and refer to the result from Q2-Q4 of 2021. The value of the gross dividend per share was RON 0.015/share.

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.

Shareholding

	Balance at 31 December 2022		Balance at 31 December 2021	
	Number of shares	% ownership	Number of shares	% ownership
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/ALLIIANZ 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	682,942,977	31.34	682,942,977	31.34
Total	**2,179,000,358**	**100**	**2,179,000,358**	**100**

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

20. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

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

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

	Short-term		Long-term	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Employee benefits			1,956,847	1,915,984
Provisions for risks and charges	952,640	2,188,761		
Total	**952,640**	**2,188,761**	**1,956,847**	**1,915,584**

Long-term employee benefits	**Financial year ended 31 December 2022**
Opening balance	1,915,984
Movements	40,863
Closing balance	**1,956,847**

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. At 31 December 2022, the revision of the actuarial computation was not necessary because there were no changes in the long-term benefits and the variation of the number of employees and the age structure thereof were insignificant.

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

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

21. TRADE AND OTHER PAYABLES

	Balance at 31 December 2022	Balance at 31 December 2021
Trade payables	62,816,152	75,160,166
Trade notes payable	1,492,748	3,902,457
Liabilities from the purchase of non-current assets	11,221,341	16,771,308
Other current payables	11,646,492	15,566,474
Advance payments from clients	763,524	1,467,472
Total	**87,940,257**	**112,867,877**

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

Non-current liabilities from the assets, in amount of RON 8,371,526 at 31 December 2022 (31 December 2021: RON 9,012,910) represents the debt of RON 7,838,014 to E.On for the solar cells and the debt of RON 533,512 to Autosoft Engenerring SRL for the purchase of machinery.

OTHER CURRENT LIABILIITES

	Balance at 31 December 2022	Balance at 31 December 2021
Salary-related payables to employees and social security payables	10,529,188	11,736,284
VAT payable	42,237	2,035,400
Unclaimed employee rights	587	587
Other creditors	79,859	594,553
Commercial guarantees received	71,655	339,980
Other taxes payable	877,416	814,120
Dividends payable	45,550	45,550
Total	**11,646,492**	**15,566,474**

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

22. LOANS FROM BANKS

The bank loans at 31 December 2022 and 31 December 2021 are as follows:

Teraplast SA

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Working capital	07.06.2017	31,092,264	45,782,374	45,782,374	-	12 MONTHS
BCR	Working capital	28.08.2020	12,594,456	43,653,579	43,653,579	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	5,294,452	3,176,671	2,117,781	1,058,890	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	-	-	-	60 MONTHS
Banca Transilvania	Investments	07.03.2019	6,126,200	3,675,720	2,450,480	1,225,240	60 MONTHS
Banca Transilvania	Investments	30.03.2020	6,754,670	4,298,427	2,456,244	1,842,183	60 MONTHS
Banca Transilvania	Investments	23.12.2020	7,812,731	9,235,266	2,841,620	6,393,646	72 MONTHS
Banca Transilvania	Investments	15.03.2021	-	6,789,841	1,939,955	4,849,886	12 MONTHS
TOTAL			**72,908,016**	**116,611,878**	**101,242,033**	**15,369,845**	

Teraplast Recycling SA

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Investment	11.10.2021	-	2,801,623	715,906	2,085,717	MONTHS

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

22. LOANS FROM BANKS (continued)

Teraglass Bistrita SRL

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Investments	07.12.2017	169,583	-	-	-	60 MONTHS
Banca Transilvania	Investments	08.03.2019	3,486,458	2,728,145	762,836	1,965,309	60 MONTHS
Banca Transilvania	Working capital	08.07.2020	9,828,600	10,637,669	10,637,669	-	12 MONTHS
BCR Bank	Working capital	23.12.2020	4,875,585	5,313,155	5,313,155	-	12 MONTHS
TOTAL			**18,360,225**	**18,678,969**	**16,713,660**	**1,965,309**	

TeraBio Pack S.R.L.

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
BCR	Investments	29.04.2021	19,707,355	24,242,260	4,817,421	19,424,839	60 MONTHS
BCR	Investments	29.04.2021	9,138,008	8,912,556	8,912,556	-	12 MONTHS
BCR	Working capital	29.11.2021	2,706,913	4,829,878	4,829,878	-	12 MONTHS
BCR	Working capital	29.11.2021	2,631,978	10,000,000	10,000,000	-	12 MONTHS
TOTAL			**34,184,255**	**47,984,694**	**28,559,855**	**19,424,839**	

Somplast S.A.

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Working capital	08.07.2021	537,262	4,550,305	4,550,305	-	12 MONTHS

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

23. LEASE LIABILITIES

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

	Minimum lease payments	
	31 December 2022	**31 December 2021**
Present value of minimum lease payments		
Amounts payable in one year	2,783,758	2,074,305
More than one year but less than five years	7,248,027	7,470,920
Total lease liabilities	**10,031,785**	**9,545,225**
Of which, liabilities with right-of-use assets		
Amounts payable in one year	2,143,844	2,031,337
More than one year but less than five years	5,893,504	6,517,775
Total liabilities with right-of-use assets	**8,037,348**	**8,549,112**

24. FINANCIAL INSTRUMENTS

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

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

Financial assets	**Amortised cost 31 December 2022**	**Amortised cost 31 December 2021**
Non-current		
Long term receivable	1,843,922	1,593,212
Other financial instruments measured at amortized cost	15,500	15,500
Current		
Trade receivable	153,682,307	457,030,697
Cash	10,713,209	7,712,109
Prepayment	825,641	615,133

(a) Capital risks management

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

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

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

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

The gearing ratio as at 31 December 2022 and 2021 was as follows:

	2022	**2021**
Bank loans and finance lease payables (notes 22 and 23)	200,659,255	135,534,984
Less cash and cash equivalents	(10,713,209)	(7,712,109)
Net debt	189,946,046	127,822,875
Total equity	**309,479,173**	**591,530,924**
Total equity and net debt	**499,425,219**	**719,353,799**
Gearing ratio	38%	18%

24. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

The treasury department of the Company provides services needed for the activity, coordinates the access to the national financial market, monitors and manages the financial risks related to the Group operations by way of reports on the internal risks, which analyse the exposure to and extent of the risks.

These risks include the market risk (including the foreign currency risk, fair value interest rate risk and the price risk), credit risk, liquidity risk and cash flow interest rate risk.

(d) Market risk

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

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

(e) Foreign currency risk management

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

	TOTAL	
Profit or (loss)	**(1,969,873)**	**1,969,873**

Transaction risk

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

More than 85% of the Group's sales are in Romania, in RON. Foreign sales are mainly with payment upon delivery. Thus, the Group's exposure to foreign exchange risk from transactions with foreign customers is immaterial.

26. FINANCIAL INSTRUMENTS (continued)

Conversion risk

This is due to the fact that the Group is engaged in operations that do not use the functional currency, i.e. RON, which is the Group's presentation currency. Exchange rate changes between the reporting currencies of these operations and the RON have an impact on the Group's consolidated reported result.

(f) Interest rate risk management

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

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

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

(g) Other price risks

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

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

24. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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

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

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

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

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

The Group considers the exposure to the credit risk in relation to a counterparty or a group of similar counterparties by analysing the receivables individually and making impairment adjustments. The Company had more than four thousand clients in 2022, with the highest exposure on one client being 5% (2021: 5%).

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

	Balance at December 31, 2022	**Balance at December 31, 2021**
Analysis of trade receivables and bills of exchange:	***RON***	***RON***
Non-payable	132,515,627	406,672,975
Overdue, but not impaired	23,010,604	51,950,931
Impaired and fully provisioned	18,083,291	16,550,843
Total	**173,609,521**	**475,174,748**
Overdue, but not impaired		
Up to 3 months	15,295,215	7,048,811
From 3 to 6 months	1,693,810	8,844,015
From 6 to 9 months	481,964	7,690,613
More than 9 months	5,539,615	1,395,230
		24,978,669

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

Total	**23,010,604**	
Impaired and fully provisioned		
Up to 6 months	2,711,601	1,714,056
From 6 to 12 months	2,910,297	917,623
More than 12 months	12,461,392	13,919,164
Total	**18,083,291**	**16,550,843**

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

24. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

The tables below detail the dates remaining until the maturity of the Group's financial liabilities.
The tables were prepared based on the undiscounted cash flows of the financial liabilities at the nearest date when is possible for the Group to be requested to pay. The table includes both the interest and the cash flows related to the capital.

2022

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(37.370.494)	(36.246.238)	(5.906.450)	(2.883.304)	(2.349.792)	(3.138.430)	(87.894.708)
Interest-bearing instruments							
Short and long-term loans	(1.718.129)	(6.021.957)	(146.825.432)	(31.493.355)	(13.202.533)	(1.397.850)	(200.659.255)
Future interest on loans	(28.383)	(681.194)	(1.411.692)	(1.877.622)	(302.264)	(101.080)	(4.402.235)
Non-interest bearing							
Cash and cash equivalents	10.713.209						
Receivable	76.550.779	68.799.143	8.332.385	1.139.106	363.270	341.548	155.526.231

2021

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(41,628,720)	(59,965,038)	(2,261,209)	(2,349,792)	(2,349,792)	(4,313,326)	(112,867,878)
Interest-bearing instruments							
Short and long-term loans	(3,376,328)	(3,997,203)	(81,636,101)	(28,559,864)	(11,910,072)	(6,055,411)	(135,534,980)
Future interest on loans	(84,676)	(351,809)	(808,136)	(1,091,179)	(162,539)	(13,662)	(2,512,002)
Non-interest bearing							
Cash and cash equivalents	7,712,109						7,712,109
Receivable	115,848,140	336,877,248	4,305,310	841,805	273,239	478,167	458,623,908

25. RELATED PARTY TRANSACTIONS

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

31 December 2022

Subsidiaries

- Teraglass Bistrita SRL
- TeraPlast Recycling SA
- TeraBio Pack Srl
- Somplast SA
- Teraplast Magyarorszag KFT
- TeraGreen Compound SRL

Related parties (common shareholding/decision-makers)

- ACI Cluj SA
- Hermes SA
- 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 – member of Eximbank SA group
- Grupul Bittnet Systems SA
- Global Resolution Experts SA – member of Bittnet Systems SA group
- 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 2022 and 2021, the Group did not enter into significant transactions with related parties.

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

26. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2022	31 December 2021
	RON	*RON*
Cash in bank accounts	10,470,326	7,406,650
Cash in transit	-	180,652
Cash on hand	31,325	30,010
Cash in bank accounts, restricted	211,558	94,797
Total	**10,713,209**	**7,712,109**

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

27. SUBSIDIES FOR INVESTMENTS

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

	2022	2021
At 1 January	**34,383,655**	**19,887,503**
Additions of subsidies	30,437,388	16,659,942
Transferred to statement of comprehensive income	(4,254,755)	(2,379,400)
Outstanding at 31 March 2021, Somplast SA	-	215,610
At 31 December	**60,566,288**	**34,383,655**
Current	5,438,448	2,554,125
Non-current	55,127,841	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.

28. COMMITMENTS AND CONTINGENT LIABILITIES

TeraPlast SA

Unused credit facilities
At 31 December 2022, the Company registers unused credit facilities in amount of RON 21,115,545 (31 December 2021: RON 10,313,280) and unused investment loans in amount of RON 53,536,866 (31 December 2021: RON 70,230,590).

Guarantees for bank loans
At 31 December 2022, tangible assets and investment properties with a net book value of RON 103,210,462 (31 December 2021: RON 51,411,457) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Investments in the manufacturing of fireproof compounds and indoor sewage – project value RON 30,381,878
The project of TeraPlast SA created a new product in the field of compounds and led to the equipment of a line that extends the production capacity of polypropylene systems. The investment was entirely put into operation in December 2019. The State aid for this investment, in amount of RON 14,427,981, was fully cashed in 2019 – 2020. The monitoring period, at the end of which TeraPlast must return to the State budget the value of the State aid in the form of taxes from the investment, ends in 2025.

Increase of production capacity for PVC pipes and fittings – project value: RON 42,479,590
TeraPlast SA extended the production capacity within the existing site for certain categories of products in the current manufacturing of the company, namely fittings (PP and PVC), PE pipes and PVC pipes, by making investments in the construction of new buildings and purchase of equipment. The investment was entirely put into operation in November 2022.
At December 31, 2022 the Company received the State aid in amount of RON 15,675,695. In December 2022, the Company filed the first application for reimbursement in amount of RON 3,301,044 for which it awaits disbursement.

Polyethylene installations plant – project value: RON 56,213,412
TeraPlast SA invested in a new production unit for the manufacture of plastic products on the product segments representing PE pipes and rotationally moulded products (PE), by making investments in new buildings and equipment.

The investment was entirely put into operation in December 2022.
At December 31, 2022 the Company received the State aid in amount of RON 11,583,440.
The last application for reimbursement in amount of RON 12,385,006 will be filed in March 2023.

Teraglass Bistrita SRL

Unused credit facilities
At 31 December 2022, the Company registers unused credit facilities in amount of RON 3,091,662 (31 December 2021: RON 2,295,815).

Guarantees for bank loans
At 31 December 2022, tangible assets and investment properties with a net book value of RON 10,990,048 (31 December 2021: RON 12,608,246) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Increase of production capacity – project value: RON 15,356,373
Teraglass Bistrita SRL implemented in 2018 – 2019 the investment in a new flow, completely automated, for the production of PVC windows and doors.
The State aid for this investment, in amount of lei 7,663,660, was collected entirely in 2019 – 2020. The monitoring period, at the end of which Teraglass must return to the State budget the value of the State aid in the form of taxes from the investment, ends in 2026.

29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Teraplast Recycling SA

Unused credit facilities
At 31 December 2022, the Company registers unused credit facilities in amount of RON 3,000,000 (31 December 2021: RON 0).

Guarantees for bank loans
At 31 December 2022, tangible assets and investment properties with a net book value of RON 3,657,679 (31 December 2021: RON 0) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

State aid for the set-up of a new production facility
In May 2022, the company signed a financing agreement for an investment project worth RON 52,621 thousand, under the State aid scheme for the incentivising of investments with major impact in the economy, 50% of the project is financed with State aid. In February 2023, the Company contracted a loan worth EUR 5.92 million from Raiffeisen Bank to support the investments undertaken in the state aid scheme for incentivising investments with major impact in the economy.
At the date of these financial statements, Teraplast Recycling did not file any application for reimbursement.
The facility will have two production lines for industrial-use polyethylene films, which means a capacity of more than 14,000 tons annually.

TeraBioPack SRL

Unused credit facilities
At 31 December 2022, the Company registers unused credit facilities in amount of RON 300,837.

Guarantees for bank loans
At 31 December 2022, tangible assets and investment properties with a net book value of RON 34,175,310 constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Investment in the biodegradable flexible packaging – project value: lei 67,446,557
The investment project involves both the purchase of state-of-the-art equipment, and the execution of new constructions. The investment was put into operation in December 2021.
The biodegradable sacks and bags manufactured by TeraBio Pack are 90% biodegradable and "OK Compost" certified according to SR EN 13432. The development of this production unit for biodegradable materials implies responsible and sustainable operations, and Law 181 of 19 August 2020 regarding the management of compostable non-hazardous waste, which came into force as of 20 February 2021, provides that biodegradable sacks shall also be used by households.
The technological flow also includes equipment for the recycling of waste generated by own production and their reintroduction in the manufacturing process.

At the date of these financial statements, the Company files two applications for reimbursement, in amount of RON 19,838,197, cashed in 2021 and 2022. The last application for reimbursement, for the amount of RON 8,246,681 will be in early 2023.

Somplast SA

The company has a credit line of RON 5,000,000 contracted from BT of which the amount of RON 449,695 is not used at December 31, 2022.

30. SUBSEQUENT EVENTS

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

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

Declaration of management

We confirm to the best of our knowledge that the preliminary and unaudited financial statements give a true and fair view of the assets, liabilities, financial position, and profit or loss of the Group as required by the applicable accounting standards and that the consolidated financial statements of the 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:

1 February 2023
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

Deloitte Audit S.R.L.
Clădirea The Mark Tower
Calea Griviței nr. 82-98
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Opinion

1. We have audited the separate financial statements of Teraplast SA ("the Company"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the separate statement of financial position as at December 31, 2022, and the separate statement of comprehensive income, the separate statement of changes in equity and separate statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the separate financial statements.

2. The separate financial statements as at December 31, 2022 are identified as follows:

• Net assets/Total equity:	RON 317.286.189
• Net profit for the financial year:	RON 36,003,571

3. In our opinion, the accompanying separate financial statements present fairly, in all material respects, the separate financial position of the Company as at December 31, 2022, and its separate financial performance and its separate cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by the European Union, as revised.

Basis for Opinion

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

Key Audit Matters

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

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KEY AUDIT MATTER	How our audit addressed the key audit matter
Income recognition	
Income generated by the sale of finished products and the merchandise is the Company's core activity. The recognition of income from the sale of finished products and merchandise depends on the proper evaluation of the amount of the contractual consideration, including of discounts granted in certain sale transactions and their registration in the period they refer to, according to the commercial clauses provided in the contracts with customers. In our opinion, income recognition is a significant audit area, as the Company's management may incorrectly account for the income generated by the sale of finished products and merchandise due to the nature of the sale transactions and the contractual clauses regarding the modalities and date of transfer of control over the goods sold. In addition, income is one of the most important key performance indicators of the Company. The Company's disclosures on income are included in Note 4 to the financial statements.	Our audit procedures conducted to address the risk of significant misstatement of income recognition included as follows: • We have assessed the Company's accounting policies regarding income recognition. • We have assessed the design and implementation of existing key controls on the sales of the finished products and merchandise. • We have confirmed the income with the most important customers selected on a random sample basis at December 31, 2022 in order to assess the completeness of the transactions conducted by the Company therewith. • We have selected a random sample of income, which we compared against the relevant supporting documents to ensure the accuracy and completeness of the income registered, by also validating the financial period when they should have been registered depending on the date of transfer of control over the finished products or the merchandise sold by the Company as seller, to the customer as buyer. • We have reviewed the income by comparing the current period with the prior period for: sales, volume of products, volume of customers and margin.

Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report and the Remuneration report for 2022, but does not include the separate financial statements and our auditor's report thereon.

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

   In connection with our audit of the separate financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

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

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

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

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

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

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the separate financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrators' separate report and the Remuneration report. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 28 April 2021 to audit the financial statements of Teraplast SA for the financial years ended December 31, 2021 and December 31, 2022. The uninterrupted total duration of our commitment is 4 years, covering the financial years ended December 31, 2019 until December 31, 2022.

We confirm that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.
In our opinion, the separate financial statements for the year ended December 31, 2022 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the separate financial statements. Our audit opinion relating to the separate financial statements of the Company for the year ended December 31, 2022 is set out in the "*Report on the audit of the separate financial statements*" section above.

Alina Ioana Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
9th Floor, District 1
Bucharest, Romania
March 24, 2023

TERAPLAST SA

SEPARATE FINANCIAL STATEMENTS

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

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2022

CONTENTS: **PAGE:**

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

		Financial year:	
Caption	**Note**	**31 December 2022**	**31 December 2021**
Total revenues – of which:	**4**	**586,223,556**	**531,841,986**
Revenue from sale of finished products		*535,500,327*	*481,459,267*
Revenue from the sale of merchandise		*49,299,195*	*49,531,205*
Revenue from services		*1,424,034*	*851,514*
Other operating income (including rent)	5	2,515,683	2,623,223
Income from investment subsidies	31	2,521,928	1,374,763
Changes in inventory of finished goods and work in progress		11,867,505	20,502,164
Raw materials, consumables used and merchandise	6	(426,894,615)	(382,310,546)
Employee benefit expenses	9	(54,158,678)	(50,270,015)
Transport expenses		(21,750,791)	(17,862,197)
Utilities expenses		(14,789,751)	(13,471,867)
Amortization and the adjustments for impairment of non-current assets, net	8	(21,362,631)	(16,478,026)
Impairment of current assets, net	8	(4,542,826)	1,458,200
Net provisions	23, 24	1,058,682	(2,040,212)
Gains/(Losses) from the disposal of tangible and intangible assets	7	2,045	(92,547)
Gains from fair value measurement of investment properties	16	1,922,167	1,146,641
Sponsorships, donations		(1,676,453)	(1,618,224)
Other operating expenses	11	(20,478,609)	(17,531,283)
Operating result		**40,457,212**	**57,272,060**
Interest expense, net	10	(5,785,572)	(689,316)
FX differences expenses, net	10	(554,869)	(898,160)
Other financial income, net	10	639,487	317,145
Dividends received	10	3,554,029	3,078,198
Financial result		**(2,146,925)**	**1,807,867**
Profit before tax		**38,310,287**	**59,079,927**
Income tax expense	12	(2,306,716)	(9,732,920)
Profit of business that continues its activity		**36,003,571**	**49,347,007**
Profit from sale of the Steel and Joinery Profiles businesses	30	**-**	**274,163,434**
Profit for the year		**36,003,571**	**323,510,441**

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

Caption	Note	Financial year: 31 December 2022	31 December 2021
Other comprehensive income:			
Other comprehensive income which are not reclassified to profit or loss in future periods (net of tax)		-	-
Revaluation of fixed assets		-	6,525,812
Impact of deferred tax		-	(1,044,130)
Other comprehensive gains, net, which are not reclassified to profit or loss in future periods		**-**	**5,481,682**
Total comprehensive income		**36,003,571**	**328,992,123**
Average number of shares		2,179,000,358	1,888,467,105
Basic and diluted earnings per share		**0.0165**	**0.1742**

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Note	31 December 2022	31 December 2021
ASSETS			
Non-current assets			
Property, plant and equipment	13	221,107,304	183,765,128
Investment property	16	18,226,476	16,304,309
Intangible assets	14	2,354,118	1,861,194
Right of use of the leased assets	15	17,775,451	9,515,212
Investments in subsidiaries	17	30,269,152	30,232,090
Other equity investments	17	15,400	15,400
Long-term receivables	19	26,117,832	16,505,355
Total non-current assets		**315,865,733**	**258,198,688**
Current assets			
Inventories	18	99,325,133	91,752,798
Trade and other receivables	19	136,724,452	156,965,160
Receivables representing dividends paid and share capital increase from year's profit		-	270,195,925
Prepayments		677,079	460,622
Cash and cash equivalents	28	2,578,158	2,297,805
Total current assets		**239,304,822**	**521,672,310**
Total assets		**555,170,555**	**779,870,998**
EQUITY AND LIABILITIES			
Equity			
Share capital	**20**	217,900,036	217,900,036
Treasury shares		(495,209)	(4,935,035)
Revaluation reserves		12,716,963	12,653,390
Legal reserve		30,997,771	29,082,256
Retained earnings		56,166,628	325,331,906
Total equity		**317,286,189**	**580,032,553**
Non-current liabilities			
Bank loans	21	15,369,845	17,092,131
Lease liabilities	22	7,213,261	6,970,598
Other non-current liabilities	25	8,371,526	9,012,908
Employee benefit liabilities	23	1,580,838	1,580,838
Investment subsidies – long-term portion	31	33,260,035	19,413,678
Deferred tax liabilities	12	1,820,809	1,717,047
Total non-current liabilities		**67,616,314**	**55,787,200**
Current liabilities			
Trade and other payables	25	62,127,438	81,777,727
Bank loans	21	101,242,033	55,815,884
Lease liabilities	22	2,741,137	2,536,051

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

	Note	31 December 2022	31 December 2021
Investment subsidies - current portion	31	3,188,847	1,244,853
Provisions	24	915,011	1,973,693
Income tax payable		53,586	703,037
Total current liabilities		**170,268,052**	**144,051,245**
Total liabilities		**237,884,366**	**199,838,445**
Total equity and liabilities		**555,170,555**	**779,870,998**

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Share capital	Treasury shares	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance as at 1 January 2022	**217,900,036**	**(4,935,035)**	**12,653,390**	**29,082,256**	**325,331,906**	**580,032,553**
Net result for the year	-				36,003,571	36,003,571
Legal reserve setting (Note 20)				1,915,515	(1,915,515)	-
Dividends paid and share capital increase					(302,880,892)	(302,880,892)
Losses on sale of treasury shares bought back					(372,442)	(372,442)
Own shares bought back		(926,616)				(926,616)
Options exercised		5,366,442				5,366,442
Reserves representing revaluation surplus			63,573			63,573
Balance as at 31 December 2022	**217,900,036**	**(495,209)**	**12,716,963**	**30,997,771**	**56,166,628**	**317,286,189**

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Share capital	Treasury shares	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance as at 1 January 2021	**174,320,048**	**-**	**10,646,907**	**12,420,088**	**42,076,598**	**239,463,641**
Net result for the year					323,510,441	323,510,441
Legal reserve setting (Note 20)				16,662,168	(16,662,168)	-
Share capital increase from reserves (Note 20)	43,579,988					**43,579,988**
Dividends granted					(30,682,530)	**(30,682,530)**
Reserves representing revaluation surplus			2,006,483		7,089,565	9,096,048
Own shares redeemed (Note 23)		(4,935,035)				(4,935,035)
Balance as at 31 December 2021	**217,900,036**	**(4,935,035)**	**12,653,390**	**29,082,256**	**325,331,906**	**580,032,553**

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

At 31 December 2022 and 31 December 2021, the revaluation reserves include amounts representing the surplus from the revaluation of tangible assets, land and buildings.

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

Indirect method	**2022**	**2021**
Cash flows from operating activities:		
Profit before tax	38,310,287	333,243,361
Gains from the sale of Steel division and the Joinery Profiles business	-	(274,163,434)
Interest expense, net	5,785,572	689,316
(Gains)/Losses from sale or disposal of fixed assets	(2,046)	92,547
Impairment of trade receivables	3,263,897	(318,992)
Inventory impairment	1,278,929	(1,139,208)
Impairment and amortization of non-current assets, net	21,362,630	16,478,026
Provisions, net	(1,058,682)	2,040,212
Gains from the revaluation of investment property	(1,922,168)	(2,462,458)
Expenses with provisions for employee retirement liabilities	-	374,552
Income from dividends	(3,554,029)	(3,078,198)
Operating profit before changes in working capital	**63,464,390**	**71,755,724**
Changes in working capital:		
Decrease/ (Increase) in trade and other receivables (Note 30)	16,760,355	(80,274,850)
Increase in inventories (Note 30)	(8,851,263)	(37,353,215)
Decrease/(Increase) in trade and other payables (Note 30)	(12,083,623)	24,717,253
Interest paid	(5,785,572)	(689,316)
Income tax paid (Note 30)	(2,788,833)	(10,560,479)
Income from subsidies	(2,500,946)	(1,357,195)
Cash (used in)/generated by operating activities	**48,214,507**	**(33,762,078)**
Net cash flows used for investment*:*		
Dividends received	3,554,029	3,078,198
Payments for acquisition of tangible and intangible assets (Note 30)	(81,778,000)	(93,725,277)
Receipts under State aid	18,291,297	8,967,836
Receipts from the sale of tangible assets (Note 30)	2,417,656	1,928,733
Sale of the Steel division and Joinery Profiles business	-	384,887,335
Net cash generated by/(used in) investing activities	**(57,515,017)**	**305,136,825**

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

Indirect method		**2022**	**2021**
Cash flows from financing activities:			
Draw-downs/(Repayment) of loans, net		43,703,862	(40,211,877)
Lease payments		(511,415)	(22,987)
Dividends paid		(32,684,967)	(226,615,937)
Buy-back of shares		(926,616)	(4,935,035)
Net cash generated by /(used in) financing activities		**9,580,865**	**(271,785,836)**
Net changes in cash and cash equivalents		**280,353**	**(411,089)**
Cash and cash equivalents at the beginning of the financial year	**28**	**2,297,805**	**2,708,894**
Cash and cash equivalents at the end of the financial year	**28**	**2,578,158**	**2,297,805**

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

1. GENERAL INFORMATION

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

TeraPlast produces systems for sewage, water and natural gas transport and distribution, rainwater management systems and for cable protection and PVC plasticised and rigid compounds.

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

At 31 December 2022, TeraPlast SA has the following subsidiaries:

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors,
- TeraPlast Recycling SA – PVC recycler,
- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging,
- Teraplast Magyarország – distributor of TeraPlast's products in Hungary,
- Somplast SA – the Company holds production halls that it leases to TeraBioPack and TeraPlast Recycling. At 31 December 2022, 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.
- TeraGreen Compound – inactive company.

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of accounting

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

- adjusted to the effects of hyperinflation until 31 December 2003 for fixed assets, share capital and reserves,
- measurement at fair value of certain items of fixed assets and investment property, as presented in the Notes.

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

2.3. Going concern

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

At 31 December 2022, the Company's current assets exceed the current liabilities by RON 69,036,770 (31 December 2021: RON 377,621,067). In 2022, registered profit of RON 36,003,571 (2021: RON 323,510,441) and cash flows from operating activities (before changes to working capital) of RON 63,464,390 (2021: RON 71,755,724). The Company depends on the financing of banks, as mentioned in Note 21.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2022.

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

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

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

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

- **Amendments to IFRS 3 "Business Combinations"** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

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

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

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

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

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

- **Amendments to IFRS 17 "Insurance contracts"** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information, adopted by the EU on 8 September 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Disclosure of Accounting Policies adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"** – Definition of Accounting Estimates adopted by the EU on 2 March 2022 (effective for annual periods beginning on or after 1 January 2023),

- **Amendments to IAS 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the standards

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

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

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

- **Amendments to IAS 1 "Presentation of Financial Statements"** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IFRS 16 "Leases"** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Revenue recognition

Revenues from contracts with customers

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

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

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

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

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company as lessee

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

- The Company did not make any such adjustments during the periods presented.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as lessor

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

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

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

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

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

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

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

Foreign currency transactions

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

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

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

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

	31 December 2022	31 December 2021
EUR 1	4.9474	4.9481
USD 1	4.6346	4.3707
CHF 1	5.0289	4.7884

Non-monetary items which are measured at historic cost in a foreign currency are not translated back.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to long-term borrowings

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

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

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

Government grants

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

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

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

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

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

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

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

- service costs, which includes current service cost, past service cost and gains and losses on curtailments and settlements;
- net interest expense or income; and
- remeasurements.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

Land and buildings are measured at fair value less accumulated depreciation on buildings and impairment losses recognized at the date of revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value. Accumulated depreciation as of the revaluation date is eliminated from the gross carrying amount of the asset and the net amount is restated at the revaluated value of the asset.

A revaluation surplus is recorded in other comprehensive income and credited to the asset revaluation surplus in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognized in the separate statement of comprehensive income, the increase is recognized in the separate statement of comprehensive income. A revaluation deficit is recognized in the separate statement of comprehensive income of the period, except to the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve.

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

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

	Years
Licenses	1 – 5

Impairment of tangible and intangible assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

If an impairment loss is subsequently reversed, the carrying amount of the asset (of the cash generating unit) is increased to the reviewed estimation of its recoverable value, but so as the reviewed carrying amount does not exceed the carrying amount which would have been determined had any impairment loss not been recognized for the respective asset (cash generating unit) in prior years. A reversal of an impairment loss is recognized immediately in the statement of comprehensive income.

A revaluation surplus is recognized as an item of comprehensive income and credited to the asset's revaluation reserves, except for the cases in which a decrease in value was previously recognized in profit and loss for a revalued asset, case in which the surplus can be recognized in profit and loss within the limit of this prior decrease.

Non-current assets held for sale

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

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

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

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

Inventories

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries represent shares owned in these entities.

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

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

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

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

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

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

Acquisition of activities from controlled entities

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

Share capital

Common shares are classified in equity.

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

Dividends

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

Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

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

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

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

- Financial assets at amortized cost (debt instruments). The Company's financial assets at amortized cost includes trade receivables and long term receivable.
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets at fair value through the separate statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments).

The classification of the investments depends on their nature and purpose and it is determined as of the initial recognition. Financial liabilities include finance lease liabilities, interest bearing bank loans, overdrafts and trade and other payables.

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

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

Impairment of financial assets

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

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

<u>Significant increase in credit risk</u>

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk (continued)

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

1. the financial instrument has a low risk of default;
2. the debtor has a strong capacity to meet its contractual cash flow obligations in the near term; and
3. adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

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

Definition of default

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of assets and liabilities

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

External valuators are involved for valuation of significant assets, such as investment property and available for sale financial assets. Involvement of external valuators is decided upon annually by the management. Selection criteria include market knowledge, reputation, independence and professional standards, if they are specified.

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

Group's management, in conjunction with the entity's external valuators, also compares the change in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of the notes and fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Impairment of intangible and tangible assets

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

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

- the relationship between its market capitalization and its book value
- the operating performance, for which the group used EBITDA as KPI, remained at 14%, the same compared to the prior year, while revenue increased on all business lines, through organic growth
- utilization of production capacity increased on all CGUs

As a result, the Company decided not to carry an impairment analysis for the recoverable amount of tangible assets, under IAS 36. Therefore, an allowance for asset impairment proved not to be necessary.

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

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

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment property

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

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

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

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

4. REVENUE AND OPERATING SEGMENTS

Geographical analysis

	Year ended 31 December 2022	**Year ended 31 December 2021**
Sales on the domestic market (Romania)	549,260,435	490,244,160
Sales on the foreign market	36,963,121	41,597,826
Total	**586,223,556**	**531,841,986**

4. REVENUE AND OPERATING SEGMENTS (continued)

The information to the people in charge of the operational policy form the perspective of resource allocation and segment performance analysis is classified according to the type of products delivered. The reporting segments of the Group have been determined according to:

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

The portfolio of products of Teraplast that continue their activity is structured on two business lines: **installations and compounds.**

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

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

BUSINESS LINES

Installations

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

- The Company was the first producer of approved polyethylene pipes in Romania
- The Company was the first producer of multi-layered PVC pipes for outdoor sewer
- The Company is 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 ("PNRR")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%.

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

4. REVENUE AND OPERATING SEGMENTS (continued)

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

Year ended 31 December 2022	**Installations**	**Compounds**	**Unallocated amounts**	**Total**
Total income, including other operating income and income from subsidies	**474,784,916**	**116,476,250**	**-**	**591,261,167**
Expenses with indirect sales and administrative	(443,894,725)	(106,909,230)	-	(550,803,955)
Operating result	**30,890,191**	**9,567,020**	**-**	**40,457,212**
Financial result	(4,992,056)	(708,898)	3,554,029	(2,146,925)
Profit before tax	**25,898,136**	**8,858,122**	**3,554,029**	**38,310,287**
Operating assets	**423,990,322**	**56,566,773**	**74,613,460**	**555,170,555**
Non-current assets	217,234,255	24,018,018	74,613,460	315,865,733
Current assets	206,756,067	32,548,755	-	239,304,822
Operating liabilities	**206,080,304**	**31,804,062**	**-**	**237,884,366**
Non-current liabilities	60,898,748	6,717,566	-	67,616,314
Current liabilities	145,181,556	25,086,496	-	170,268,052
Additions of fixed assets	54,328,334	4,834,573		59,162,907

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Year ended 31 December 2021	**Installations**	**Compounds**	**Unallocated amounts**	**Total**
Total income, including other operating income and income from subsidies	**401,026,000**	**134,813,973**	**-**	**535,839,972**
Expenses with indirect sales and administrative	(367,054,502)	(111,513,410)	-	(478,567,912)
Operating result	**33,971,498**	**23,300,563**	**-**	**57,272,060**
Financial result	(1,514,094)	243,763	277,241,632	275,971,300
Profit before tax	**32,457,403**	**23,544,326**	**277,241,632**	**333,243,361**
Operating assets	**381,036,914**	**67,066,630**	**331,767,454**	**779,870,998**
Non-current assets	172,623,024	24,004,135	61,571,529	258,198,688
Current assets	208,413,890	43,062,495	270,195,925	521,672,310
Operating liabilities	**160,638,584**	**39,199,861**	**-**	**199,838,445**
Non-current liabilities	46,898,584	8,888,616	-	55,787,200
Current liabilities	113,740,000	30,311,245	-	144,051,245
Additions of fixed assets	62,865,946	1,880,704	-	64,746,649

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

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

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

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

5. OTHER OPERATING REVENUES

The Company as a lessor

Disclosure required by IFRS 16

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

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

Income from the lease of properties obtained in 2022 were in amount of RON 1,917,642 (2021: RON 1,578,767). Such annual income will be maintained in the following years, assuming that no changes will be made to the lease contract between TeraPlast and TeraGlass, the subsidiary that leases from TeraPlast the production warehouse where it runs its activity.

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

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2022	**Year ended 31 December 2021**
Raw material expenses	(370,649,818)	(326,281,797)
Consumable expenses	(19,312,967)	(17,886,414)
Commodity expenses	(35,627,542)	(36,428,820)
Consumed packaging	(1,304,289)	(1,713,515)
Total	**(426,894,615)**	**(382,310,546)**

7. GAINS/(LOSSES) ON THE DISPOSAL OF TANGIBLE AND INTANGIBLE ASSETS

	Year ended 31 December 2022	**Year ended 31 December 2021**
Income from the sale of assets	2,417,656	1,928,733
Expenses with the disposal of tangible and intangible assets and investment property	(2,415,611)	(1,530,430)
Expenses with fair value measurement of non-current assets	-	(490,850)
Total	**2,045**	**(92,547)**

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2022	Year ended 31 December 2021
Expenses with allowance for doubtful debts (IFRS 9)	536,694	3,166,607
Income from impairment reversal (IFRS 9)	3,419,411	1,339,521
Receivables charged to expenses (IFRS 9)	(692,208)	(4,825,120)
Net adjustments for doubtful debts	**3,263,897**	**(318,992)**
Increase carried to the separate statement of comprehensive income	1,278,929	3,165,675
(Decrease) carried to the separate statement of comprehensive income	-	(4,304,883)
Inventory impairment	**1,278,929**	**(1,139,208)**
Total impairment of current assets	**4,542,826**	**(1,458,200)**
Expenses with non-current assets impairment (IAS 36)	278,898	473,871
Amortization and depreciation expenses (Notes 13 and 14) (IAS 36)	(21,641,529)	(16,951,897)
Net adjustments for non-current assets impairment	**(21,362,631)**	**(16,478,026)**
Expenses with amortization and depreciation with application of IFRS 16 (Note 15)	(3,210,372)	(2,257,079)

Impairment of non-current assets

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

Inventory impairment

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.

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

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

	Year ended 31 December 2022	Year ended 31 December 2021
Wages	(49,761,735)	(46,233,865)
Contributions to the public social security fund	(1,074,306)	(1,016,989)
Social aid within the limit of 5% of the salary fund	(844,037)	(684,101)
Meal tickets	(2,478,600)	(2,335,060)
Total, as presented on line "Employee benefit expenses"	**(54,158,678)**	**(50,270,015)**

Remuneration of the Board of Administration

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

For additional details, please see the Remuneration Report.

10. FINANCIAL COSTS AND INCOME

	Year ended 31 December 2022	Year ended 31 December 2021
Financial costs		
Interest expense	(7,421,276)	(2,501,377)
Expenses with exchange rate differences	(3,036,913)	(3,579,483)
Other financial expenses	-	(10,000)
Total	**(10,458,190)**	**(6,090,860)**

	Year ended 31 December 2022	Year ended 31 December 2021
Financial income		
Interest income	1,635,704	1,812,061
Income from exchange rate differences	3,121,531	2,691,323
Dividend income	3,554,029	3,078,198
Other	-	317,145
Total	**8,311,265**	**7,898,727**
Financial result	**(2,146,925)**	**1,807,867**

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

11. OTHER OPERATING EXPENSES

	Year ended 31 December 2022	Year ended 31 December 2021
Expenses with third party services	(9,481,252)	(7,965,078)
Expenses with compensations, fines and penalties	(430,079)	(11,437)
Entertainment, promotion and advertising expenses	(2,119,600)	(1,542,611)
Expenses with other taxes and duties	(1,293,208)	(1,297,056)
Repair expenses	(2,469,301)	(2,318,719)
Travelling expenses	(757,806)	(643,248)
Rent expenses	(1,183,801)	(823,618)
Mail and telecommunication expenses	(342,540)	(332,587)
Insurance premium expenses	(1,442,972)	(1,559,972)
Other general expenses	(958,050)	(1,036,957)
Total	**(20,478,609)**	**(17,531,283)**

12. INCOME TAX

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

	Year ended 31 December 2022	Year ended 31 December 2021
Profit before tax	**38,310,287**	**333,225,724**
Income tax calculated (16%))	6,296,980	56,599,640
Deduction for dividends income not taxable	(568,645)	(492,512)
Non-deductible expenses	280,281	156,163
Profit from transfer of ownership interest	-	(43,863,328)
Credit from tax loss used	(3,410,166)	(1,870,038)
Total income tax	**2,598,450**	**10,529,925**
Tax on profile activity (Note 30)		
Discount as per GEO 153/2020 on incentivising equity increase	(291,734)	(797,005)
Deferred income tax – expense/ (benefit)	2,306,716	3,283,524

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

12. INCOME TAX (continued)

The components of the net deferred tax liabilities

2022	**Opening balance**	**Registered in the separate statement of comprehensive income**	**Registered in other comprehensive income**	**Closing balance**
Tangible and intangible assets and investment properties	(2,817,851)	(9,872)	63,573	(2,764,149)
Deferred tax liabilities recognized	**(2,817,851)**	**(9,872)**	**63,573**	**(2,764,149)**
Employee benefit liabilities	232,602	20,332	-	252,934
Trade and similar payables	868,201	(177,794)	-	690,406
Deferred tax assets recognized	**1,100,803**	**(157,462)**	**-**	**943,340**
Net liabilities with deferred tax recognized, including the Joinery Profiles (Note 30)	**(1,717,048)**	**(167,334)**	**63,573**	**(1,820,809)**

2021	**Opening balance**	**Registered in the separate statement of comprehensive income**	**Registered in other comprehensive income**	**Closing balance**
Tangible and intangible assets and investment properties	(577,006)	(4,818,552)	2,577,707	(2,817,851)
Fiscal loss	(1,069,260)	1,069,260		-
Deferred tax liabilities recognized	**(1,646,265)**	**(3,749,292)**	**2,577,707**	**(2,817,851)**
Employee benefit liabilities	232,602	-	-	232,602
Trade and similar payables	402,433	465,768	-	868,201
Deferred tax assets recognized	**635,035**	**465,768**	**-**	**1,100,803**
Net liabilities with deferred tax recognized, including the Joinery Profiles (Note 30)	**(1,011,231)**	**(3,283,524)**	**2,577,707**	**(1,717,048)**

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2022	**5,544,913**	**43,544,148**	**199,118,896**	**2,147,273**	**48,248,931**	**298,604,161**
Increases	1,794,133		3,797,198	39,460	53,531,152	**59,161,943**
Out of which: Increases from the internal production of non-current assets						
Transfers to/from non-current assets in progress		21,965,823	66,112,751	1,485,540	(89,564,113)	-
Accumulated depreciation of revalued property, plant and equipment						
Revaluation increase with impact on reserves						
Revaluation decrease with impact in profit or loss						
Transfers IFRS 16 right of use			(1,523,635)			(1,523,635)
Transfers to non-current assets held for sale						
Transfers from items of inventory						
Disposals and other decreases			(6,765,850)	(35,346)	(51,308)	(6,852,505)
Balance as at 31 December 2022	**7,339,046**	**65,509,971**	**260,739,360**	**3,636,926**	**12,164,662**	**349,389,965**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2022	**1,728**	**232,781**	**112,299,760**	**1,049,588**	**1,255,176**	**114,839,033**
Depreciation recorded during the year (Note 8)	346	3,153,939	15,392,236	274,172		18,820,693
Transfers from non-current assets held for sale						
Transfers IFRS 16 right of use			(700,322)			(700,322)
Disposals and other decreases			(4,406,872)	(30,022)		(4,436,894)
Impairment (Note 8), net		(223,813)	(20,604)	4,569		(239,848)
Accumulated depreciation of revalued property, plant and equipment						
Transfers from items of inventory						
Balance as at 31 December 2022	**2,073**	**3,162,907**	**122,564,198**	**1,298,307**	**1,255,176**	**128,282,662**
Net carrying amount as at 1 January 2022	**5,543,185**	**43,311,369**	**86,819,136**	**1,097,685**	**46,993,755**	**183,765,128**
Net carrying amount as at 31 December 2022	**7,336,974**	**62,347,064**	**138,175,162**	**2,338,619**	**10,909,486**	**221,107,304**

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2021	**5,049,065**	**52,055,498**	**175,113,561**	**2,057,252**	**12,169,040**	**246,444,416**
Increases	375,913		2,504,452	56,709	61,810,105	64,747,179
Out of which: Increases from the internal production of non-current assets						
Transfers to/from non-current assets in progress	-	(3,291,521)	28,607,569	366,239	(25,682,287)	-
Accumulated depreciation of revalued property, plant and equipment		(10,758,813)				(10,758,813)
Revaluation increase with impact on reserves	794,691	5,731,121				6,525,812
Revaluation decrease with impact in profit or loss	(353,739)	(137,111)				(490,850)
Transfers IFRS 16 right of use			309,760			309,760
Transfers to non-current assets held for sale						
Disposals and other decreases	(321,017)	(55,026)	(7,416,446)	(332,927)	(47,927)	(8,173,343)
Balance as at 31 December 2021	**5,544,913**	**43,544,148**	**199,118,896**	**2,147,273**	**48,248,931**	**298,604,161**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2021	**1,382**	**8,587,474**	**106,444,599**	**1,154,675**	**1,255,176**	**117,443,306**
Depreciation recorded during the year (Note 8)	346	2,594,094	12,399,911	226,930		15,221,281
Transfers from non-current assets held for sale						
Transfers IFRS 16 right of use			(264,244)			(264,244)
Disposals and other decreases			(6,035,660)	(332,017)		(6,367,677)
Impairment (Note 8), net		(189,974)	(244,846)			(434,820)
Accumulated depreciation of revalued property, plant and equipment		(10,758,813)				(10,758,813)
Balance as at 31 December 2021	**1,728**	**232,781**	**112,299,760**	**1,049,588**	**1,255,176**	**114,839,033**
Net carrying amount as at 1 January 2021	**5,047,683**	**43,468,024**	**68,668,962**	**902,577**	**10,913,864**	**129,001,110**
Net carrying amount as at 31 December 2021	**5,543,185**	**43,311,367**	**86,819,136**	**1,097,685**	**46,993,755**	**183,765,128**

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2022, the Company pledged in favour of financial institutions non-current assets and investment properties with a net carrying amount of RON 103,210,462 (31 December 2021: RON 51,411,457).

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

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

14. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
Cost			
Balance at 1 January 2022	**6,421,145**	**1,289,844**	**7,710,989**
Increases, out of which	207,215	756,648	963,863
Increases from internal production of non-current assets	1,219,872	(1,219,872)	-
Balance at 31 December 2022	**7,848,232**	**826,620**	**8,674,852**
Accumulated amortisation			
Balance at 1 January 2022	**5,849,795**	-	**5,849,795**
Amortisation	509,990		509,990
Expenses with/(Reversal of) impairment	(39,051)		(39,051)
Disposals and other decreases			
Transfers to non-current assets held for sale			
Balance at 31 December 2022	**6,320,734**		**6,320,734**
Net carrying amount as at 1 January 2022	**571,350**	**1,289,844**	**1,861,194**
Net carrying amount as at 31 December 2022	**1,527,498**	**826,620**	**2,354,118**

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

14. INTANGIBLE ASSETS (continued)

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

15. RIGHT-OF-USE ASSETS

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

Please see maturity analysis of lease liabilities in note 22.

Cost	Buildings	Vehicles from previous finance leases	Total
Balance at 1 January 2022	**10,686,050**	**2,265,397**	**12,951,448**
Additions	9,846,339	1,722,844	11,569,183
Transfer to equipment on exercise of the purchase option	(117,047)	(199,210)	(316,257)
Balance at 31 December 2022	**20,415,342**	**3,789,032**	**24,204,374**
Accumulated depreciation			
Balance at 1 January 2022	**2,277,227**	**1,159,010**	**3,436,236**
Depreciation	2,646,257	564,117	3,210,374
Depreciation of equipment transferred to PPE	(18,477)	(199,210)	(217,687)
Balance at 31 December 2022	**4,905,006**	**1,523,916**	**6,428,923**
Carrying amount at 1 January 2022	**8,408,823**	**1,106,388**	**9,515,212**
Carrying amount at 31 December 2022	**15,510,335**	**2,265,115**	**17,775,451**

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

15. RIGHT-OF-USE ASSETS (continued)

The additions of right-of-use assets include the right of use of a plane for a determined number of hours per annum.

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

	Buildings	Equipment	Total
Depreciation expense	2,646,264	564,117	3,210,383
Interest expense on lease liabilities	367,869		367,869

The Company expensed the lease for low value assets and short-term contracts:

	2022	2021
Rent expenses	**1,183,801**	**823,618**
short term	1,089,568	574,956
low value	94,233	248,662

16. INVESTMENT PROPERTIES AND ASSETS HELD FOR SALE

Investment properties

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

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

- As of March 31, 2015, buildings and lands located in Bistrița, which are leased to Teraglass Bistrita SRL, are classified as investment property.

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

	31 December 2022	31 December 2021
Opening balance at 1 January	**16,304,309**	**13,841,851**
Additions	-	1,315,817
Net loss from valuation of investment properties at fair value	1,922,168	1,146,641
Closing balance at 31 December	**18,226,476**	**16,304,309**

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

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

17. SUBSIDIARIES AND OTHER FINANCIAL INVESTMENTS

At 31 December 2022 and 31 December 2021, the Company holds the following investments:

Subsidiary	Country	Shareholding	31 December 2022	Shareholding	31 December 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
Tera BioPack	Romania	100	10,100,000	100	10,100,000
Somplast SA	Romania	70	4,897,400	70	4,897,400
TERAPLAST MAGYARORSZÁG KFT	Hungary	100	37,062	-	-
		-	**30,269,152**	**-**	**30,232,090**

Other long-term equity investments

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

Investment name	Country	Investment share	31 December 2022	Investment share	31 December 2021
		%	*LEI*	*%*	*LEI*
CERTIND SA	Romania	7.50%	14,400	7.50%	14,400
Partnership for sustainable development	Romania	7.14%	1,000	7.14%	1,000
		-	**15,400**	**-**	**15,400**

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

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

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

18. INVENTORIES

	31 December 2022	31 December 2021
Finished goods	52,833,219	41,380,558
Raw materials	34,903,324	39,627,128
Commodities	8,614,464	7,279,482
Consumables	3,677,153	3,086,774
Inventory items	152,745	122,156
Semi-finished goods	1,211,282	1,639,937
Residual products	1,123,058	651,310
Goods to be purchased	194,634	342,973
Packaging	735,869	464,168
Inventories – gross value	**103,445,748**	**94,594,486**

	31 December 2022	31 December 2021
	RON	*RON*
Value adjustments for raw materials and consumables	(1,077,496)	(857,141)
Value adjustments for finished products	(2,265,170)	(887,853)
Value adjustments for merchandise	(777,949)	(1,096,694)
Total value adjustments	**99,325,133**	**91,752,798**

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

The Company's inventories are pledged in favour of financing banks. At 31 December 2022, the total closing balance is pledged.

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

19. TRADE AND OTHER RECEIVABLES

		Payable	
	31 December 2022	**less than 1 year**	**more than 1 year**
Trade receivables	126,930,476	126,930,476	-
Advances paid to suppliers of non-current assets	3,828,188	3,828,188	-
Advances paid to suppliers of inventories and services	10,566,821	10,566,821	-
Loans granted to subsidiaries (Note 27)			
Other receivables from affiliates (Note 27)			
Other receivables	7,667,348	7,667,348	-
Adjustments for trade and other receivables impairment	(12,268,381)	(12,268,381)	-
Total	**136,724,452**	**136,724,452**	**-**

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

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 in December 2021 and 60 days in December 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 Company's receivables are pledged in full in favour of the financing banks.

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

20. SHARE CAPITAL AND RESERVES

	31 December 2022	31 December 2021
Share capital subscribed and paid in full	217,900,036	217,900,036

As at 31 December 2022, the value of the share capital subscribed and paid up of the Company included 2,179,000,358 (2021: 2,179,000,358) authorized shares, issued and paid in full, at a value RON 0.1 and having a total nominal value of RON 217,900,036 (2021: RON 217,900,036). Common shares bear a vote each and give the right to dividends.

Shareholding

	31 December 2022		31 December 2021	
	Number of shares	% ownership	Number of shares	% ownership
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/ALLIIANZ 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	682,942,977	31.34	682,942,977	31.34
Total	**2,179,000,358**	**100**	**2,179,000,358**	**100**

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

21. LOANS FROM BANKS

The bank loans at 31 December 2022 and 31 December 2021 are as follows:

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Working capital	07.06.2017	31,092,264	45,964,374	45,964,374	-	12 MONTHS
BCR	Working capital	28.08.2020	12,594,456	43,471,579	43,471,579	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	5,294,452	3,176,671	2,117,781	1,058,890	84 MONTHS
Banca Transilvania	Investments	07.06.2017	-				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				60 MONTHS
Banca Transilvania	Investments	07.03.2019	6,126,200	3,675,720	2,450,480	1,225,240	60 MONTHS
Banca Transilvania	Investments	30.03.2020	6,754,670	4,298,427	2,456,244	1,842,183	60 MONTHS
Banca Transilvania	Investments	23.12.2020	7,812,731	9,235,266	2,841,620	6,393,646	72 MONTHS
Banca Transilvania	Investments	15.03.2021		6,789,841	1,939,955	4,849,886	12 MONTHS
TOTAL			**72,908,016**	**116,611,878**	**101,242,033**	**15,369,845**	

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

22. LEASE LIABILITIES

Lease contracts – accounting treatment according to IAS 17

Finance leases

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

At 31 December 2022, the present value of financial lease liabilities was in amount of RON 1,852,607 (31 December 2021: RON 878,387). The finance lease liabilities are for vehicles and forklift trucks.

Operating leases

Total operating lease commitments as of 31 December 2022 were RON 8,037,346.

Lease contracts – accounting treatment according to IFRS 16

Maturity analysis of lease liabilities at December 31, 2022:

Year 1	2,143,844
Year 2	1,938,399
Year 3	1,413,718
Year 4	745,415
Year 5	398,120
Following years	1,397,850
Total	**8,037,346**
Non-current	5,893,503
Current	2,143,844

Maturity analysis of lease liabilities at December 31, 2021:

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

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

23. EMPLOYEE BENEFIT LIABILITIES

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

The latest actuarial valuations were performed on September 30, 2021 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute.

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

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

Employee benefits	**31 December 2022**	**31 December 2021**
Opening balance	1.580.838	1.206.286
(Decreases) / increases	-	374.552
Closing balance	**1.580.838**	**1.580.838**

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

24. PROVISIONS

	1 January 2022	**Changes** **Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2022**
Other provisions	1,973,693	-	(1,058,682)	-	915,011

	1 January 2021	**Changes** **Reversal of provision not used**	**Reversal of provision used**	**Provision in addition**	**31 December 2021**
Provisions for litigation	-	-	-	-	-
Other provisions	398,312	-	-	1,575,583	1,973,693
Closing balance	**398,312**	**-**	**-**	**1,575,583**	**1,973,693**

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

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

25. TRADE AND OTHER PAYABLES

	31 December 2022	31 December 2021
Trade payables	49,457,379	63,203,324
Trade notes payable	15,801	24,948
Liabilities from the purchase of non-current assets	11,075,690	13,905,558
Contractual payables	558,846	425,567
Other payables	9,391,247	13,231,238
Total	**70,498,964**	**90,790,635**

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

Other long-term payables of RON 8,371,526 (2021: RON 9,012,908) represent the debt to E.On Romania for the solar cells (RON 7,838,014) and the debt to AUTOSOFT ENGENEERING SRL (RON 533,511.75).

Other payables

	31 December 2022	31 December 2021
Salary-related payables to employees and social security payables	8,495,986	10,199,690
VAT payable	42,237	1,826,634
Sundry creditors	765,566	779,675
Dividends payable	45,550	45,550
Commercial guarantees received	-	339,980
Other taxes payable	41,907	39,709
Total	**9,391,247**	**13,231,238**

26. FINANCIAL INSTRUMENTS

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

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Financial assets	Amortised cost 31 December 2022	Amortised cost 31 December 2021
Non-current		
Long term receivable	26,117,832	16,505,355
Investment in Somplast SA shares	-	-
Other financial instruments measured at amortized cost	15,400	15,400
Current		
Trade receivable	136,724,452	156,965,160
Cash	2,578,158	2,297,805
Prepayment	677,079	460,622

(a) Capital risks management

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

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

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

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

The gearing ratio as at 31 December 2022 and 2021 was as follows:

	2022	2021
Total loans	116,475,878	72,908,016
Cash	(2,578,158)	(2,297,805)
Net debt	113,897,720	70,610,210
Total equity	**317,286,189**	**580,032,553**
Total equity and net debt	**431,183,909**	**650,642,764**
Gearing ratio	**26.42%**	**10.85%**

26. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

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

(d) Market risk

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

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

(e) Foreign currency risk management

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

Transaction risk

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

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

26. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for primary currency risk

	31 December 2022		31 December 2021	
	RON	RON	RON	RON
Profit or (loss)	3,084,347	3,084,347	-4,046,226	4,046,226

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

(f) Interest rate risk management

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

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

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

(g) Other price risks

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

26. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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

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

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

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

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

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

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

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

2022

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(27,055,090)	(29,331,958)	(5,740,390)	(2,883,304)	(2,349,792)	(3,138,430)	**(70,498,965)**
Interest-bearing instruments							
Short and long-term loans	(258,127)	(4,398,344)	(99,326,699)	(18,829,796)	(2,355,460)	(1,397,850)	**(126,566,276)**
Future interest on loans	(7,317)	(562,068)	(976,832)	(1,336,288)	(191,951)	(101,080)	**(3,175,535)**
Non-interest bearing							
Cash and cash equivalents	2,578,158						**2,578,158**
Receivable	69,116,260	55,947,323	11,660,868	767,263	25,009,022	341,548	**162,842,284**

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

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

26. FINANCIAL INSTRUMENTS (continued)

2021

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(27,340,747)	(52,261,946)	(2,175,028)	(2,349,792)	(2,349,792)	(4,313,326)	**(90,790,632)**
Interest-bearing instruments							
Short and long-term loans	(3,343,465)	(3,790,724)	(51,217,745)	(18,350,596)	(3,589,529)	(2,122,604)	**(82,414,664)**
Future interest on loans	54,483	277,094	589,138	661,699	42,843		**1,625,257**
Non-interest bearing							
Cash and cash equivalents	2,300,739						
Receivable	93,372,202	329,279,399	4,506,549	430,365	273,239	15,801,751	**443,663,506**

27. REALTED PARTY TRANSACTIONS

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

31 December 2022

Subsidiaries

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

Related parties (common shareholding/decision-makers)

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

31 December 2021

Subsidiaries

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

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

27. REALTED PARTY TRANSACTIONS (continued)

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
- Eurohold AD Bulgaria
- Mundus Services AD Bulgaria
- Parc SA

Transactions and balances with other related parties	Financial year ended 31 December 2022	Financial year ended 31 December 2021
Sales of goods and services	324,457	657,376
Purchases of goods and services	63,360	59,391
Debit balances	29,898	215,207
Credit balances	18,656	1,548

Transactions and balances with subsidiaries	Financial year ended 31 December 2022	Financial year ended 31 December 2021
Sales of goods and services	5,031,502	5,873,117
Re-invoice	6,457,674	3,310,907
Purchases of goods and services	31,481,218	27,317,661
Purchases of fixed assets	5,549	424,700
Debit balances current activity	6,838,150	2,647,495
Credit balances current activity	22,066	354,056
Affiliates borrowing balance	30,532,465	15,420,729

During 2022 and 2021, the Company did not have transactions with key management personnel or shareholders.

At 31 December 2022, the RON 30,532,465 (2021: RON 15,420,729) includes the loan granted to TeraBio Pack SRL, (RON 22,950,000), Teraglass Bistrita SRL (RON 5,380,000) and TERAPLAST MAGYARORSZÁG KFT (RON 244,355), plus interest.

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

28. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2022	31 December 2021
Cash at banks	2,361,740	2,189,922
Cash on hand	25,593	25,458
Cash equivalents	190,825	82,425
Total cash and cash equivalents	**2,578,158**	**2,297,805**

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

29. COMMITMENTS AND CONTINGENT LIABILITIES

Unused credit facilities

At 31 December 2022, the Company registers unused credit facilities in amount of RON 21,115,545 (31 December 2021: RON 10,313,280) and unused investment loans in amount of RON 53,536,866 (31 December 2021: RON 70,230,590).

Guarantees for bank loans

At 31 December 2022, tangible assets and investment properties with a net book value of RON 103,210,462 (31 December 2021: RON 51,411,457) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Investments in the manufacturing of fireproof compounds and indoor sewage – project value RON 30,381,878

The project of TeraPlast SA created a new product in the field of compounds and led to the equipment of a line that extends the production capacity of polypropylene systems. The investment was entirely put into operation in December 2019. The State aid for this investment, in amount of RON 14,427,981, was fully cashed in 2019 – 2020. The monitoring period, at the end of which TeraPlast must return to the State budget the value of the State aid in the form of taxes from the investment, ends in 2025.

Increase of production capacity for PVC pipes and fittings – project value: RON 42,479,590
TeraPlast SA extended the production capacity within the existing site for certain categories of products in the current manufacturing of the company, namely fittings (PP and PVC), PE pipes and PVC pipes, by making investments in the construction of new buildings and purchase of equipment. The investment was entirely put into operation in November 2022.
At December 31, 2022 the Company received the State aid in amount of RON 15,675,695. In December 2022, the Company filed the first application for reimbursement in amount of RON 3,301,044 for which it awaits disbursement.

Polyethylene installations plant – project value: RON 56,213,412
TeraPlast SA invested in a new production unit for the manufacture of plastic products on the product segments representing PE pipes and rotationally moulded products (PE), by making investments in new buildings and equipment.
The investment was entirely put into operation in December 2022.
At December 31, 2022 the Company received the State aid in amount of RON 11,583,440.
The last application for reimbursement in amount of RON 12,385,006 will be filed in March 2023.

Potential tax liabilities

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

Environmental matters

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

Transfer pricing

The Romanian fiscal legislation includes the "arm's length" principle, according to which inter-company transactions should be performed at market value. Local taxpayers that perform inter-company transactions should prepare and submit the transfer pricing file with the Romanian tax authorities, upon written request of the latter. Failure to submit the transfer pricing documentation file or submission of an incomplete file may lead to penalties for non-compliance; in addition to the contents of the transfer pricing documentation file, the tax authorities may interpret the transactions and circumstances in a manner different than that of the company and, as a result, they may determine additional fiscal obligations resulting from transfer pricing adjustments.

The Company management considers they will not record losses in the case of a fiscal review of transfer pricing. However, the impact of a different interpretation from the tax authorities cannot be reliably measured. It could be significant for the Company's financial position and / or operations.

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

30. SUBSIDIES FOR INVESTMENTS

	2022	2021
At 1 January	**20,658,531**	**13,047,890**
Additions of subsidies during the reporting period	18,291,297	8,967,836
Transferred to separate statement of comprehensive income	(2,500,946)	(1,357,195)
At 31 December	**36,448,882**	**20,658,531**
Current	3,188,847	1,244,853
Non-current	33,260,035	19,413,678

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

At 31 December 2022, the total value of outstanding subsidies is RON 36,448,882 (2021: RON 20,658,531) recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis, throughout the lifetime of the related assets.

31. SUBSEQUENT EVENTS

There were no significant events.

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

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

Declaration of management

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

Signed and approved:

1 February 2023
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

Corporate Governance Statement

Principle	Provision	Compliant/Non-compliant	Comment
A1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A	Compliant	
A2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Compliant	
A3	The Board of Directors or the Supervisory Board should have at least five members	Compliant	
A4	Most Board members shall not have an executive function. In the case of companies in the Premium Category, no less than two non-executive members of the Board shall be independent. Each independent Board member shall issue a statement at the time of nomination thereof for election or re-election, and whenever any change arises in the status thereof, indicating the elements on the basis of which the same is to be deemed independent in terms of character and judgment.	Compliant	
A5	Any other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of companies and non-profit institutions, shall be disclosed to the shareholders and prospective investors prior to nomination and during the term of office thereof.	Compliant	
A6	Any member of the Board shall present the Board with information on any relation with a shareholder holding, either directly or indirectly, shares representing more than 5% of all voting rights.	Compliant	
A7	The Company shall appoint a Secretary of the Board to be in charge of supporting the activity of the Board.	Compliant	
A8	The Corporate Governance Statement shall stipulate whether a Board assessment has taken place under the direction of either the Chairperson or the Nomination Committee and, if so, shall summarize the key measures and the resulting changes. The Company shall have a policy/guide regarding Board assessment, including the purpose, criteria and frequency of the assessment process.	Compliant	
A9	The Corporate Governance Statement shall contain information on the number of Board and Committee meetings over the past year, the participation of the directors (in person and in default) and a Report by the Board and Committees on their activities	Partially compliant	Full information disclosed in the sustainability report

A10	The Corporate Governance Statement shall include information on the exact number of independent members of the Board.	Compliant	
A11	The Board of companies in the Premium Category shall set up a Nomination Committee, consisting of non-executive members, to direct the nomination of any new Board members and to submit recommendations to the Board. Most members of the Nomination Committee shall be independent.	Non-compliant	TRP is Standard Category
B1	The Board shall set up an Audit Committee, in which at least one member shall be independent and non-executive. Most members, including the Chair, shall have proven appropriate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee shall have proven adequate experience in auditing or accounting. In the case of companies in the Premium Category, the Audit Committee shall consist of at least three members and most members of the Audit Committee shall be independent	Compliant	
B2	The Chair of the Audit Committee shall be an independent non-executive member.	Compliant	
B3	As part of its responsibilities, the Audit Committee shall carry out an annual assessment of the internal control system	Compliant	
B4	The assessment shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board Audit Committee, the promptness and effectiveness with which the executive management addresses any deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board	Compliant	
B5	The Audit Committee shall assess any conflicts of interest in connection with the transactions of the Company and its subsidiaries with related parties.	Compliant	
B6	The Audit Committee shall assess the effectiveness of the internal control and risk management systems	Compliant	
B7	The Audit Committee shall monitor the application of the legal standards and generally accepted internal audit standards. The Audit Committee shall receive and assess the reports of the internal audit team.	Compliant	
B8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by regular reports (at least annual reports) or ad hoc reports to be subsequently submitted to the Board.	Compliant	
B9	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with the shareholders and affiliates thereof.	Compliant	
B10	The Board shall adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close ties, whose value is equal to or greater than 5% of the Company net assets (according to the latest financial report), is approved by the Board following a binding opinion of the Board Audit Committee and is properly disclosed to the shareholders and prospective investors to the extent that such transactions fall within the category of events subject to reporting requirements.	Compliant	
B11	Internal audits shall be performed by a structurally separate division (the Internal Audit Department) within the Company or by hiring an independent third party.	Compliant	

B12	In order to ensure the fulfilment of the primary functions of the Internal Audit Department, functionally speaking, it shall report to the Board by means of the Audit Committee. For administrative purposes and as part of the responsibilities of the management to monitor and reduce risks, it shall report directly to the Chief Executive Officer	Compliant	
C1	The Company shall publish the Remuneration Policy on its website and shall include a statement on the implementation of the Remuneration Policy in the Annual Report during the annual period under review. Any key change in the Remuneration Policy shall be published on the Company website in a timely manner.	Partially compliant	References to sources of information on the website; full information part of the sustainability report
D1	The Company shall organize an Investor Relations Service - indicating to the general public the officer(s) in charge or the relevant organizational unit. In addition to the information required by law, the Company shall include on its website a section dedicated to Investor Relations, in both Romanian and English, with all the relevant information of interest to investors, including: The main corporate regulations: Articles of Association, the procedures regarding the General Shareholders' Meeting (GMS); The professional CVs for the members of the Company management bodies, other professional commitments of the Board members, including executive and nonexecutive positions in the Boards of Directors of companies or non-profit institutions; Current and regular reports (quarterly, half-yearly and annual); Information on the GMS; Information on the corporate events; The name and contact details of a person who can provide relevant information, on request; Company presentations (e.g., investor presentations, quarterly result presentations, etc.), financial statements (quarterly, half-yearly, annual), Audit Reports, and Annual Reports.	Compliant	
D2	The Company shall have a policy on the annual distribution of dividends or other benefits to the shareholders. The principles of the policy of annual distribution to the shareholders shall be published on the Company website	Compliant	
D3	The Company shall adopt a policy regarding forecasts, whether they are made public or not. Forecasts mean quantified conclusions of various studies aimed at determining the overall impact of a number of factors for a future period (the so-called assumptions): by its nature, a forecast has a high level of uncertainty, and the actual results can vary significantly from the original forecasts. The Forecast Policy shall determine the frequency, period considered and content of the forecasts. If published, the forecasts may only be included	Compliant	

	in the annual,half- yearly or quarterly reports. The Forecast Policy shall be published on the Company website.		
D4	The rules of the GMS not limit the participation of shareholders in the general meetings or the exercise of their rights. Any amendments to these rules take effect, at the earliest, starting with the next GMS.	Compliant	
D5	Independent financial auditors shall be present at the GMS when their reports are presented at these meetings.	Compliant	
D6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Compliant	
D7	Any specialist, consultant, expert, or financial analyst mat take part in Shareholders' Meetings on the basis of a prior invitation from the Chairperson of the Board. Accredited journalists may also attend GMS, unless otherwise decided by the Chairperson of the Board.	Compliant	
D8	The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors that influence change in terms of sales levels, operating profit, net profit and other relevant financial indicators, from one quarter to the next, and from one year to the next.	Compliant	
D9	A Company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions shall be published in the Investor Relations section of the Company website at the time of the meetings/teleconferences.	Compliant	
D10	If a Company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and deems their impact on the Company innovation and competitiveness to be part of its mission and development strategy, it will publish its policy on its activity in this field.	Non-compliant	Policy still under review to match the ESG strategy currently being drawn up

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