TERAPLAST SA

SEPARATE FINANCIAL STATEMENTS

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

AS AT AND FOR THE YEAR ENDED
31 DECEMBER 2023

TERAPLAST SA
Separate Financial Statements
Prepared in accordance with the
International Financial Reporting Standards
31 December 2023

CONTENTS: **PAGE:**

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

Caption	Note	Financial year: 31 December 2023	31 December 2022
Total revenues – of which:	**4**	**570,726,340**	**586,223,556**
Revenue from sale of finished products		*519,428,783*	*535,500,327*
Revenue from the sale of merchandise		*50,057,034*	*49,299,195*
Revenue from services		*1,240,523*	*1,424,034*
Other operating income (including rent)	5	2,617,662	2,515,683
Income from investment subsidies	31	4,962,381	2,521,928
Changes in inventory of finished goods and work in progress		1,089,552	11,867,505
Raw materials, consumables used and merchandise	6	(372,912,296)	(426,894,615)
Employee benefit expenses	9	(64,003,598)	(54,158,678)
Transport expenses		(23,591,940)	(21,750,791)
Utilities expenses		(24,490,169)	(14,789,751)
Amortization and the adjustments for impairment of non-current assets, net	8	(27,604,508)	(21,362,631)
Impairment of current assets, net	8	(4,070,297)	(4,542,826)
Net provisions	23, 24	398,311	1,058,682
Gains from the disposal of tangible and intangible assets	7	18,401	2,045
Gains from fair value measurement of investment properties	16	740,010	1,922,167
Sponsorships, donations		(1,122,229)	(1,676,453)
Other operating expenses	11	(26,379,396)	(20,478,609)
Operating result		**36,378,225**	**40,457,212**
Interest expense, net	10	(7,725,342)	(5,785,572)
FX differences expenses, net	10	(649,380)	(554,869)
Other financial income, net	10	840,180	639,487
Dividends received	10	69,300	3,554,029
Financial result		**(7,465,242)**	**(2,146,925)**
Profit before tax		**28,912,983**	**38,310,287**
Income tax expense	12	(3,449,313)	(2,306,716)
Profit for the year		**25,463,670**	**36,003,571**
Average number of shares		2,179,000,358	2,179,000,358
Basic and diluted earnings per share		**0,0117**	**0,0165**

Signed and approved:

15 March 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	13	209,359,293	221,107,304
Investment property	16	19,349,750	18,226,476
Intangible assets	14	2,383,281	2,354,118
Right of use of the leased assets	15	20,015,022	17,775,451
Investments in subsidiaries	17	48,181,075	30,269,152
Other equity investments	17	15,400	15,400
Long-term receivables	19	29,846,773	26,117,832
Total non-current assets		**329,150,594**	**315,865,733**
Current assets			
Inventories	18	106,924,152	99,325,133
Trade and other receivables	19	173,198,701	136,724,452
Prepayments		707,664	677,079
Cash and cash equivalents	28	1,077,764	2,578,158
Total current assets		**281,908,280**	**239,304,822**
Total assets		**611,058,875**	**555,170,555**
EQUITY AND LIABILITIES			
Equity			
Share capital	**20**	217,900,036	217,900,036
Treasury shares		-	(495,209)
Revaluation reserves		12,780,290	12,716,963
Legal reserve		32,640,705	30,997,771
Retained earnings		80,000,262	56,166,628
Total equity		**343,321,292**	**317,286,189**
Non-current liabilities			
Bank loans	21	17,861,669	15,369,845
Lease liabilities	22	9,495,552	7,213,261
Other non-current liabilities	25	6,907,640	8,371,526
Employee benefit liabilities	23	1,580,838	1,580,838
Investment subsidies – long-term portion	31	42,556,574	33,260,035
Deferred tax liabilities	12	1,783,644	1,820,809
Total non-current liabilities		**80,185,917**	**67,616,314**
Current liabilities			
Trade and other payables	25	83,293,559	62,127,438
Bank loans	21	95,667,669	101,242,033
Lease liabilities	22	3,430,264	2,741,137
Investment subsidies - current portion	31	4,643,473	3,188,847
Provisions	24	516,700	915,011

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

	Note	31 December 2023	31 December 2022
Income tax payable		-	53,586
Total current liabilities		**187,551,665**	**170,268,052**
Total liabilities		**267,737,583**	**237,884,366**
Total equity and liabilities		**611,058,875**	**555,170,555**

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

	Share capital	Treasury shares	Revaluation reserves	Legal reserves	Retained earnings	Total
Balance as at 1 January 2023	**217,900,036**	**(495,209)**	**12,716,963**	**30,997,771**	**56,166,628**	**317,286,189**
Net result for the year					25,463,670	25,463,670
Legal reserve setting (Note 20)				1,642,934	(1,642,934)	-
Dividends paid and share capital increase						
Losses on sale of treasury shares bought back					12,897	12,897
Own shares bought back		(1,051,145)				(1,051,145)
Options exercised		1,546,354				1,546,354
Reserves representing revaluation surplus			63,327			63,327
Balance as at 31 December 2023	**217,900,036**	**-**	**12,780,289**	**32,640,705**	**80,000,262**	**343,321,291**

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

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

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

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

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

Indirect method		**2023**	**2022**
Cash flows from operating activities:			
Profit before tax		28,912,983	38,310,287
Interest expense, net		7,725,342	5,785,572
Gains from sale or disposal of fixed assets		(18,401)	(2,046)
Impairment of trade receivables		3,359,491	3,263,897
Inventory impairment		710,805	1,278,929
Impairment and amortization of non-current assets, net		27,604,508	21,362,630
Provisions, net		(398,311)	(1,058,682)
Gains from the revaluation of investment property		(740,010)	(1,922,168)
Income from dividends		(69,300)	(3,554,029)
Operating profit before changes in working capital		**67,087,107**	**63,464,390**
Changes in working capital:			
Decrease/ (Increase) in trade and other receivables (Note 30)		(39,864,325)	16,760,355
Increase in inventories (Note 30)		(8,309,825)	(8,851,263)
Decrease/(Increase) in trade and other payables (Note 30)		23,641,413	(12,083,623)
Interest paid		(7,725,342)	(5,785,572)
Income tax paid (Note 30)		(5,050,934)	(2,788,833)
Income from subsidies		(4,962,381)	(2,500,946)
Cash (used in)/generated by operating activities		**24,815,714**	**48,214,507**
Net cash flows used for investment*:*			
Dividends received		69,300	3,554,029
Payments for acquisition of tangible and intangible assets (Note 30)		(19,843,248)	(81,778,000)
Receipts under State aid		15,686,048	18,291,297
Receipts from the sale of tangible assets (Note 30)		943,872	2,417,656
Increase of subsidiaries' share capital		(17,911,923)	-
Net cash generated by/(used in) investing activities		**(21,055,951)**	**(57,515,017)**
Cash flows from financing activities:			
Draw-downs/(Repayment) of loans, net		(3,082,540)	43,703,862
Lease payments		(1,126,470)	(511,415)
Dividends paid			(32,684,967)
Buy-back of shares		(1,051,145)	(926,616)
Net cash generated by /(used in) financing activities		**(5,260,156)**	**9,580,865**
Net changes in cash and cash equivalents		**(1,500,394)**	**280,353**
Cash and cash equivalents at the beginning of the financial year	**28**	**2,578,158**	**2,297,805**
Cash and cash equivalents at the end of the financial year	**28**	**1,077,764**	**2,578,158**

Signed and approved:

15 March 2024
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

1. GENERAL INFORMATION

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

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

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

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

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors,
- TeraPlast Recycling SA – PVC recycler,
- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging,
- Teraplast Magyarország – distributor of TeraPlast's products in Hungary,
- Somplast SA – the Company holds production halls that it leases to TeraBioPack and TeraPlast Recycling. At 31 December 2022, the Company does not register any more production, since the production of installations is integrated in TeraPlast and the production of flexible polyethylene packaging is integrated in TeraBio Pack. TeraPlast exercises control of the company and consolidates the financial statements of Somplast as of 1 April 2021.
- TeraGreen Compound and Teraverde Carbon – inactive companies.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1. Statement of compliance

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

2.2. Basis of accounting

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

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

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

2.3. Going concern

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

At 31 December 2023, the Company's current assets exceed the current liabilities by RON 94,356,615 (31 December 2022: RON 69,036,770). In 2023, registered profit of RON 25,463,670 (2022: RON 36,003,571) and cash flows from operating activities (before changes to working capital) of RON 67,087,107 (2022: RON 63,464,390). The Company depends on the financing of banks, as mentioned in Note 21.

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

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

2.4. Standards, amendments and new interpretations of the 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4. Standards, amendments and new interpretations of the 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).

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and cash equivalents

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

Revenue recognition

Revenues from contracts with customers

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

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

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

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

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

The Company as lessee

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as lessor

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

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

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

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

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

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

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

Foreign currency transactions

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

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

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

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

	31 December 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 Company.

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

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

	Years
Licenses	1 – 5

Impairment of tangible and intangible assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of tangible and intangible assets (continued)

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

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

Non-current assets held for sale

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

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

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

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

Inventories

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in subsidiaries

Investments in subsidiaries represent shares owned in these entities.

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

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

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

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

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

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

Acquisition of activities from controlled entities

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

Share capital

Common shares are classified in equity.

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

Dividends

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

Provisions

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Segment reporting

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

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

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

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

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

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

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

Subsequent measurement

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent measurement (continued)

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

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

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

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

Impairment of financial assets

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

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

<u>Significant increase in credit risk</u>

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant increase in credit risk (continued)

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

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

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

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

Definition of default

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

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

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

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of assets and liabilities

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Impairment of intangible and tangible assets

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

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

- the relationship between its market capitalization and its book value
- the operating performance, for which the group used EBITDA as KPI, remained at 14%, the same compared to the prior year, while revenue increased on all business lines, through organic growth
- utilization of production capacity increased on all CGUs

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment property

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

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

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

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

4. REVENUE AND OPERATING SEGMENTS

Geographical analysis

	Year ended 31 December 2023	Year ended 31 December 2022
Sales on the domestic market (Romania)	519,318,046	549,260,435
Sales on the foreign market	51,408,294	36,963,121
Total	**570,726,340**	**586,223,556**

4. REVENUE AND OPERATING SEGMENTS (continued)

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

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

The portfolio of products of Teraplast that continue their activity is structured on two business lines: **installations and compounds.**

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

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

BUSINESS LINES

Installations

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

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

The company has a long history of market innovations:

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

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

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

Compounds

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

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

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

Year ended 31 December 2023	**Installations**	**Compounds**	**Unallocated amounts**	**Total**
Total income	**496,570,957**	**74,155,383**	**-**	**570,726,340**
Expenses with indirect sales and administrative	(465,529,613)	(68,818,502)	-	(534,348,115)
Operating result	**31,041,344**	**5,336,881**	**-**	**36,378,225**
Financial result	(9,383,867)	(823,652)	2,742,277	(7,465,242)
Profit before tax	**21,657,477**	**4,513,229**	**2,742,277**	**28,912,983**
Operating assets	**511,705,997**	**50,141,232**	**49,211,923**	**611,059,152**
Non-current assets	257,962,688	21,975,983	49,211,923	329,150,594
Current assets	253,743,309	28,165,249		281,908,557
Operating liabilities	**238,870,964**	**28,866,618**		**267,737,583**
Non-current liabilities	73,729,100	6,456,818		80,185,917
Current liabilities	165,141,865	22,409,801		187,551,665
Additions of fixed assets	11,685,681	2,398,395		14,084,076

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Year ended 31 December 2022	Installations	Compounds	Unallocated amounts	Total
Total income, including other operating income and income from subsidies	**474,784,916**	**116,476,250**	**-**	**591,261,167**
Expenses with indirect sales and administrative	(443,894,725)	(106,909,230)	-	(550,803,955)
Operating result	**30,890,191**	**9,567,020**	**-**	**40,457,212**
Financial result	(4,992,056)	(708,898)	3,554,029	(2,146,925)
Profit before tax	**25,898,136**	**8,858,122**	**3,554,029**	**38,310,287**
Operating assets	**423,990,322**	**56,566,773**	**74,613,460**	**555,170,555**
Non-current assets	217,234,255	24,018,018	74,613,460	315,865,733
Current assets	206,756,067	32,548,755	-	239,304,822
Operating liabilities	**206,080,304**	**31,804,062**	**-**	**237,884,366**
Non-current liabilities	60,898,748	6,717,566	-	67,616,314
Current liabilities	145,181,556	25,086,496	-	170,268,052
Additions of fixed assets	54,328,334	4,834,573		59,162,907

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

5. OTHER OPERATING REVENUES

The Company as a lessor

Disclosure required by IFRS 16

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

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

Income from the lease of properties obtained in 2022 were in amount of RON 1,917,642 (2021: RON 1,578,767). Such annual income will be maintained in the following years, assuming that no changes will be made to the lease contract between TeraPlast and TeraGlass, the subsidiary that leases from TeraPlast the production warehouse where it runs its activity.

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

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

	Year ended 31 December 2023	**Year ended 31 December 2022**
Raw material expenses	(314,429,960)	(370,649,818)
Consumable expenses	(19,712,385)	(19,312,967)
Commodity expenses	(36,822,368)	(35,627,542)
Consumed packaging	(1,947,584)	(1,304,289)
Total	**(372,912,296)**	**(426,894,615)**

7. GAINS/(LOSSES) ON THE DISPOSAL OF TANGIBLE AND INTANGIBLE ASSETS

	Year ended 31 December 2023	**Year ended 31 December 2022**
Income from the sale of assets	943,872	2,417,656
Expenses with the disposal of tangible and intangible assets and investment property	(925,471)	(2,415,611)
Expenses with fair value measurement of non-current assets		-
Total	**18,401**	**2,045**

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

	Year ended 31 December 2023	**Year ended 31 December 2022**
Expenses with allowance for doubtful debts (IFRS 9)	969,532	536,694
Income from impairment reversal (IFRS 9)	4,742,909	3,419,411
Receivables charged to expenses (IFRS 9)	(2,352,949)	(692,208)
Net adjustments for doubtful debts	**3,359,491**	**3,263,897**
Increase carried to the separate statement of comprehensive income	710,805	1,278,929
(Decrease) carried to the separate statement of comprehensive income	-	-
Inventory impairment	**710,805**	**1,278,929**
Total impairment of current assets	**4,070,297**	**4,542,826**
Expenses with non-current assets impairment (IAS 36)	300,467	278,898
Amortization and depreciation expenses (Notes 13 and 14) (IAS 36)	(27,904,975)	(21,641,529)
Net adjustments for non-current assets impairment	**(27,604,508)**	**(21,362,631)**
Expenses with amortization and depreciation with application of IFRS 16 (Note 15)	(4,595,630)	(3,210,372)

Impairment of non-current assets

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

Inventory impairment

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

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

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

	Year ended 31 December 2023	Year ended 31 December 2022
Wages	(58,578,066)	(49,761,735)
Contributions to the public social security fund	(1,300,669)	(1,074,306)
Social aid within the limit of 5% of the salary fund	(421,994)	(844,037)
Meal tickets	(3,702,870)	(2,478,600)
Total, as presented on line "Employee benefit expenses"	**(64,003,598)**	**(54,158,678)**

Remuneration of the Board of Administration

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

For additional details, please see the Remuneration Report.

10. FINANCIAL COSTS AND INCOME

	Year ended 31 December 2023	Year ended 31 December 2022
Financial costs		
Interest expense	(9,617,530)	(7,421,276)
Expenses with exchange rate differences	(2,104,333)	(3,036,913)
Other financial expenses		-
Total	**(11,721,863)**	**(10,458,190)**

	Year ended 31 December 2023	Year ended 31 December 2022
Financial income		
Interest income	1,892,188	1,635,704
Income from exchange rate differences	1,454,953	3,121,531
Dividend income	69,300	3,554,029
Other	840,180	-
Total	**4,256,621**	**8,311,265**
Financial result	**(7,465,242)**	**(2,146,925)**

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

11. OTHER OPERATING EXPENSES

	Year ended 31 December 2023	Year ended 31 December 2022
Expenses with third party services	(11,344,043)	(9,481,252)
Expenses with compensations, fines and penalties	(43,126)	(430,079)
Entertainment, promotion and advertising expenses	(3,844,788)	(2,119,600)
Expenses with other taxes and duties	(1,635,095)	(1,293,208)
Repair expenses	(2,770,966)	(2,469,301)
Travelling expenses	(927,596)	(757,806)
Rent expenses	(928,784)	(1,183,801)
Mail and telecommunication expenses	(406,058)	(342,540)
Insurance premium expenses	(2,363,902)	(1,442,972)
Other general expenses	(2,115,036)	(958,050)
Total	**(26,379,396)**	**(20,478,609)**

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

12. INCOME TAX

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

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before tax	**28,912,983**	**38,310,287**
Income tax calculated (16%))	4,626,077	6,296,980
Deduction for dividends income not taxable	(11,088)	(568,645)
Non-deductible expenses	1,287,591	280,281
Profit from transfer of ownership interest	-	-
Credit from tax loss used	(2,030,492)	(3,410,166)
Total income tax	**3,872,088**	**2,598,450**
Tax on profile activity (Note 30)		
Discount as per GEO 153/2020 on incentivising equity increase	(423,052)	(291,734)
Deferred income tax – expense/ (benefit)	3,449,036	2,306,716

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

12. INCOME TAX (continued)

The components of the net deferred tax liabilities

2022	Opening balance	Registered in the separate statement of comprehensive income	Registered in other comprehensive income	Closing balance
Tangible and intangible assets and investment properties	(2,764,149)	(20,556)	63,327	(2,721,378)
Deferred tax liabilities recognized	**(2,764,149)**	**(20,556)**	**63,327**	**(2,721,378)**
Employee benefit liabilities	252,934	-	-	252,934
Trade and similar payables	690,406	(5,606)	-	684,800
Deferred tax assets recognized	**943,340**	**(5,606)**	**-**	**937,734**
Net liabilities with deferred tax recognized	**(1,820,809)**	**(26,162)**	**63,327**	**(1,783,644)**

2022	Opening balance	Registered in the separate statement of comprehensive income	Registered in other comprehensive income	Closing balance
Tangible and intangible assets and investment properties	(2,817,851)	(9,872)	63,573	(2,764,149)
Deferred tax liabilities recognized	**(2,817,851)**	**(9,872)**	**63,573**	**(2,764,149)**
Employee benefit liabilities	232,602	20,332	-	252,934
Trade and similar payables	868,201	(177,794)	-	690,406
Deferred tax assets recognized	**1,100,803**	**(157,462)**	**-**	**943,340**
Net liabilities with deferred tax recognized	**(1,717,048)**	**(167,334)**	**63,573**	**(1,820,809)**

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

13. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2023	**7,339,046**	**65,509,971**	**260,739,360**	**3,636,926**	**12,164,662**	**349,389,965**
Increases	690,168		1,713,459		11,019,068	**13,422,696**
Out of which: Increases from the internal production of non-current assets						
Transfers to/from non-current assets in progress		1,066,838	10,268,972	102,328	(11,821,401)	(383,264)
Accumulated depreciation of revalued property, plant and equipment						
Revaluation increase with impact on reserves						
Revaluation decrease with impact in profit or loss						
Transfers IFRS 16 right of use			(961,872)			(961,872)
Transfers to non-current assets held for sale						
Transfers from items of inventory						
Disposals and other decreases		(14,375)	(1,800,704)		(273,831)	(2,088,910)
Balance as at 31 December 2023	**8,029,214**	**66,562,434**	**269,959,215**	**3,739,254**	**11,088,498**	**359,378,615**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2023	**2,073**	**3,162,907**	**122,564,198**	**1,298,307**	**1,255,176**	**128,282,662**
Depreciation recorded during the year (Note 8)	346	3,899,671	19,859,193	554,168		24,313,378
Transfers from non-current assets held for sale						
Transfers IFRS 16 right of use			(1,151,861)			(1,151,861)
Disposals and other decreases		(1,273)	(1,162,167)		(273,831)	(1,473,271)
Impairment (Note 8), net		(3,595)	(16,807)	(1,273)	34,091	12,415
Accumulated depreciation of revalued property, plant and equipment						
Transfers from items of inventory						
Balance as at 31 December 2023	**2,419**	**7,057,711**	**140,092,556**	**1,851,202**	**1,015,435**	**150,019,322**
Net carrying amount as at 1 January 2023	**7,336,974**	**62,347,064**	**138,175,162**	**2,338,619**	**10,909,486**	**221,107,304**
Net carrying amount as at 31 December 2023	**8,026,796**	**59,504,723**	**129,866,659**	**1,888,052**	**10,073,063**	**209,359,293**

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Tools and equipment	Installations and furniture	Tangible assets in progress	Total
COST						
Balance as at 1 January 2022	**5,544,913**	**43,544,148**	**199,118,896**	**2,147,273**	**48,248,931**	**298,604,161**
Increases	1,794,133		3,797,198	39,460	53,531,152	**59,161,943**
Out of which: Increases from the internal production of non-current assets						
Transfers to/from non-current assets in progress		21,965,823	66,112,751	1,485,540	(89,564,113)	-
Accumulated depreciation of revalued property, plant and equipment						
Revaluation increase with impact on reserves						
Revaluation decrease with impact in profit or loss						
Transfers IFRS 16 right of use			(1,523,635)			(1,523,635)
Transfers to non-current assets held for sale						
Transfers from items of inventory						
Disposals and other decreases			(6,765,850)	(35,346)	(51,308)	(6,852,505)
Balance as at 31 December 2022	**7,339,046**	**65,509,971**	**260,739,360**	**3,636,926**	**12,164,662**	**349,389,965**
ACCUMULATED DEPRECIATION						
Balance as at 1 January 2022	**1,728**	**232,781**	**112,299,760**	**1,049,588**	**1,255,176**	**114,839,033**
Depreciation recorded during the year (Note 8)	346	3,153,939	15,392,236	274,172		18,820,693
Transfers from non-current assets held for sale						
Transfers IFRS 16 right of use			(700,322)			(700,322)
Disposals and other decreases			(4,406,872)	(30,022)		(4,436,894)
Impairment (Note 8), net		(223,813)	(20,604)	4,569		(239,848)
Accumulated depreciation of revalued property, plant and equipment						
Transfers from items of inventory						
Balance as at 31 December 2022	**2,073**	**3,162,907**	**122,564,198**	**1,298,307**	**1,255,176**	**128,282,662**
Net carrying amount as at 1 January 2022	**5,543,185**	**43,311,369**	**86,819,136**	**1,097,685**	**46,993,755**	**183,765,128**
Net carrying amount as at 31 December 2022	**7,336,974**	**62,347,064**	**138,175,162**	**2,338,619**	**10,909,486**	**221,107,304**

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

13. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023, the Company pledged in favour of financial institutions non-current assets and investment properties with a net carrying amount of RON 103,210,462 (31 December 2022: RON 103,210,462).

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

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

14. INTANGIBLE ASSETS

	Licenses	Intangible assets in progress	Total
Cost			
Balance at 1 January 2023	**7,848,232**	**826,620**	**8,674,852**
Increases, out of which	402,720	258,989	661,709
Transfers from/to non-current assets in progress	520,274	(520,274)	-
Increases from internal production of non-current assets			
Balance at 31 December 2023	**8,771,225**	**565,335**	**9,336,560**
Accumulated amortisation			
Balance at 1 January 2023	**6,320,734**		**6,320,734**
Amortisation	671,268		
Expenses with/(Reversal of) impairment	(38,723)		
Disposals and other decreases			
Transfers to non-current assets held for sale			
Balance at 31 December 2023	**6,953,279**		
Net carrying amount as at 1 January 2023	**1,527,498**	**826,620**	**2,354,118**
Net carrying amount as at 31 December 2023	**1,817,947**	**565,335**	**2,383,282**

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

14. INTANGIBLE ASSETS (continued)

	Licenses	Intangible assets in progress	Total
Cost			
Balance at 1 January 2022	**6,421,145**	**1,289,844**	**7,710,989**
Increases, out of which	207,215	756,648	963,863
Increases from internal production of non-current assets	1,219,872	(1,219,872)	-
Balance at 31 December 2022	**7,848,232**	**826,620**	**8,674,852**
Accumulated amortisation			
Balance at 1 January 2022	**5,849,795**	**-**	**5,849,795**
Amortisation	509,990		509,990
Expenses with/(Reversal of) impairment	(39,051)		(39,051)
Disposals and other decreases			
Transfers to non-current assets held for sale			
Balance at 31 December 2022	**6,320,734**		**6,320,734**
Net carrying amount as at 1 January 2022	**571,350**	**1,289,844**	**1,861,194**
Net carrying amount as at 31 December 2022	**1,527,498**	**826,620**	**2,354,118**

15. RIGHT-OF-USE ASSETS

The Company has right of use assets from rented buildings, warehouses, showrooms and transportation vehicles. The Company finances some of the cars and forklifts through lease agreements.

Please see maturity analysis of lease liabilities in note 22.

Cost	Buildings	Vehicles from previous finance leases	Total
Balance at 1 January 2023	**20,415,342**	**3,789,032**	**24,204,374**
Additions	13,079,838	1,485,310	14,565,148
Transfer to equipment on exercise of the purchase option	(11,927,255)	(523,438)	(12,450,693)
Balance at 31 December 2023	**21,567,925**	**4,750,904**	**26,318,829**
Accumulated depreciation			
Balance at 1 January 2023	**4,905,006**	**1,523,916**	**6,428,923**
Depreciation	2,920,331	1,675,299	4,595,630
Depreciation of equipment transferred to PPE	(4,197,308)	(523,438)	(4,720,746)
Balance at 31 December 2023	**3,628,029**	**2,675,777**	**6,303,807**
Carrying amount at 1 January 2023	**15,510,335**	**2,265,115**	**17,775,451**
Carrying amount at 31 December 2023	**17,939,895**	**2,075,126**	**20,015,022**

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

15. RIGHT-OF-USE ASSETS (continued)

The additions of right-of-use assets include the right of use of a plane for a determined number of hours per annum.

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

	Buildings	**Equipment**	**Total**
Depreciation expense	2,920,331	1,675,299	4,595,630
Interest expense on lease liabilities	451,211		451,211

The Company expensed the lease for low value assets and short-term contracts:

	2023	**2022**
Rent expenses	**928,783**	**1,183,801**
short term	662,618	1,089,568
low value	266,166	94,233

16. INVESTMENT PROPERTIES

Investment properties

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

- The Company owns 36 thousand sqm of land in Bistrita for appreciation, classified as investment property. The production facility of TeraPlast was on this land, before the company relocated in the TeraPlast Industrial Park.
- As of March 31, 2015, buildings and lands located in Bistrița, which are leased to Teraglass Bistrita SRL, are classified as investment property.

The Company carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. Investment properties were revalued as at 31 December 2023 by an external independent valuator. The valuation method used was the market comparison.

	31 December 2023	**31 December 2022**
Opening balance at 1 January	**18,226,476**	**16,304,309**
Additions	383,264	-
Net loss from valuation of investment properties at fair value	740,010	1,922,168
Closing balance at 31 December	**19,349,749**	**18,226,476**

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

17. SUBSIDIARIES AND OTHER FINANCIAL INVESTMENTS

At 31 December 2023 and 31 December 2022, the Company holds 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	99,95	11,766,350	99	11,766,350
Tera BioPack	Romania	100	23,000,000	100	10,100,000
Somplast SA	Romania	70,75	4,897,400	70	4,897,400
TeraVerde Carbon SRL	Romania	100	10,000	-	-
TERAPLAST MAGYARORSZÁG KFT	Hungary	100	36,492	100	37,062
		-	**48,178,582**	**-**	**30,269,152**

Other long-term equity investments

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

Investment name	Country	Investment share	31 December 2023	Investment share	31 December 2022
		%	*LEI*	*%*	*LEI*
CERTIND SA	Romania	7.50%	14,400	7.50%	14,400
Partnership for sustainable development	Romania	7.14%	1,000	7.14%	1,000
		-	**15,400**	**-**	**15,400**

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

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

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

18. INVENTORIES

	31 December 2023	31 December 2022
Finished goods	52,700,534	52,833,219
Raw materials	39,520,320	34,903,324
Commodities	10,977,045	8,614,464
Consumables	3,973,537	3,677,153
Inventory items	132,616	152,745
Semi-finished goods	1,090,780	1,211,282
Residual products	2,529,588	1,123,058
Goods to be purchased	12,424	194,634
Packaging	818,730	735,869
Inventories – gross value	**111,755,573**	**103,445,748**

	31 December 2022	31 December 2021
	RON	*RON*
Value adjustments for raw materials and consumables	(611,780)	(1,077,496)
Value adjustments for finished products	(3,341,724)	(2,265,170)
Value adjustments for merchandise	(877,917)	(777,949)
Total value adjustments	**106,924,152**	**99,325,133**

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 inventories which did not have any movements in the past year are depreciated in full.

The Company's inventories are pledged in favour of financing banks. At 31 December 2023, the total closing balance is pledged.

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

19. TRADE AND OTHER RECEIVABLES

		Payable	
	31 December 2023	**less than 1 year**	**more than 1 year**
Trade receivables	152,290,679	152,290,679	-
Advances paid to suppliers of non-current assets	3,292,553	3,292,553	-
Advances paid to suppliers of inventories and services	28,690,945	28,690,945	-
Loans granted to subsidiaries (Note 27)			
Other receivables from affiliates (Note 27)			
Other receivables	3,583,142	3,583,142	-
Adjustments for trade and other receivables impairment	(14,658,341)	(14,658,341)	-
Total	**173,198,978**	**173,198,978**	**-**

		Payable	
	31 December 2022	**less than 1 year**	**more than 1 year**
Trade receivables	126,930,476	126,930,476	-
Advances paid to suppliers of non-current assets	3,828,188	3,828,188	-
Advances paid to suppliers of inventories and services	10,566,821	10,566,821	-
Loans granted to subsidiaries (Note 27)			
Other receivables from affiliates (Note 27)			
Other receivables	7,667,348	7,667,348	-
Adjustments for trade and other receivables impairment	(12,268,381)	(12,268,381)	-
Total	**136,724,452**	**136,724,452**	**-**

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

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

20. SHARE CAPITAL AND RESERVES

	31 December 2023	31 December 2022
Share capital subscribed and 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 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.

Shareholding

	31 December 2023		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)

21. LOANS FROM BANKS

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

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**	**95,667,668**	**17,861,670**	

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

22. LEASE LIABILITIES

Lease contracts – accounting treatment according to IAS 17

Finance leases

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

At 31 December 2023, the present value of financial lease liabilities was in amount of RON 2,629,868 (31 December 2022: RON 1,852,868). The finance lease liabilities are for vehicles and forklift trucks.

Operating leases

Total operating lease commitments as of 31 December 2023 were RON 10,397,128 (31 December 2922: RON 8,037,346).

Lease contracts – accounting treatment according to IFRS 16

Maturity analysis of lease liabilities at December 31, 2023:

Year 1	2,728,302
Year 2	2,708,785
Year 3	1,740,253
Year 4	1,286,879
Year 5	792,542
Following years	1,140,368
Total	**10,397,128**
Non-current	7,668,826
Current	2,728,302

Maturity analysis of lease liabilities at December 31, 2022:

Year 1	2,143,844
Year 2	1,938,399
Year 3	1,413,718
Year 4	745,415
Year 5	398,120
Following years	1,397,850
Total	**8,037,346**
Non-current	5,893,503
Current	2,143,844

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

23. EMPLOYEE BENEFIT LIABILITIES

The Company has established a benefits plan through which employees are entitled to receive retirement benefits based on their seniority in the Company, upon reaching retirement age of 65 for men and 61 for women. There are no other post-retirement benefits for employees. The provision represents the current value of the retirement benefit liability calculated on an actuarial basis. The discount rate is the interest rate curve in RON without adjustments provided by EIOPA in December 2023. Future salary increases are estimated in the long term at 1.1% in the first year, 1.4% in the second year, 1.6% in the third year, and 1.37% for the rest.

The latest actuarial valuations were performed on September 30, 2023 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute.

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

The Company's management consideted that the values resulting from 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.

Employee benefits	**31 December 2023**	**31 December 2022**
Opening balance	1,580,838	1,580,838
(Decreases) / increases	-	-
Closing balance	**1,580,838**	**1,580,838**

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

24. PROVISIONS

	1 January 2023	**Changes**			**31 December 2023**
		Reversal of provision not used	**Reversal of provision used**	**Provision in addition**	
Other provisions	915,011	(398,311)	-	-	516,700

	1 January 2022	**Changes**			**31 December 2022**
		Reversal of provision not used	**Reversal of provision used**	**Provision in addition**	
Other provisions	1,973,693		(1,058,682)	-	915,011

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

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

25. TRADE AND OTHER PAYABLES

	31 December 2023	31 December 2022
Trade payables	70,402,492	49,457,379
Trade notes payable	29,090	15,801
Liabilities from the purchase of non-current assets	8,945,831	11,075,690
Contractual payables	419,268	558,846
Other payables	10,404,518	9,391,247
Total	**90,201,199**	**70,498,964**

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

Long-term payables for non-current assets of RON 6,907,640 at 31 December 2023 (31 December 2022: RON 8,371,526) represent the debt of RON 6,663,118 to E.On for the solar cells and the debt of RON 244,522 to Autosoft Engeneering SRL for the purchase of machinery.

Other payables

	31 December 2023	31 December 2022
Salary-related payables to employees and social security payables	10,223,615	8,495,986
VAT payable	-	42,237
Sundry creditors	2,983	765,566
Dividends payable	45,550	45,550
Commercial guarantees received	71,655	-
Other taxes payable	60,715	41,907
Total	**10,404,518**	**9,391,247**

26. FINANCIAL INSTRUMENTS

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

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Financial assets	Amortised cost 31 December 2023	Amortised cost 31 December 2022
Non-current		
Long term receivable	29,846,773	26,117,832
Other financial instruments measured at amortized cost	15,400	15,400
Current		
Trade receivable	173,198,978	136,724,452
Cash	1,077,764	2,578,158
Prepayment	707,664	677,079

(a) Capital risks management

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

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

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

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

The gearing ratio as at 31 December 2023 and 2022 was as follows:

	2023	2022
Total loans	113,529,338	116,475,878
Cash	(1,077,764)	(2,578,158)
Net debt	112,451,574	113,897,720
Total equity	**343,321,569**	**317,286,189**
Total equity and net debt	**455,773,143**	**431,183,909**
Gearing ratio	**24.67%**	**26.42%**

26. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

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

(d) Market risk

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

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

(e) Foreign currency risk management

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

Transaction risk

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

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

26. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis for primary currency risk

	31 December 2023		31 December 2022	
	RON	RON	RON	RON
Profit or (loss)	-3,313,252	3,313,252	-3,084,347	3,084,347

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

(f) Interest rate risk management

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

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

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

(g) Other price risks

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

26. FINANCIAL INSTRUMENTS (continued)

(h) Credit risk management

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

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

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

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

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

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

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

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

26. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

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

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	(45,010,154)	(32,214,215)	(5,375,046)	(3,355,254)	(2,349,792)	(1,963,534)	**(90,267,995)**
Interest-bearing instruments							
Short and long-term loans	(476,685)	(5,252,104)	(93,369,144)	(21,251,580)	(4,965,274)	(1,140,368)	**(126,455,154)**
Future interest on loans	(71,890)	(752,416)	(1,763,896)	(1,863,522)	(452,179)	(57,309)	**(4,961,210)**
Non-interest bearing							
Cash and cash equivalents	1,077,764						**1,077,764**
Receivable	119,452,711	65,123,294	3,281,405	1,193,044	24,352,708	4,301,023	**217,704,184**

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

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

26. FINANCIAL INSTRUMENTS (continued)

2022

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(27,055,090)	(29,331,958)	(5,740,390)	(2,883,304)	(2,349,792)	(3,138,430)	**(70,498,965)**
Interest-bearing instruments							
Short and long-term loans	(258,127)	(4,398,344)	(99,326,699)	(18,829,796)	(2,355,460)	(1,397,850)	**(126,566,276)**
Future interest on loans	(7,317)	(562,068)	(976,832)	(1,336,288)	(191,951)	(101,080)	**(3,175,535)**
Non-interest bearing							
Cash and cash equivalents	2,578,158						**2,578,158**
Receivable	69,116,260	55,947,323	11,660,868	767,263	25,009,022	341,548	**162,842,284**

27. REALTED 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
- Fort SA – membra a grupului Bittnet Systems SA
- Grupul Bittnet Systems SA
- Compa SA
- Libra Internet Bank

31 December 2022

Subsidiaries

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

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

27. REALTED PARTY TRANSACTIONS (continued)

Related parties (common shareholding/decision-makers)

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

Transactions and balances with other related parties	**Financial year ended 31 December 2023**	**Financial year ended 31 December 2022**
Sales of goods and services	66,677	324,457
Purchases of goods and services	71,938	63,360
Debit balances	6,090	29,898
Credit balances	7,559	18,656

Transactions and balances with subsidiaries	**Financial year ended 31 December 2023**	**Financial year ended 31 December 2022**
Sales of goods and services	9,629,003	5,031,502
Re-invoice	7,957,990	6,457,674
Purchases of goods and services	27,393,978	31,481,218
Purchases of fixed assets	113,831	5,549
Debit balances current activity	41,903,611	6,838,150
Credit balances current activity	27,293	22,066
Affiliates borrowing balance	29,648,782	30,532,465

During 2023 and 2022, the Company did not have transactions with key management personnel or shareholders.

At 31 December 2023, the RON 29,648,782 (2022: RON 30,532,465) includes the loan granted to TeraBio Pack SRL (RON 20,900,000), Teraglass Bistrita SRL (RON 380,000), TERAPLAST MAGYARORSZÁG KFT (RON 488,170), Teragreen Compound SRL (RON 3,930,000) and Teraverde Carbon SRL (RON 100,000), plus interest.

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

28. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2023	31 December 2022
Cash at banks	1,362,991	2,361,740
Cash on hand	35,102	25,593
Cash equivalents	(320,329)	190,825
Total cash and cash equivalents	**1,077,764**	**2,578,158**

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

29. COMMITMENTS AND CONTINGENT LIABILITIES

Unused credit facilities

At 31 December 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, 2022 the Company received the State aid in amount of RON 15,675,695. In December 2022, the Company filed the first application for reimbursement in amount of RON 3,301,044, which was disbursed in March 2023.

30. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

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.

Potential tax liabilities

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

Environmental matters

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

Transfer pricing

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

31. SUBSIDIES FOR INVESTMENTS

	2023	2022
At 1 January	**36,448,882**	**20,658,531**
Additions of subsidies during the reporting period	15,686,048	18,291,297
Transferred to separate statement of comprehensive income	(4,934,882)	(2,500,946)
At 31 December	**47,200,047**	**36,448,882**
Current	42,556,574	3,188,847
Non-current	4,643,473	33,260,035

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

At 31 December 2023, the total value of outstanding subsidies is RON 47,200,047 (2022: RON 36,448,882) recognised as deferred income in the balance sheet and transferred to the statement of comprehensive income on a systematic and rational basis, throughout the lifetime of the related assets.

32. 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 Company as required by the applicable accounting standards and that the financial statements of the TeraPlast give a true and fair view of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that the Company faces.

Signed and approved:

15 March 2024
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO