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 2023

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

	Note	Financial year ended 31 December 2023	31 December 2022
Total revenue from customer contracts, *out of which:*	**4**	**672,330,589**	**711,126,448**
Revenue from sale of finished products		*609,374,308*	*654,126,106*
Revenue from the sale of merchandise		*59,387,621*	*51,748,740*
Revenue from services		*3,568,660*	*5,251,602*
Other operating income	5	1,834,513	654,821
Income from investment subsidies		7,965,901	4,275,737
Changes in inventory of finished goods and work in progress		2,396,035	20,545,382
Raw materials, consumables used and merchandise	6	(427,337,871)	(507,044,623)
Employee benefit expenses	9	(95,055,913)	(83,556,135)
Travel expenses		(30,280,844)	(29,700,043)
Expenses with utilities		(32,593,039)	(21,127,920)
Amortization and the adjustments for impairment of non-current assets, net	8	(41,865,198)	(31,527,728)
Impairment of current assets, net	8	(961,707)	(5,353,970)
Provisions, net	8	427,515	320,894
Gains/(Loss) from the disposal of tangible and intangible assets	7	30,706	86,785
Gains/(Loss) from the disposal/fair value measurement of investment properties		439,021	559,154
Other expenses	10	(37,802,111)	(31,063,568)
Sponsorships		(1,158,141)	(1,762,653)
Operating result		**18,369,456**	**26,432,581**
FX differences, net	5	(977,700)	(85,224)
Interest expense, net	5	(13,128,570)	(9,873,715)
Other financial income	5	869,694	26,737
Income from dividends	5	69,300	55,691
Financial result, net		**(13,167,276)**	**(9,876,511)**
Profit before tax		**5,202,180**	**16,556,070**
Income tax expense	**11**	(4,064,176)	(1,182,202)
Profit for the year		**1,138,004**	**15,373,868**
Other comprehensive income:			
OCI that will not be reclassified subsequently to profit or loss			-
Revaluation of fixed assets, net		-	1,363,014
Deferred tax, net	**11**	-	(281,655)
Other comprehensive income		**-**	**1,081,359**
Attributable to			
Parent entity equity holders		1,735,058	16,844,287

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

		Financial year ended	
	Note	**31 December 2023**	**31 December 2022**
Non-controlling interests		(597,054)	(389,060)
Profit or loss for the year		**1,138,004**	**16,455,227**
Basic and diluted earnings per share		**0,001**	**0,007**

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Note	31 December 2023	31 December 2022
ASSETS			
Non-current assets			
Property, plant and equipment	12	401,412,034	338,129,808
Investment property	18	5,737,239	4,914,955
Right of use of the leased assets	14	20,017,741	17,822,871
Intangible assets	13	3,961,459	3,771,984
Long-term receivable	17	1,567,558	1,843,922
Deferred tax assets		-	298,077
Other long-term equity investments	15	15,500	15,500
Total non-current assets		**432,711,531**	**366,797,117**
Current assets			
Inventories	16	138,564,464	129,120,491
Work and services in progress		198,560	-
Trade receivables	17	154,410,883	146,301,682
Prepayments granted to suppliers of non-current assets		7,942,919	7,380,625
Prepayments		1,136,301	825,641
Income tax recoverable		981,002	415,696
Cash	26	18,879,289	10,713,209
Total current assets		**322,113,418**	**294,757,344**
Total assets		**754,824,949**	**661,554,461**
EQUITY AND LIABILITIES			
Equity			
Share capital	**19**	**217,900,036**	**217,900,036**
Treasury shares		-	(495,209)
Revaluation reserves		17,404,244	17,304,558
Legal reserve		36,854,658	35,211,724
Retained earnings		37,856,389	36,295,643
Capital attributable to controlling interests		**310,015,327**	**306,216,752**
Non-controlling interests		2,665,367	3,262,421
Total equity		**312,680,694**	**309,479,173**
Non-current liabilities			
Bank loans	22	84,186,427	38,845,711
Lease liabilities	23	1,826,726	1,354,523
Right-of-use lease liabilities	23	7,668,827	5,893,504

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

	Note	31 December 2023	31 December 2022
Non-current liabilities for non-current assets	21	6,907,640	8,371,526
Employee benefit liabilities	20	1,956,847	1,956,847
Investment subsidies – long-term portion	27	68,959,443	55,127,841
Deferred tax liabilities		279,620	-
Total non-current liabilities		**171,785,530**	**111,549,952**
Current liabilities			
Trade and other payables	21	103,328,789	79,523,181
Dividends payable		45,550	45,550
Bank loans	22	155,393,060	151,781,759
Lease liabilities	23	736,727	639,914
Right-of-use lease liabilities	23	2,728,302	2,143,844
Investment subsidies - current portion	27	7,601,172	5,438,448
Provisions for risks and charges	20	525,125	952,640
Total current liabilities		**270,358,725**	**240,525,336**
Total liabilities		**442,144,255**	**352,075,288**
Total equity and liabilities		**754,824,949**	**661,554,461**

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated etained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance at 1 January 2023	**217,900,036**	**35,211,724**	**17,304,558**	**(495,209)**	**36,295,643**	**306,216,752**	**3,262,421**	**309,479,173**
Result for the year	-	-	-	-	1,735,058	1,735,058	(597,054)	1,138,004
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**-**	**1,735,058**	**1,735,058**	**(597,054)**	**1,138,004**
Set up of legal reserves	-	1,642,934	-	-	(1,642,934)	-	-	-
Reserves representing revaluation surplus	-	-	99,686	-	1,459,326	1,559,012	-	1,559,012
Benefits granted to employees in the form of financial instruments	-	-	-	1,546,354	-	1,546,354	-	1,546,354
Gains/(Losses) on the sale of treasury shares	-	-	-	-	9,296	9,296	-	9,296
Buy-back of own shares	-	-	-	(1,051,145)	-	(1,051,145)	-	(1,051,145)
Dividends paid and share capital increase (2021)	-	-	-	-	-	-	-	-
Dividends paid in 2022	-	-	-	-	-	-	-	-
Other increases/(decreases) of equity items	-	-	-	-	-	-	-	-
Balance at 31 December 2023	**217,900,036**	**36,854,658**	**17,404,244**	**-**	**37,856,389**	**310,015,327**	**2,665,367**	**312,680,694**

Approved:

12 February 2024
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(all amounts are expressed in Romanian Lei ("RON"), unless otherwise stated)

	Share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated etained 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**

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

INDIRECT METHOD	Year ended 31 December 2023	Year ended 31 December 2022
Cash flows from operating activities:		
Profit before tax	**5,202,180**	**16,556,070**
Profit/(Loss) from disposal of fixed assets	(30,706)	(86,785)
Impairment and amortization of non-current assets	41,865,198	31,527,728
Provisions for risks and charges, net	(427,515)	(320,894)
Allowance for doubtful debts	437,631	3,826,083
Inventory impairment, net	524,078	1,527,886
Income from dividends	(69,300)	(55,691)
Gains/(Loss) from the revaluation of investment property	(822,284)	(559,153)
Interest expense	13,128,570	9,873,715
Operating profit before changes in working capital	**59,807,852**	**62,288,959**
Decrease/(Increase) in gross trade receivables	(8,295,198)	21,231,016
Increase/(Decrease) in inventories	(10,166,611)	(12,572,734)
(Decrease)/Increase in trade and other payables	22,692,085	(23,530,354)
Income tax paid	(4,051,785)	(3,166,003)
Interest paid, net	(13,128,570)	(9,873,715)
Income from subsidies	(7,938,402)	(4,254,756)
Cash from operating activities	**38,919,371**	**30,122,413**
Cash flows used for investment*:*		
Payments for acquisition of non-current assets	(104,019,186)	(90,643,566)
Receipts under State aid	23,932,728	30,437,390
Receipts from the sale of tangible assets	871,570	2,485,887
Net cash from investing activities	**(79,214,888)**	**(57,720,289)**
Cash inflows from financing activities:		
Repayment of lease liabilities	(569,016)	(998,324)
Dividends paid	-	(32,684,967)
Dividends received	69,300	55,691
Net drawdowns of loans	48,952,017	64,637,714
Own share redemption net of exercising the options	9,296	(411,138)
Net cash from financing activities	**48,461,597**	**30,598,976**
Increase in cash	8,166,080	3,001,100
Cash at the beginning of the financial year	**10,713,209**	**7,712,109**
Cash at the end of the financial year	**18,879,289**	**10,713,209**

Approved:
12 February 2024
Board of Administration

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1. GENERAL INFORMATION

These are the consolidated financial statements of the Teraplast SA Group (the "Group"). The head office of Teraplast SA is in Teraplast Industrial Park, Bistrița-Năsăud county, Romania.

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.

Structure of TeraPlast group

Teraplast SA (or the "Company") is a joint stock company established in 1992. The Company's head office is in the Teraplast Industrial Park, Bistrita- Nasaud County, Romania.

Starting 2 July 2008, the Company 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
- TeraGreen Compound and Teraverde Carbon – dormant companies

2. SIGNIFICANT ACCOUNTING POLICIES

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 2844/2016**"). These provisions are compliant with the provisions of the International Financial Reporting Standards adopted by the European Union ("**EU IFRS**").

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.

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 2023, the Group's current assets exceed the current liabilities by RON 51,754,694 (31 December 2021: RON 54,275,555). In 2023, the Group registered net profit from the businesses that continue their activity in the Group in amount of RON 1,138,004 (2022: RON 15,373,866). The Group depends on bank financing.

The budget prepared by the Group management and approved by the Board of Administration for 2024 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 2023. 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. 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. 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. 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:

- **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 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 12 "Income Taxes"** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023) and international fiscal reform.

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

2. 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:

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

- **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).

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

- **Amendments to IAS 7 "Statement of Cash Flows" and IFRS 7 "Financial Instruments: Disclosures" -** Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024),

- **Amendments to IAS 21 "The Effects of Changes in Foreign Exchange Rates" -** Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025),

- **IFRS 14 "Regulatory Deferral Accounts"** (effective for annual periods beginning on or after 1 January 2016).

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. 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. 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. 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 2023	**31 December 2022**
EUR 1	4.9746	4.9474
USD 1	4.4958	4.6346
CHF 1	5.3666	5.0289

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. 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. 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. 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. 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. 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. 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. 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. 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. 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 51.3 million, 3% less compared to 2022 mainly caused by the contraction recorded in the compounds segment. The results reflect the difficult economic conditions, with declining demand in some of the markets we operate in, which for us meant directing effort towards maintaining volumes and margins. We had to navigate a different environment than we had forecast at the start of 2023, driven mainly by slower progress in infrastructure work and residential refurbishments and lower demand for compounds. For the current year, the TeraPlast Group proposes a budget that foresees prudent organic growth. The slightly conservative approach was given by last years' experience in which some of the assuptions from the beginning of the year partially materialized during the execution of the budget. The macroeconomic context requires such an approach, and the expectation is that most sectors of the economy will show contractions at various levels, while for infrastructure works, fueled by public and European funds, a positive evolution is expected. The share of the main expenses in the budgeted turnover for 2024 is similar to 2023. They included process optimizations and the reduction of fixed expenses for businesses that recorded operational losses in the previous year. At the same time, at the consolidated level, a maintenance of the shares of business lines in revenues is forecast. As a whole, the budget foresees substantial increases in turnover and EBITDA.
- 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 2023	Year ended 31 December 2022
	RON	*RON*
Sales of finished goods	619,770,668	664,079,300
Sale of merchandise	59,387,621	51,748,740
Revenues from other activities	3,568,660	5,251,602
Trade discounts granted	(10,396,360)	(9,953,194)
Total	**672,330,589**	**711,126,448**

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

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

The 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 2023	Year ended 31 December 2022
	RON	*RON*
Infrastructure	263,767,710	254,378,226
Distributors	170,380,451	167,040,825
Processors	64,821,433	107,694,038
Export dealer	70,633,287	63,408,422
Retail	43,303,035	50,184,170
Retail OBI	34,804,086	42,243,705
Occasional distributors	14,897,540	21,257,579
Constructors	9,723,047	4,919,483
Total	**672,330,589**	**711,126,448**

4. REVENUE AND OPERATING SEGMENTS (continued)

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 2023	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	500,999,773	76,074,221	48,846,437	46,410,158	672,330,589
Other operating income	1,310,890	-	13,912	509,711	1,834,513
Operating income, total	502,310,663	76,074,221	48,860,349	46,919,869	674,165,102
Raw materials, consumables used and merchandise*	(308,839,337)	(56,668,214)	(27,378,207)	(32,056,078)	(424,941,836)
Employee benefits expenses	(63,516,389)	(6,470,313)	(11,492,017)	(13,577,194)	(95,055,913)
Travel expenses	(22,582,408)	(1,956,316)	(4,398,404)	(1,343,716)	(30,280,844)
Expenses with utilities	(25,208,589)	(2,262,082)	(877,883)	(4,244,484)	(32,593,039)
Amortization and adjustments for the impairment of assets and provisions**	(23,210,026)	(2,981,708)	(1,167,859)	(5,642,462)	(33,002,055)
Adjustments for the impairment of current assets	(110,502)	-	(1,147,381)	296,176	(961,707)
Sponsorships	(1,015,629)	(121,600)	(20,912)	-	(1,158,141)
Other expenses	(28,588,996)	(2,581,478)	(3,126,501)	(3,505,136)	(37,802,111)
Expenses related to indirect sales and administrative expenses	(473,071,877)	(73,041,711)	(49,609,164)	(60,072,894)	(655,795,646)
Operating result	29,238,786	3,032,510	(748,814)	(13,153,025)	18,369,456
EBITDA* **	52,448,812	6,014,218	419,045	(7,510,563)	51,371,511
EBITDA %	10,5%	7,9%	0,9%	-16,2%	7,6%
Financial result	(9,114,628)	(823,652)	(1,225,278)	(2,003,718)	(13,167,276)
Corporate tax	(2,819,079)	(630,234)	-	(614,863)	(4,064,176)
Net result	**17,305,079**	**1,578,624**	**(1,974,092)**	**(15,771,606)**	**1,138,004**

*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 2023	Installations and recycling	Compounds	Joinery profiles	Flexible packaging	Unallocated amount	Total
Assets						
Total assets, out of which	**470,237,494**	**57,217,880**	**41,610,631**	**180,021,705**	**5,737,239**	**754,824,949**
Non-current assets	231,472,024	26,560,578	17,735,777	151,205,913	5,737,239	432,711,531
Current assets	238,765,470	30,657,302	23,874,854	28,815,792		322,113,418
Liabilities						
Total liabilities, out of which:	**239,715,113**	**29,018,944**	**29,115,267**	**144,294,929**	**-**	**442,144,254**
Non-current liabilities	73,049,906	6,459,917	5,050,015	87,225,691	-	171,785,530
Current liabilities	166,665,207	22,559,027	24,065,252	57,069,238	-	270,358,725
Additions of fixed assets	**11,685,681**	**2,398,395**	**215,650**	**90,399,125**		**104,698,852**

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.

In 2023, we put into use the production plant for polyethylene films for industrial use, which represents a capacity of over 14,000 tons annually. The equipment is state-of-the-art, with a high degree of robotization and automation of the production flow. The major investments completed in the last two years aim to diversify the field of activity, the geographical footprint of the Group, to increase energy independence and to replace virgin 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 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)**	**15,373,868**

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**

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

5. SUNDRY INCOME AND EXPENSES

Financial income and costs

	Year ended 31 December 2023	Year ended 31 December 2022
Interest expense	(13,132,823)	(9,940,197)
Interest income	4,253	66,482
Loss from foreign exchange differences, net	(977,700)	(85,224)
Dividend income	69,300	55,691
Other financial income	869,694	26,737
Net financial loss	**(13,167,276)**	**(9,876,511)**

The Group did not capitalize any borrowing cost in 2023 and 2022 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 63,900 (2022: RON 55,691).

Other operating income

	Year ended 31 December 2023	Year ended 31 December 2022
Compensations, fines and penalties	1,097,716	356,370
Other income	736,797	298,451
Total	**1,834,513**	**654,821**

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2023	Year ended 31 December 2022
Raw materials expenses	361,485,499	441,034,908
Consumables expenses	25,917,964	26,326,636
Merchandise expenses	37,546,438	37,961,537
Packaging expenses	2,387,970	1,721,542
Total	**427,337,871**	**507,044,623**

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

7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

	Year ended 31 December 2023	Year ended 31 December 2022
Income from the disposal of the tangible and intangible assets and investment property	871,570	2,485,885
Expenses with the disposal of tangible and intangible assets and investment property	(840,864)	(2,399,100)
Net loss from the disposal of tangible and intangible assets	**30,706**	**86,785**
Income from fair value measurement of investment property	439,021	559,154

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2023	Year ended 31 December 2022
Expenses with non-current assets impairment (IAS 36)	(5,091,967)	(3,156,884)
Income from reversal of non-current assets impairment (IAS 36)	401,942	412,830
Amortization and depreciation expenses (Notes 11 and 12 (IAS 36)	(37,175,173)	(28,783,672)
Net adjustments for non-current assets impairment	**(41,865,198)**	**(31,527,728)**
Inventory impairment expenses (IAS 36)	(1,164,447)	(2,287,535)
Income from inventory impairment reversal (IAS 36)	640,369	759,649
Net adjustments for inventory impairment (Note 14)	**(524,078)**	**(1,527,886)**
Expenses with allowance for doubtful debts (IFRS 9)	(2,304,685)	(4,835,176)
Income from impairment reversal (IFRS 9)	3,511,040	3,302,732
Receivables charged to expenses (IFRS 9)	(1,643,984)	(2,293,638)
Net adjustments for doubtful debts (Note 15)	**(437,629)**	**(3,826,082)**
Provisions (IAS 36)	-	(46,424)
Revenues from provisions reversal / cancellation (IAS 36)	427,515	367,318
Net adjustments for provisions	**427,515**	**320,894**

(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 2023	**Year ended 31 December 2022**
Wages	86,134,824	75,843,437
Contributions to the public social security fund	2,694,558	3,052,358
Meal tickets	6,226,531	4,660,340
Total, as presented on line "Employee benefit expenses"	**95,055,913**	**83,556,135**

In 2023, the average number of employees was 945 (2022: 942).

Remuneration of the Board of Administration

The members of the Board of Administration of TeraPlast were reelected at the OGMS of 14 September 2023, with a 4-year mandate (14 September 2023 - 14 September 2027). The Chairman of the Board of Administration elected by the Board members is Mr. Dorel Goia, with a 4-year mandate, the same with the other administrators. Currently, 3 out of 5 administrators are independent.
The senior management of the TeraPlast Group consists of Mr. Alexandru Stânean, with a 4-year mandate, as of 2 July 2020, Chief Executive Officer, and Ms. Ioana Birta, Chief Financial Officer, whose mandate is valid until September 2027.

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 2023	Year ended 31 December 2022
Expenses with third party services	16,027,150	14,157,212
Expenses with compensations, fines and penalties	122,293	574,169
Entertainment, promotion and advertising expenses	4,119,184	2,406,923
Other general expenses	2,718,799	1,376,467
Expenses with other taxes and duties	2,714,141	2,259,950
Repair expenses	5,890,535	5,113,452
Travelling expenses	1,172,513	983,346
Rent expenses	1,667,821	1,923,242
Mail and telecommunication expenses	551,159	505,071
Insurance premium expenses	2,818,516	1,763,736
Total	**37,802,111**	**31,063,568**

The value of the auditor's fee was RON 536,358 in 2023 (2022: RON 441,000).

11. INCOME TAX

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

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax	**5,202,180**	**16,556,070**
Income tax calculated (16%)	832,349	2,648,971
Elements similar to income	299,137	63,572
Deductions	(6,236,972)	(4,840,802)
Non-taxable income	(897,461)	(1,502,199)
Non-deductible expenses	8,007,933	9,513,171
Sponsorships, reinvested profit (tax credit)	(2,030,569)	(3,678,892)
Credit from tax loss used	(3,799,699)	(709,643)
Bonus as per GEO 153/2020	(423,086)	(311,974)
Total income tax at effective rate of 7.1% (2021: 10.8%)	**4,248,368**	**1,182,203**
Current income tax recognised in the statement of comprehensive income – expense	3,423,151	2,408,290
Deferred income tax – expense/ (benefit)	641,024	(1,226,088)
Total income tax - expenses	**4,064,176**	**1,182,202**

The tax rate applied for the reconciliation above for 2023 and 2022 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	
	31.12.2022	**31.12.2023**	**2022**	**2023**	**2022**	**2023**
Property, plant and equipment and investment property	(3,071,961)	(3,029,190)	9,871	(20,557)	(63,572)	(63,327)
Investments in subsidiaries	-	-	-	-	-	-
Employees' benefits payables	252,934	252,934	(20,332)	-	-	-
Trade and other payables	690,406	684,800	177,795	(5,605)	-	-
Tax loss carried forward/recovered/profit reinvested	-	-	-	-	-	-
DTA tax loss Teraglass and TeraBio 2021/2022	2,426,698	1,811,836	1,393,421	(614,863)	-	-
Total	**298,077**	**(279,620)**	**1,560,754**	**(641,025)**	**(63,572)**	**(63,327)**

(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 2023	11,993,270	98,249,929	363,685,304	4,126,037	19,661,330	497,715,871
Increases:	1,382,040	2,997,411	4,039,276	40,970	96,239,156	104,698,852
Transfers to/ from non-current assets in progress	-	8,799,315	44,748,284	102,328	(54,033,191)	-
Transfers related to right-of-use	-	-	(961,872)	-	-	(961,872)
Disposals and other decreases	(560,826)	(1,824,322)	(1,994,308)	-	(273,831)	(4,653,288)
Balance at 31 December 2023	**12,814,483**	**108,222,333**	**409,516,684**	**4,269,335**	**61,593,464**	**596,416,300**
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**

(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 2023	**2,073**	**7,202,609**	**149,912,702**	**1,213,503**	**1,255,176**	**159,586,063**
Depreciation during the year	346	8,094,890	29,209,861	677,909	-	37,983,007
Disposals and decreases	-	(214,742)	(1,242,247)	-	-	(1,456,988)
Impairment	-	(3,595)	333,354	(1,273)	(239,741)	88,746
Net transfers of right-of-use assets	-	-	(1,196,562)	-	-	(1,196,562)
Balance at 31 December 2023	**2,419**	**15,079,163**	**177,017,110**	**1,890,139**	**1,015,435**	**195,004,266**
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**
NET CARRYING AMOUNT						
Net carrying amount at 31 December 2023	**12,812,064**	**93,143,171**	**232,499,574**	**2,379,196**	**60,578,029**	**401,412,034**
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**

(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 2023	**10,760,406**	**851,079**	**11,611,485**
Increases	451,758	616,046	1,067,804
Transfers into / from tangible assets in progress	898,247	(898,247)	-
Disposals/decreases	-	-	-
Balance at 31 December 2023	**12,110,411**	**568,878**	**12,679,290**
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	-	-	-
Increases from purchase of Somplast	-	-	-
Balance at 31 December 2022	**10,760,406**	**851,079**	**11,611,485**
Accumulated amortisation			
Balance at 1 January 2023	**7,839,501**	**-**	**7,839,501**
Amortization expense	917,381	-	917,381
Impairment	(39,501)	-	(39,501)
Decreases	-	-	-
Balance at 31 December 2023	**8,717,831**	**-**	**8,717,831**
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**
Net carrying amount			
At 31 December 2023	**3,392,581**	**568,878**	**3,961,459**
At 31 December 2022	**2,920,905**	**851,079**	**3,771,984**

(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	Total
Balance at 1 January 2023	**9,942,227**	**2,448,430**	**12,035,787**	**24,426,443**
Additions	11,287,182	1,792,656	1,485,309	14,565,147
Disposals	(10,275,623)	(1,651,631)	(523,437)	(12,450,692)
Balance at 31 December 2023	**10,953,785**	**2,589,454**	**12,997,659**	**26,540,898**
Amortisation				
Balance at 1 January 2023	**4,002,545**	**567,048**	**2,033,979**	**6,603,572**
Amortisation expenses (Note 8)	2,278,401	617,144	1,720,003	4,615,549
Decreases	(3,506,079)	(666,448)	(523,437)	(4,695,964)
Balance at 31 December 2023	**2,774,868**	**517,744**	**3,230,545**	**6,523,157**
Carrying amount at 1 January 2023	**5,939,682**	**1,881,382**	**10,001,807**	**17,822,871**
Carrying amount at 31 December 2023	**8,178,917**	**2,071,710**	**9,767,113**	**20,017,741**

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

	2023	**2022**
Amortization expense	4,615,549	3,265,900
Interest expense on lease liabilities	451,211	367,869

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

15. SUBSIDIARIES AND FINANCIAL INVESTMENTS

As at 31 December 2023 and 31 December 2022, the parent company has the following investments:

Subsidiary	Country	Shareholding	31 December 2023	Shareholding	31 December 2022
		%	*LEI*	*%*	*LEI*
TeraGlass Bistrița SRL	Romania	100	8,468,340	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	23,000,000	100	10,100,000
Teraplast Magyarorszag KFT	Hungary	100	36,492	100	36,492
TeraGreen Compound SRL	Romania	100	98,832	100	98,832
Teraverde Carbon SRL	Romania	100	10,000	-	-
		-	**48,277,414**	**-**	**30,367,414**

Other long-term equity investments

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

Investment name	Country	Investment share	31 December 2023	Investment share	31 December 2022
		%	*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 2023	Balance at 31 December 2022
Finished goods	63,089,270	63,079,752
Raw materials	56,014,991	51,325,425
Commodities	11,845,653	9,184,846
Consumables	6,656,750	6,201,126
Inventory items	363,808	339,349
Semi-finished goods	3,511,262	2,669,734
Residual products	2,655,246	1,283,995
Goods to be purchased	12,424	194,634
Work in progress	198,560	
Packaging	975,021	877,513
Inventories – gross value	**145,322,985**	**135,156,374**
Value adjustments for raw materials and consumables	(1,637,798)	(2,245,425)
Value adjustments for finished products	(3,883,413)	(2,940,662)
Value adjustments for merchandise	(1,038,751)	(849,796)
Total value adjustments	**(6,559,961)**	**(6,035,883)**
Total inventories – net value	**138,763,024**	**129,120,491**

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 2023	**Balance at 31 December 2022**
Short-term receivables		
Trade receivables	118,746,369	108,951,974
Trade notes not exigible	42,875,755	38,381,908
Advances paid to suppliers of non-current assets	7,942,919	7,380,625
Advances paid to suppliers of inventories and services	5,350,769	10,903,090
Advances paid to employees	-	3,506
Other receivables	4,314,935	6,144,493
Loss allowance	(16,876,945)	(18,083,289)
Balance at the end of the year	**162,353,802**	**153,682,307**

The total receivables at 31 December 2023 of RON 162,353,802 (2022: RON 153,682,307) includes the amount of RON 7,942,919 representing long-term receivables – advances to suppliers of non-current assets (2022: RON 7,380,625).

The changes in adjustment for impairment on doubtful receivables

	31 December 2023	**31 December 2022**
	RON	***RON***
Balance at the beginning of the year	**(18,083,288)**	**(16,550,843)**
Receivables written-off during the year	1,643,984	2,293,638
Impairment adjustment charged to statement of comprehensive income for trade receivables	(437,640)	(3,826,083)
Balance at the end of year	**(16,876,945)**	**(18,083,288)**

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 60 days.

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

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date. The Group's receivables are pledged in full in favour of the financing banks.

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

18. INVESTMENT PROPERTY

At 31 December 2023 and 31 December 2022, 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 5,737 thousand (RON 4,915 thousand at 31 December 2022).

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 2023	Balance at 31 December 2022
Opening balance	**4,914,955**	**4,355,802**
Increases/(Decreases)	383,264	-
Net gains/ (loss) on the valuation of investment property at fair value (Note 7)	439,021	559,153
Closing balance	**5,737,239**	**4,914,955**

19. SHARE CAPITAL

	Balance at 31 December 2023	Balance at 31 December 2022
	RON	***RON***
Common shares paid in full	217,900,036	217,900,036

As at 31 December 2023, the value of the share capital subscribed and paid up of the Company included 2,179,000,358 (2022: 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 (2022: 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 2023		Balance at 31 December 2022	
	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 2023	31 December 2022	31 December 2023	31 December 2022
Employee benefits	-	-	-	1,956,847
Provisions for risks and charges	525,125	952,640	1,956,847	-
Total	**525,125**	**952,640**	**1,956,847**	**1,956,847**

Long-term employee benefits	**Financial year ended 31 December 2023**
Opening balance	1,956,847
Movements	-
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 2023 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute. The Group's management considered that the values revealed by the report at 31 December 2023 are insignificantly different from the values at 31 December 2022 and decided not to change the already registered provision.

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 2023	**Balance at 31 December 2022**
Trade payables	82,624,841	62,816,152
Trade notes payable	1,772,216	1,492,748
Liabilities from the purchase of non-current assets	11,531,096	11,221,341
Other current payables	13,660,211	11,646,492
Advance payments from clients	693,614	763,524
Total	**110,281,978**	**87,940,257**

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 6,907,640 at 31 December 2023 (31 December 2021: RON 8,371,526) represents the debt of RON 6,663,118 to E.On for the solar cells and the debt of RON 244,522 to Autosoft Engenerring SRL for the purchase of machinery.

21.1 OTHER CURRENT LIABILIITES

	Balance at 31 December 2023	**Balance at 31 December 2022**
Salary-related payables to employees and social security payables	12,436,237	10,529,188
VAT payable	143,402	42,237
Unclaimed employee rights	-	587
Other creditors	265,929	79,859
Commercial guarantees received	71,655	71,655
Other taxes payable	697,438	877,416
Dividends payable	45,550	45,550
Total	**13,660,211**	**11,646,492**

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

22. LOANS FROM BANKS

The bank loans at 31 December 2023 and 31 December 2022 are as follows:

Teraplast SA

Financing bank	Type of financing	Origination date	Balance at 31 December 2022	Balance at 31 December 2023	Short term at 31 December 2023	Long term at 31 December 2023	Period
Banca Transilvania	Working capital	07.06.2022	45,782,374	45,450,373	45,450,373	-	12 MONTHS
BCR	Working capital	30.09.2023	43,653,579	35,578,578	35,578,578	-	12 MONTHS
Banca Transilvania	Investments	20.04.2017	3,176,671	1,058,890	1,058,890	-	84 MONTHS
Banca Transilvania	Investments	07.03.2019	3,675,720	1,225,240	1,225,240	-	60 MONTHS
Banca Transilvania	Investments	30.03.2020	4,298,427	1,842,183	1,842,183	-	60 MONTHS
Banca Transilvania	Investments	23.12.2020	9,235,266	8,665,573	3,851,366	4,814,207	72 MONTHS
Banca Transilvania	Investments	15.03.2021	6,789,841	11,691,492	4,676,597	7,014,895	60 MONTHS
Banca Transilvania	Investments	28.04.2023	-	2,857,806	952,602	1,905,204	60 MONTHS
Banca Transilvania	Investments	09.10.2023	-	5,159,204	1,031,840	4,127,363	60 MONTHS
TOTAL			**116,611,878**	**113,529,339**	**95,667,669**	**17,861,669**	

Teraplast Recycling SA

Financing bank	Type of financing	Origination date	Balance at 31 December 2022	Balance at 31 December 2023	Short term at 31 December 2023	Long term at 31 December 2023	Period
Banca Transilvania	Investment	11.10.2021	2,801,623	2,098,717	708,239	1,390,478	60 MONTHS
Banca Transilvania	Investment	09.10.2023	-	49,179,502	-	49,179,502	60 MONTHS
Banca Transilvania	Investment, bridge loan	09.10.2023	-	23,825,220	23,825,220	-	12 MONTHS
TOTAL			**2,801,623**	**75,103,439**	**24,533,459**	**50,569,980**	

(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
Exim	Investments	23.09.2019	2,728,145	1,981,160	771,739	1,209,421	60 MONTHS
Banca Transilvania	Working capital	08.07.2021	10,680,155	11,926,809	11,926,809	-	12 MONTHS
BCR Bank	Working capital	23.12.2020	5,270,669	3,918,040	3,918,040	-	12 MONTHS
TOTAL			**18,678,969**	**17,826,009**	**16,616,588**	**1,209,421**	

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	24,242,260	19,500,432	4,955,076	14,545,357	60 MONTHS
BCR	Investments	29.04.2021	9,034,271	-	-	-	12 MONTHS
BCR	Working capital	29.11.2021	4,699,164	2,245,986	2,245,986	-	12 MONTHS
BCR	Working capital	29.11.2021	10,000,000	9,933,139	9,933,139	-	12 MONTHS
TOTAL			**47,984,695**	**31,679,558**	**17,134,201**	**14,545,357**	

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	4,550,305	1,441,143	1,441,143	-	12 MONTHS
TOTAL			**190,627,470**	**239,579,487**	**155,393,060**	**84,186,427**	

(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 2023	**31 December 2022**
Present value of minimum lease payments		
Amounts payable in one year	3,465,029	2,783,758
More than one year but less than five years	9,495,553	7,248,027
Total lease liabilities	**12,960,582**	**10,031,785**
Of which, liabilities with right-of-use assets		
Amounts payable in one year	2,728,302	2,143,844
More than one year but less than five years	7,668,827	5,893,504
Total liabilities with right-of-use assets	**10,397,129**	**8,037,348**

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 2023	Amortised cost 31 December 2022
Non-current		
Long term receivable	1,567,558	1,843,922
Other financial instruments measured at amortized cost	15,500	15,500
Current		
Trade receivable	162,353,802	153,682,307
Cash	18,879,289	10,713,209
Prepayment	1,136,301	825,641

(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 2023 and 2022 was as follows:

	2023	2022
Bank loans and finance lease payables (notes 22 and 23)	252,540,069	200,659,255
Less cash and cash equivalents	(18,879,289)	(10,713,209)
Net debt	233,660,780	189,946,046
Total equity	**312,680,694**	**309,479,173**
Total equity and net debt	**546,341,474**	**499,425,219**
Gearing ratio	43%	38%

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)	**(12,046,973)**	**12,046,973**

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.

(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%).

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

24. FINANCIAL INSTRUMENTS (continued)

(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, 2023	**Balance at December 31, 2022**
Analysis of trade receivables and bills of exchange:	***RON***	***RON***
Non-payable	136,486,968	132,515,627
Overdue, but not impaired	27,434,392	23,010,604
Impaired and fully provisioned	16,876,945	18,083,291
Total	**180,798,306**	**173,609,521**
Overdue, but not impaired		
Up to 3 months	21,481,018	15,295,215
From 3 to 6 months	817,297	1,693,810
From 6 to 9 months	1,711,481	481,964
More than 9 months	3,424,596	5,539,615
Total	**27,434,392**	**23,010,604**
Impaired and fully provisioned		
Up to 6 months	1,455,933	2,711,601
From 6 to 12 months	4,270,880	2,910,297
More than 12 months	11,150,133	12,461,392
Total	**16,876,945**	**18,083,291**

(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.

2023

	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	(57,614,578)	(37,890,784)	(7,062,487)	(3,355,254)	(2,349,792)	(1,963,534)	(110,236,428)
Interest-bearing instruments							
Short and long-term loans	(1,835,050)	(6,807,832)	(150,110,950)	(41,804,437)	(26,240,802)	(25,740,998)	(252,540,069)
Future interest on loans	(285,767)	(1,415,496)	(3,548,831)	(6,653,821)	(3,615,718)	(1,839,230)	(17,358,863)
Non-interest bearing							
Cash and cash equivalents	18,879,289	-	-	-	-	-	18,879,289
Receivable	86,845,050	73,975,425	1,533,327	999,360	363,270	204,929	163,921,360

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

25. RELATED PARTY TRANSACTIONS

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

31 December 2023

Subsidiaries

- Teraglass Bistrita SRL
- TeraPlast Recycling SA
- TeraBio Pack Srl
- Somplast SA
- Teraplast Magyarorszag KFT
- TeraGreen Compound SRL
- Teraverde Carbon 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
- Compa SA
- Magazin Universal Maramures SA
- LCS Imobiliar SA
- Libra Internet Bank

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation.
In 2023 and 2022, 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 2023	31 December 2022
	RON	*RON*
Cash in bank accounts	18,631,285	10,470,326
Cash on hand	62,479	31,325
Cash equivalents	185,525	211,558
Total	**18,879,289**	**10,713,209**

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, TeraGlass Bistrita SRL, and TeraBio Pack SRL. There are no unfulfilled conditions or other contingencies associated with such subsidies.

	2023	2022
At 1 January	**60,566,288**	**34,383,655**
Additions of subsidies	23,932,728	30,437,388
Transferred to statement of comprehensive income	(7,938,401)	(4,254,755)
At 31 December	**76,560,615**	**60,566,288**
Current	7,601,172	5,438,448
Non-current	68,959,443	55,127,841

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 2023, the Company registers unused credit facilities in amount of RON 23,380,080 (31 December 2022: RON 21,115,545) and did not register unused investment loans (31 December 2022: RON 53,536,866).

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 106,034,674 (31 December 2022: RON 103,210,462) 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, 2023 the Company received the State aid in amount of RON 15,675,695. In December 2022, the Company filed the last application for reimbursement in amount of RON 3,301,044, which was disbursed in March 2023.

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 was filed and disbursed in September 2023.

Teraglass Bistrita SRL

Unused credit facilities
At 31 December 2023, the Company registers unused credit facilities in amount of RON 571,415 (31 December 2022: RON 3,091,662).

Guarantees for bank loans

At 31 December 2023, tangible assets and investment properties with a net book value of RON 8,928,774 (31 December 2022: RON 10,990,048) 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 2023, the Company registers unused credit facilities in amount of RON 12,000,000 (31 December 2022: RON 3,000,000).

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 60,997,357 (31 December 2022: RON 3,657,679) 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. On 9 October 2023, the Company contracted a loan worth EUR 11.232 million and a bridge loan worth EUR 4.785 million, which will be repaid from the State aid for supporting 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 filed an application for reimbursement on 29 Dceember 2023 worth RON 16,933,591.

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 2023, the Company registers unused credit facilities in amount of RON 2,820,874 (31 December 2022: RON 300,837).

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 44,606,704 (31 December 2022: 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 was disbursed 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 3,558,857 is not used at 31 December 2023 (31 December 2022: RON 449,695).

30. SUBSEQUENT EVENTS

On 1 February 2024, TeraPlast SA signed an agreement with the Uhl family in Austria for the acquisition of Wolfgang Freiler group and completed the purchase of the majority stake in Palplast Călărași, Republic of Moldova. The turnover of Palplast in 2022 reached EUR 2 million. The company holds two production lines for high-density polyethylene pipes intended for the water and gas supply networks.

The parties set the transaction value at EUR 1.8 million of which EUR 1 million represents contribution of TeraPlast SA to the capital of Palplast Moldova and EUR 800 thousand were paid in January 2024 to the existing shareholder. The shareholding will thus be represented by TeraPlast, with a 51% ownership and Fribourg Capital, the current shareholder, with a 49% ownership.
The EUR 1 million will be used by Palplast Moldova to diversify the production capacity and extend the existing logistical platform.

In February 2024, TeraPlast signed an agreement with the Uhl family (the "Seller") from Austria for the acquisition of the Wolfgang Freiler Group. The agreement involves the sale to TeraPlast of the shares held by the Seller in the entities that make up the Wolfgang Freiler Group. Polytech and Pro-Moulding, the two subsidiaries of the Wolfgang Freiler Group, carry out production activities on the territory of Hungary, while Freiler manages the distribution activity. Polytech manufactures high-end pipes for the protection of electrical cables and optical fiber. Pro-Moulding specializes in plastic injection. Another entity of the Group owns an extensive industrial base spread on 5 hectares of land and warehouses in the south-west of Hungary. The products are sold on the markets of Hungary, the Czech Republic, Austria, Germany and France, where the companies hold strong market positions. Following the transaction, the 144 employees of the Freiler Group will join the TeraPlast Group team.

In 2022, Freiler registered a turnover of EUR 31 million and an EBITDA of almost EUR 4 million, which means an EBITDA margin of 12%.

The agreement concluded is subject to usual prerequisites, agreed upon in the agreement signed by both parties. The transation wa approved by the Extraordinary General Meeting of Shareholders ("EGMS") of TeraPlast in March 2024. The tramsaction price was set at EUR 16.5 million, plus an "earn-out" mechanism depending on the EBITDA performance of the subsidiaries acquired in 2024. The EUR 16.5 million for the acquisition will come from mixed sources (internal funds and bank loan).

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:

12 February 2024
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO