TeraPlast®
since 1896

Annual Report 2023

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Statement from the Chairman of the Board

Esteemed shareholders, employees, and partners,

In 2023, our decisions further strengthened our vision for TeraPlast Group. We have re-emerged as a Romanian multinational and have become an industrial champion in Central and Eastern Europe. We also have the largest plastic production capacities in Southeast Europe and we rank among the top five rigid PVC recyclers in all of Europe. We remain the first choice for water management solutions, and as market leaders we will continue to supply high-quality products for the majority of infrastructure projects.

While 2023 did not shine as brightly in terms of results compared to the record-breaking years of 2021 and 2022, it maintained a solid foundation. Our products reached 22 European countries in 2023.

A successful company must operate in any climate. While most news headlines may be discouraging, we choose to persevere in our development and contribute to positive stories about the Romanian economy. We embrace dynamism, growth, and expansion as part of our business model within this unpredictable macroeconomic context, preparing ourselves for the upcoming economic cycle.

In 2024, we anticipate achieving a turnover of 173 million euros and a production output exceeding 100,000 tons, as outlined in our budget. Thanks to investments totaling over 80 million euros in recent years, we possess state-of-the-art equipment and technologies on par with global manufacturers. Our products undergo development and testing in our advanced in-house laboratory, and we hold international invention patents. Together with our colleagues who have extensive expertise in polymer processing, we are well-equipped to tackle future challenges.

Starting this year, two new businesses have joined TeraPlast Group, contributing to the achievement of our set goals for 2024: Wolfgang Freiler Group and Palplast Moldova.

These will contribute with 15% to our results both in terms of turnover and EBITDA. We have acquired businesses that we can grow and that will generate added value for our group. They represent additional development and distribution platforms, strengthening our execution of the strategy to diversify and expand our operations.

Together with the Wolfgang Freiler Group, we will more easily and efficiently access markets in Western Europe. We are integrating a solid distribution system, two factories with tradition, and an industrial infrastructure that enables further expansion.

Palplast strengthens our presence in the region. The potential of the Moldovan market is considerable, given its status as a candidate country for the European Union and the opportunities for absorbing funds for public investments. Additionally, when the time comes, we will contribute to the reconstruction of Ukraine. Romania is not in the position of the United States or the European Union regarding assistance to Ukraine. However, here at TeraPlast, we contributed to the restoration of the water supply to the communities affected by the destruction of the Kahovka dam in the spring of last year. Thus, in 2023, Ukraine was the second-largest destination for TeraPlast pipes exports. For a month and a half, we worked 24 hours a day, 7 days a week, to supply the much-needed products for the reconstruction of the Ukrainian infrastructure.

The entire TeraPlast ecosystem works to bring to market products of the highest quality, efficient solutions for people and the environment.

This is the age of water and recycling.

Our priorities must include actions to protect and responsibly manage water, while also paying greater attention to recycling. These two themes are part of the global megatrends that will reshape the world as we know it today, as well as the global risks outlined by the World Economic Forum for a 10-year horizon.

Among these, I emphasize the need to responsibly manage water in urban environments, the increase of frequency of extreme weather events generated by climate change, the fragility of the transition to clean energy sources, and the shortage of skilled labor.

Clean water and access to freshwater sources mean life.

Nearly half of the world's population will live in areas with very high levels of water stress by 2030 if we continue to ignore climate change.

Therefore, freshwater sources management, wastewater treatment, and efficient rainwater management must become a priority. A complete and secure water management system, from collection and treatment to purification, the use of quality products with a long lifespan are essential for the health of people and, especially, future generations.

We increasingly hear about desertification, and unfortunately, discussions about the desert of Oltenia are taking shape in Romania. This will increase the need for water and affect the quality of crops. This is all the more worrying as agriculture is responsible for nearly 70% of the consumption from the total water extracted globally. This impressive amount is mainly due to the use of old and inefficient irrigation systems, leading to increased consumption and water loss. We should irrigate another 2.5 million hectares for efficient and high-performing agriculture and to mitigate the effects of climate change.

The solutions for efficiently managing this phenomenon lie in the use of high-performance irrigation systems and reforesting areas at high risk of desertification. We, at TeraPlast Group, provide practical solutions in this process. There are 500,000 hectares of degraded land throughout the country, which are unsuitable for agriculture but can be saved through reforestation.

We also have funds through the NRRP for these initiatives. However, the inaction of the state, both at the central level through the State Domains Agency and at the local level through municipalities, will be responsible if we fail to save these lands from further degradation.

We must realize that these imbalances will significantly affect everyone's welfare and nature as we know it if we continue to take no action on a large scale. Having a climate similar to the one in Greece in a few decades may seem appealing under the influence of the pleasant vacations we spend there. However, this scenario is unhealthy for both our country's ecosystem and economy.

Extreme weather events increasingly show us that we can no longer ignore the negative impact we have both through consumption and waste generation.

Plastics are not our enemies if managed correctly. Single-use plastic packaging has the largest share in plastic waste that ends up in nature, accounting for 40% of plastic production. While alternative solutions such as biodegradable and compostable packaging exist, they require increased prioritization and user uptake. On the other hand, when it comes to recyclability, PVC, for example, can be recycled up to 8 times without losing its technical properties.

Plastics are ubiquitous and contribute to the comfort of our lives as we know them. However, the reduced responsibility in managing them at the end of their lifespan is the negative factor that demonizes them.

OECD data shows that out of the 360 million tons of plastic waste generated globally in 2019, approximately 78 million tons ended up in nature, accounting for 21%, while 17% was recycled, 16% was incinerated, and the rest ended up in landfills. In the EU member states, the recycling rate is 32.5%, according to reports from the European Parliament, while 24.9% of plastic waste ends up in the environment.

Whichever way we look at these numbers, the need to increase the quantity of recycled plastics is evident.

We are one of Romania's largest entrepreneurial groups, contributing to the Romanian economy and have assumed the role of taking Romanian products across Europe. At the same time, we are part of the solution regarding the management of plastic waste.

We are developing responsibly, using renewable energy to power our operations. We bring to the market safe and high-quality products for water management, and biodegradable packaging where possible. Our recycling business is one of the largest in Europe, and we integrate recycled material into our products. For some of these initiatives, we hold international patents – clear evidence that recycled material can be safely used in quality products.

Our team proudly represents TeraPlast Group, demonstrating its competencies and contributing to the competitive advantages detailed in this material. Alongside continuous professional development, we are concerned with shaping the future generation of professionals. We contribute to building a country that provides young people with reasons to stay, not leave.

We are involved in dual education programs and develop partnerships with academic institutions because we highly value skilled people. Today's youth need guidance and support from us to become the future pillars of the Romanian economy.

By investing in TeraPlast, you are investing in Romania, in the development of our economy and society. You are investing in a strong vision for quality and expansion.

We are ready for the future, and we thank the over 14 thousand shareholders who stand by us and trust in TeraPlast Group, as well as the over 1,100 employees and thousands of partners.

Together, we remain on the path of growing a successful business story, a tradition that began 128 years ago.

Sincerely,

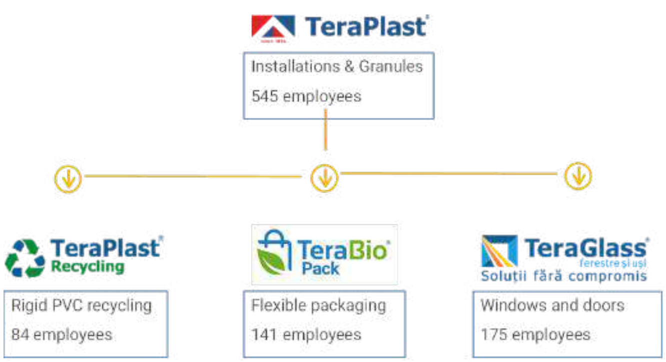
Dorel Goia

About TeraPlast Group

TeraPlast Group is the largest polymer processor in Southeastern Europe.

The TeraPlast Group is composed of TeraPlast SA, a company listed on the Bucharest Stock Exchange since 2008, and its subsidiaries: TeraPlast Recycling SA (100% ownership), TeraGlass Bistrița SRL (100% ownership), TeraBio Pack SRL (100% ownership), Somplast SA (70,75% ownership), and TeraPlast Magyarorszag KFT (100% ownership).

From an operational perspective, in 2023 the Group had the following structure:



Geographical footprint

The production activity of the Group takes place in 3 locations in Bistrița-Năsăud county, namely: Sărățel, Bistrița, and Năsăud.

The headquarters is located in Sărățel, in the industrial park that hosts most of the Group's factories. Additionally, there are the Group's own distribution centers located in Romania and Hungary.

The distribution centers are located as follows:

- Romania: Oradea, Deva, Brașov, Piatra Neamț, Chiajna și Galați.
- Hungary: Berettyóújfalu.

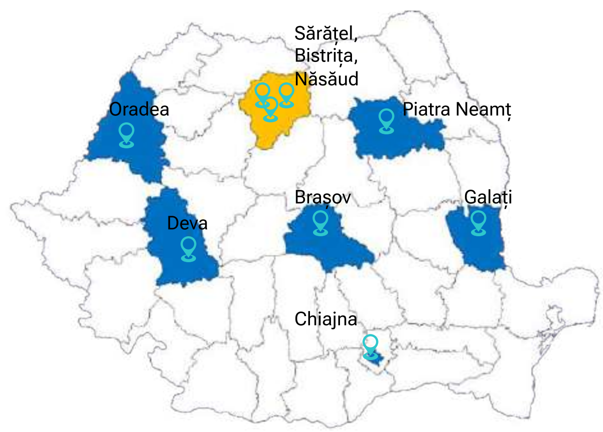
The warehouses in Hungary and Galați started their activity in 2023, strengthening the own distribution force existing in 2022.

In December 2023, the acquisition of Palplast company from the Republic of Moldova was announced, resulting in TeraPlast SA holding a 51% stake.

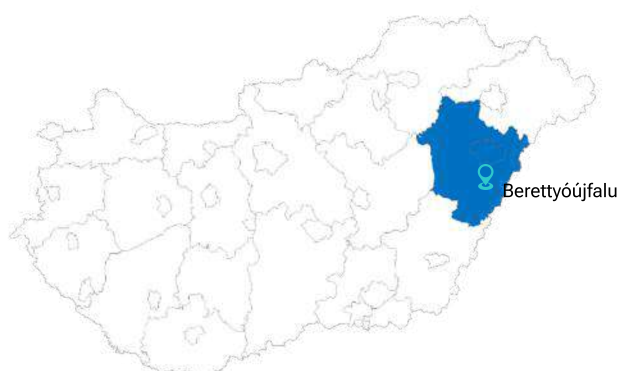
Given the transaction date and the fact that the closing was made at the beginning of 2024, Palplast is not part of this report and the financial statements for year 2023.

In 2023, there were no significant reorganizations, acquisitions, asset disposals, or mergers within the TeraPlast Group that would alter its structure.

Romania



Hungary



The locations of the TeraPlast Group amount to 346.000 m^2, of which 103.600 m^2 are covered production and storage spaces, and 114.600 m^2 are outdoor storage platforms.

TeraPlast Group factories feature state-of-the-art equipment, on par with those of major global manufacturers, ensuring high productivity and resource consumption optimization. The total production capacity of the Group is 175.869 tons annually. This includes the existing capacities within the Group in 2023, the stretch film factory capacity, but does not include the capacities added from 2024 onwards, following the closing of the acquisitions of Palplast and Wolfgang Freiler Group.

TeraPlast Group factories

PVC pipes factory, Sărățel (TeraPlast)

Polypropylene factory, Sărățel (TeraPlast)

Polyethylene factory, Sărățel (TeraPlast)

Polyethylene factory II, Sărățel (TeraPlast)

Rigid PVC recycling factory, Năsăud (TeraPlast Recycling)

Windows and doors factory, Bistrița (TeraGlass)

Polyethylene packaging factory, Năsăud (TeraBio Pack)

Biodegradable packaging factory, Sărățel (TeraBio Pack)

Stretch film factory, Sărățel (TeraPlast Recycling)

PVC granules factory, Sărățel (TeraPlast)

Fittings factory, Sărățel (TeraPlast)

Rotomoulded products factory, Sărățel (TeraPlast)

Microducts and PE-XA pipes factory, Sărățel (TeraPlast)

Product portfolio and targeted markets

The product portfolio of the TeraPlast Group is structured across several business lines: installations, granules, windows and doors, rigid PVC recycling, and flexible packaging. In turn, the business lines are organized into product categories, as represented in the accompanying figure. Detailed information about TeraPlast Group products is available on our website at this link.

In our financial reports, business lines are organized into 4 segments: Installations & Recycling, Granules & Recycling, Windows & Doors, and Flexible packaging. From the perspective of the companies composing the TeraPlast Group, the installations and granules portfolios are managed by TeraPlast SA, TeraGlass manages the windows & doors portfolio, TeraPlast Recycling the rigid PVC recycling portfolio, while TeraBio Pack manages the flexible packaging portfolio.

The Group's product mix addresses the construction market through the installations and thermal insulation joinery segments, the manufacturing industry through the granules segment, the PVC processors market through the rigid PVC recycling portfolio, and the flexible packaging market through the polyethylene and biodegradable films portfolio.

BUSINESS LINE	PRODUCT CATEGORIES
Installations	Complete systems for: • interior sewers • exterior sewers • water and gas transport and distribution • rainwater management • electric and telecommunication cables • underfloor heating
Granules	Plasticized PVC granules Rigid PVC granules HFFR granules
Windows and doors	PVC windows and doors Aluminum windows and doors Garage doors Curtain walls
Rigid PVC recycling	Micronized recycled PVC Regranulated recycled PVC
Flexible packaging	Biodegradable and compostable packaging Polyethylene packaging

The client portfolio reflects a B2B business model and includes contractors, resellers, DIY stores, for the installations and windows & doors businesses, PVC processors and manufacturers that use PVC as raw material for the recycling and granules businesses. Flexible packaging customers are large retail chains, distributors and industrial companies that use films for packaging goods.

Strong market positions

TeraPlast Recycling is the largest rigid PVC recycler in Romania and in the top 5 in Europe. Through the Installation business line, we are the market leader in water and sewage infrastructure in Romania, being the first choice for our customers.
Additionally, TeraPlast is the main supplier of PVC granules in the Romanian market, and TeraBio Pack is one of the top 5 producers in the flexible packaging market.
TeraGlass operates in a market that includes approximately 1.000 producers, and the company's objective is to rank among the top 10 windows and doors manufacturers in Romania.

Stretch film factory

At the end of the fourth quarter of 2023, the stretch film factory started its production activity. The products will be marketed under the Opal brand and will follow the B2B model of the Group's other businesses. Opal's clients come from various industries, and the products are suitable for safely packaging palletized goods for transportation, serving both manufacturers and distributors as well as logistics service providers.

The factory is the result of an investment of over 84 million lei, co-financed through the state aid scheme. Opal's activity will be reflected starting 2024 in the results of the Flexible Packaging business line.

Quality assurance

At TeraPlast, we have our own laboratory, accredited by RENAR for physical and mechanical tests, where our colleagues test new recipes and ensure that our products meet the highest quality standards and comply with all necessary technical properties.

The products in our portfolio are certified and tested by institutions such as IFT Rosenheim, SRAC, ICECON Romania, DIN CERTCO, and TUV Austria. The activities of TeraPlast Group companies are carried out in an Integrated Quality – Environment – Health and Safety at Work Management System, according to ISO 9001, 14001, 45001.

In 2023, TeraPlast SA initiated the certification process also for the Energy Management System, ISO 50001.

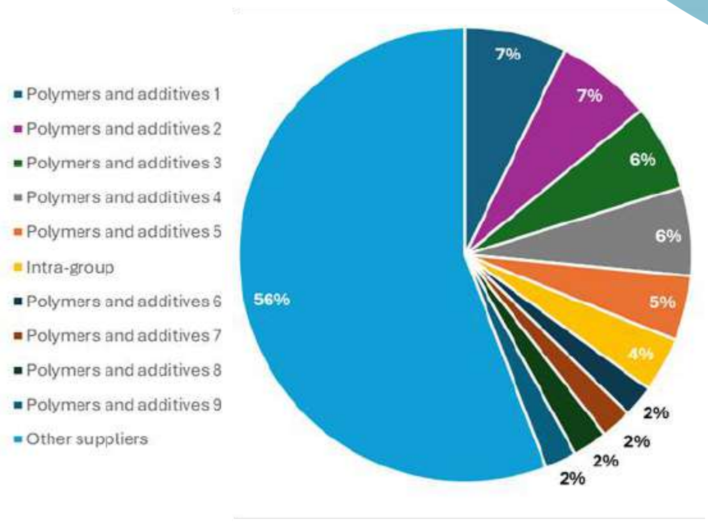
Procurement sources

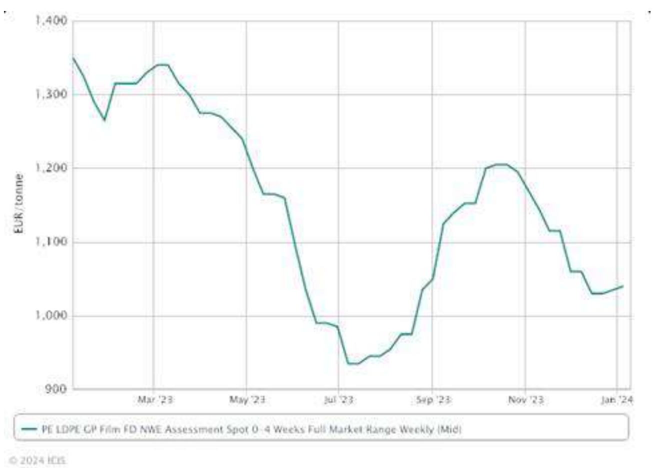
At TeraPlast Group we have a global procurement footprint. Even though our main suppliers of raw materials are from the European Union, we also purchase raw materials from the United States of America, North Africa, and even the Far East.

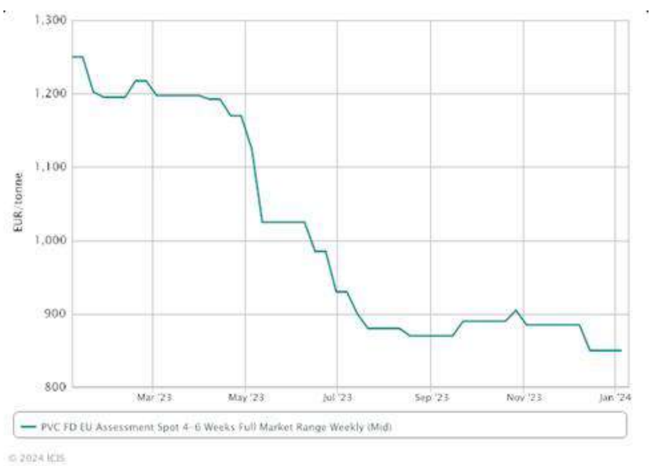
2023 was marked by an accelerated deflation of raw material prices, far beyond our expectations. Seasonal developments throughout the year were not followed, with raw materials reaching their lowest levels by the end of the third quarter, when under normal circumstances they should have peaked in price.

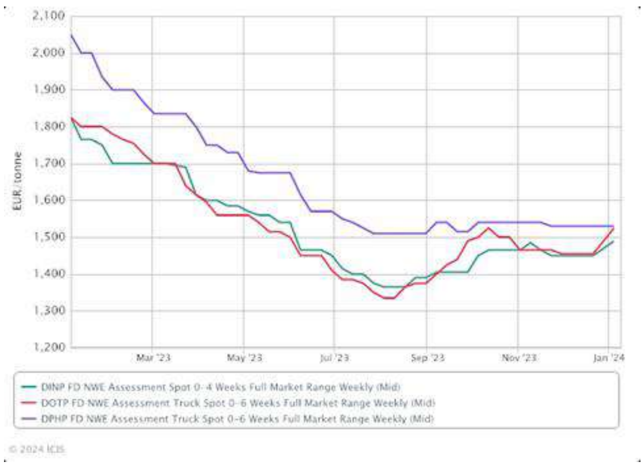
There were no availability issues, however, procurement sources from the European Union improved their price competitiveness only in the second half of the year, with import prices from non-EU countries being lower until then. In the latter part of the year, prices tended to return towards normal levels compared to multi-year averages, and as petrochemical plants in the European Union lowered prices, non-EU imports decreased as well.

TeraPlast Group suppliers' mix









Key figures 2023

The financial results in 2023 bear the imprint of a macroeconomic environment filled with challenges. Nevertheless, the overall performance was relatively similar to that of 2022, which was the second best year in the Group's history after the record 2021.

TURNOVER	EBITDA	EBITDA MARGIN
672,3 MLN LEI	51,4 MLN LEI	7,6%

The consolidated turnover contracted with 5% in 2023, to RON 672 million, under the significant influence of the decrease in the Compounds segment.

For the whole year 2023, **EBITDA stands at RON 51.3 million,** a 3% decrease versus 2022, mainly due to the decrease in the Compounds segment. **EBITDA margin, at Group level, slightly increased to 7.6%,** while for the Installations segment remains in the double-digit range.

The net result of 2023 remained in positive range of RON 1.1 million despite business seasonality of the last quarter of the year. The Installations segment generated a net profit of RON 17.3 million. Two divisions had a net loss, Windows (RON 1.9 million lei) and Packaging (RON 15.7 million lei).

Exports reached 16% of the turnover and the Group's products reached 22 European markets.

The Group's **gross margin increased from 32% to 37%, representing a 10% increase in absolute terms**. However, this increase was burdened by salary increases and utility prices. In this regard, a good cost management brings potential improvements in the bottom line.

The information within this chapter are available, alongside the financial statements at this link at this link.

Segments' evolution

Installations segment, the largest and best performing in the Group had positive results even though the growth was moderate compared to the previous years, under the influence of deflation brought about by a sharp decrease in raw material prices.

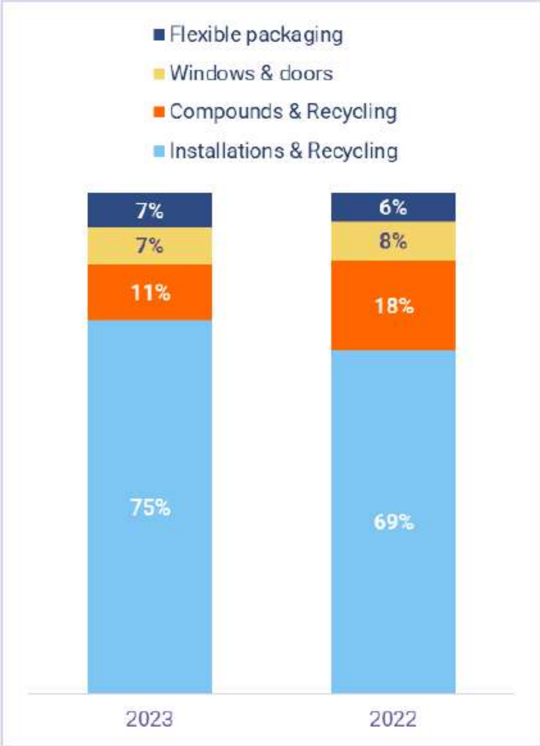
This activity profited from the increase in public works, which accelerated sharply in the second part of last year. EBITDA margin of the Installations segment stood at over 10% while the **net profit of RON 17.3 million** covered the negative results of other business lines.

Compounds segment had a sharp contraction of the turnover (-40%) because of sales decrease of its customers. Despite this contraction, which affected its whole market, TeraPlast remains the main supplier for its customers in this market. Due to an increase in costs, EBITDA dropped to RON 6 million (-51% vs 2022), but EBITDA margin was above the average, at 7.9%. On the other hand, this division had a **positive contribution of RON 1.6 million to the net profit.**

The **Windows segment** suffered as a result of decrease in orders from the retail segment, which had a 40% contraction of sales volumes. To counterbalance this effect, the Group's strategy, since 2023 and for 2024 is to focus on the domestic renovations and new buildings market in order to reduce the dependence on DIY stores. Non-DIY sales reached 28% of the sales in the previous year. This market segment has a higher margin, reflected in an increase from 39% to 44% of the sales (2022 vs 2023) of the gross margin. This increase however, failed to be fully felt in the EBITDA which stood at RON 0.4 million as the segment faced sharp cost increases. The average salary increased in this division by 46% versus 2022, mostly due to the increase in minimum wage in the construction and related sectors.

The packaging segment was the only one with a negative EBITDA in the Group but the activity improved throughout the year, which gives good perspectives for 2024. This segment reached **optimum volumes of orders** in the last months, an essential step towards being profitable.

In the next stage, the focus will be to increase profitability, which means discontinuing production on inefficient lines in Nasaud. **TeraBio Pack** went through an adjustment of headcount for the new market conditions.



	TeraPlast Group			Installations			Compounds			Windows			Packaging		
RON '000	12m'2022	12m'2023	Var %	12m'2022	12m'2023	Var %	12m'2022	12m'2023	Var %	12m'2022	12m'2023	Var %	12m'2022	12m'2023	Var %
Net Sales	**711.126**	**672.331**	**-5%**	**488.214**	**501.000**	**3%**	**126.073**	**76.074**	**-40%**	**56.500**	**48.846**	**-14%**	**40.340**	**46.410**	**15%**
Other operating income	655	1.835	180%	556	1.311	136%	61	-	-100%	16	14	-13%	21	510	2281%
Total Operating Income	**711.781**	**674.165**	**-5%**	**488.770**	**502.311**	**3%**	**126.134**	**76.074**	**-40%**	**56.516**	**48.860**	**-14%**	**40.361**	**46.920**	**16%**
Raw materials, consumables & merch	(486.499)	(424.942)	-13%	(320.704)	(308.839)	-4%	(98.286)	(56.668)	-42%	(34.679)	(27.378)	-21%	(32.830)	(32.056)	-2%
Salaries and employee benefits	(83.556)	(95.056)	14%	(52.885)	(63.516)	20%	(7.827)	(6.470)	-17%	(11.204)	(11.492)	3%	(11.641)	(13.577)	17%
Amortization, impairments, provisions	(26.285)	(33.002)	26%	(18.919)	(23.210)	23%	(2.680)	(2.982)	11%	(1.352)	(1.168)	-14%	(3.334)	(5.642)	69%
Other operating expenses	(89.008)	(102.796)	15%	(64.233)	(77.506)	21%	(7.340)	(6.921)	-6%	(10.288)	(9.571)	-7%	(7.148)	(8.797)	23%
Total Operating Costs	**(685.349)**	**(655.796)**	**-4%**	**(456.741)**	**(473.072)**	**4%**	**(116.133)**	**(73.042)**	**-37%**	**(57.522)**	**(49.609)**	**-14%**	**(54.952)**	**(60.073)**	**9%**
EBIT	**26.433**	**18.369**	**-31%**	**32.029**	**29.239**	**-9%**	**10.001**	**3.033**	**-70%**	**(1.007)**	**(749)**	**-26%**	**(14.591)**	**(13.153)**	**-10%**
EBITDA	**52.718**	**51.372**	**-3%**	**50.948**	**52.449**	**3%**	**12.681**	**6.014**	**-53%**	**346**	**419**	**21%**	**(11.257)**	**(7.511)**	**-33%**
EBITDA %	*7,4%*	*7,6%*		*10,4%*	*10,5%*		*10,1%*	*7,9%*		*0,6%*	*0,9%*		*-27,9%*	*-16,2%*	
Financial result, net	(9.877)	(13.167)	33%	(6.774)	(9.115)	35%	(708)	(824)	16%	(1.174)	(1.225)	4%	(1.221)	(2.004)	64%
Profit before tax	**16.556**	**5.202**	**-69%**	**25.255**	**20.124**	**-20%**	**9.293**	**2.209**	**-76%**	**(2.180)**	**(1.974)**	**-9%**	**(15.812)**	**(15.157)**	**-4%**
Income tax expense	(1.182)	(4.064)	244%	(1.647)	(2.819)	71%	(928)	(630)	-32%	(418)	-	-100%	1.812	(615)	-134%
Net Profit	**15.374**	**1.138**	**-93%**	**23.608**	**17.305**	**-27%**	**8.365**	**1.579**	**-81%**	**(2.599)**	**(1.974)**	**-24%**	**(14.000)**	**(15.772)**	**13%**
Net Profit %	*2,2%*	*0,2%*		*4,8%*	*3,5%*		*6,6%*	*2,1%*		*-4,6%*	*-4,0%*		*-34,7%*	*-34,0%*	

In terms of quantities, total volumes are close to the 2022 levels – **75,346 tonnes in 2023 versus 76,931 tonnes in 2022** – meaning a decrease by 2% yoy. The quantities sold in the second half of the year, especially the 27% increase in volumes in Q4 2023 vs. Q4 2022 show positive market dynamics, well above that of 2022.

		2023	2022
Pipes	+34%	34,3 mln. LM	25,6 mln. LM
Fittings	+2%	10,8 mln. PCS	10,6 mln. PCS
Compounds	-21%	13.112 T	16.639 T
Recycling	-37%	7.738 T	12.286 T
Flexible packaging	+29%	3.972 T	3.082 T
Windows & doors	-27%	123 TH UNITS	168 TH UNITS

Key events in 2023

Performance in the capital market

We have achieved, for the fourth consecutive time, the maximum score of 10 in the Vektor evaluation coordinated by ARIR - the Association for Investor Relations at the Bucharest Stock Exchange. The score assesses the activity of listed companies regarding corporate governance and communication with investors. TeraPlast is one of the 18 companies listed on the BSE to have obtained the maximum score, while the average among companies in the BET index was 9.4.

The new distribution center in Galați

We have strengthened our geographical coverage in Romania by opening a new warehouse in the southeast of the country, in Galați. The facility serves as a logistical center for fast and efficient supply and delivery for the counties of Galați, Brăila, Tulcea, Vrancea, Ialomița, and Constanța.

Partnership with Sipex

TeraPlast joined forces with Sipex, one of the largest distributors of construction materials in Romania, listed on the Bucharest Stock Exchange in the AeRO market. The partnership involves the distribution of TeraPlast products, especially the complete underfloor heating system tailored to the current needs of consumers, NeoTer.

Support for the local community

We have expanded our support for CS Gloria 2018 Bistrița Năsăud through a contract where the new polyvalent hall in Bistrița bears the name TeraPlast Arena. The agreement is valid for a period of 5 years, with the possibility of extension through an additional agreement. The value of the contract exceeds 600,000 lei per year. The hall was completed in 2022, following an investment of 27.3 million euros, with funding provided both from the national budget and the local budget.

Inclusion in the ROTX index in Vienna

TRP shares were included by the Vienna Stock Exchange in the ROTX EUR index, starting from March 20, 2023. The ROTX, launched in 2005, is a market capitalization-weighted price index composed of 15 Romanian blue-chip stocks. It is tradable and used as a reference for structured products and standardized derivates. TRP shares were part of this index until March 2024.

Continuity in the executive team

The Board of Directors has decided to extend the mandate of Ms. Ioana Birta as Chief Financial Officer until September 2027. Ms. Birta has been part of the TeraPlast Group's executive team since 2017. As CFO, she played a key role in the management team that implemented the transformation strategy of the TeraPlast Group, resulting in accelerated development through investments and M&A, digitalization and automation of processes, as well as increased transparency within the organization, both internally and externally.

15 years on the Bucharest Stock Exchange

On July 3, 2023, we celebrated 15 years since TeraPlast went public on the Bucharest Stock Exchange on July 2, 2008. During these 15 years of presence on the stock exchange, the company's market capitalization has grown by over four times, with revenues increasing from 219 million lei in 2007 to 711 million lei in 2022, and assets growing from 170 million lei to nearly 700 million lei. Investments during the same period amount to almost 800 million lei.

Development of renewable energy through NRRP

We have signed the financing contract for a financial support of approximately 5.5 million lei under the National Recovery and Resilience Plan for the development of a new photovoltaic plant within the Industrial Park in Sărățel. The non-reimbursable financing will cover about a quarter of the total investment of the company in this project, whose budget amounts to 22,565,775.35 lei. The new photovoltaic plant is designed with a capacity of approximately 4.56 MWp, corresponding to a produced power (from inverters) of approximately 3.81 MW, and is part of TeraPlast's sustainable development strategy, which also includes increasing energy independence from renewable sources.

Upgrade within MSCI

The performance and relevance of TeraPlast Group have been recognized through the upgrade of the company's shares to a higher category within the MSCI indices. As of September 1st, the stocks with the symbol TRP have transitioned from the Small Cap category to the Mid Cap / Large Cap category and are included in the MSCI Frontier and MSCI Romania indices.

Digitization of the analysis and quoting process

To optimize the analysis and quoting process, a program has been implemented that enables both a quick analysis of demand, by reporting the requested price to recorded costs, and access to the price history for the respective products. The software structure has been carefully customized by the TeraPlast team, and the program has been successfully developed and implemented by Cicada Technologies from Cluj. The increased response speed to inquiries has been made possible by equipping the sales team with IT equipment that allows rapid and real-time access to information regarding prices, stocks, and offers. The software programs replace the previous logistics and quoting management system, which was based on an Excel format and was no longer meeting current requirements due to the vast volume of data.

TeraPlast Investor Day

On November 28th, the 2023 edition of the Investor Day took place. During the event, the company's shareholders and investors from the capital market interested in TeraPlast, visited the industrial park in Sărățel where they saw the latest investments in place. The management team presented the recent evolution of the Group, its vision, and plans, while participants had the opportunity to engage in discussions with the management.

Acquisition of pipe manufacturer Palplast in the Republic of Moldova

The company operates two production lines for high-density polyethylene pipes used in water and gas supply networks. The transaction amounted to 1.8 million euros, comprising 1 million euros contributed by TeraPlast SA to Palplast Moldova's capital and 800 thousand euros paid to the existing shareholder. As a result, the ownership structure consists of TeraPlast, holding a 51% stake, and Fribourg Capital, the current shareholder, holding 49%. The 1 million euro contribution will be utilized by Palplast Moldova to diversify its production capacity and expand its existing logistics platform. The transaction was announced in December 2023 and closed in January 2024.

Events after the reported period

Acquisition of the Wolfgang Freiler Group from the Uhl family in Austria

In February, the agreement was signed for the acquisition of the Wolfgang Freiler Group, which has modern production facilities in Hungary and a dynamic distribution division in Austria. The two factories in Hungary are Polytech and Pro-Moulding. The first, Polytech, specializes in the production of pipes for the protection of electric cables and optical fiber, while the activity of Pro-Moulding involves plastic injection moulding. The products are sold on the markets of Hungary, the Czech Republic, Austria, Germany and France, where the two companies have solid market positions. The acquisition also includes an industrial base of 5 hectares of land and warehouses in the south-west of Hungary.

TeraPlast received the certification of Best Managed Company

TeraPlast's performances were recognized at the Best Managed Companies Romanian Gala, TeraPlast being awarded the "Best Managed Company". This recognition underscores the sustained efforts and commitment of the entire organization to continuous performance and development The „Romania Best Managed Companies" program represents a valuable initiative to recognize Romanian entrepreneurial performance, based on an international methodology, the program being carried out simultaneously in over 45 countries around the world. The four assessment pillars were: strategy, resources and innovation, culture and commitment, and governance and financial aspects of the company.

Raiffeisen Bank International is the second issuer market maker

Starting March 1st, 2024, TeraPlast benefits from market making services from Raiffeisen Bank International. The collaboration with Raiffeisen Bank International also includes a Sponsored Research component, which expands the sources of information available to investors on the capital market. This collaboration, together with the BRK Financial Group market making services we benefit from since 2020, contributes to the increased liquidity of TRP securities, which will attract increased visibility of the company both domestically and internationally.

TeraPlast Group team

We are one of the largest employers in the county and we believe that it is our responsibility to provide employees with a fair and safe workplace, that encourages development.

By the end of 2023, the TeraPlast Group team counted more than 950 employees, in slight decline compared to 2022 due to the necessary resizing in the operational efficiency process.

Code of Conduct

In our daily activities, we emphasize the adherence to a strong set of principles of ethics and integrity according to the Code of Conduct.

We promote among our colleagues an upright and professional behavior while being conscious of the environment and society. We emphasize equal opportunities, non-discrimination, and respect for the rights and freedoms of each individual in their professional activity.

This also includes respecting and protecting human rights, employee rights, and fair practices in our relationship with suppliers and customers. The Code of Conduct applies to all employees of the Group.

We also pay increased attention to regulations regarding health and safety at work, and the awareness and compliance with emergency situations and fire prevention and extinguishing measures. With the help of the internal dedicated department, we ensure that these provisions and practices are up-to-date in order to provide a healthy and safe working environment for our colleagues.

The TeraPlast trade union is the strongest bridge between employees and management through periodic consultations regarding the collective labor agreement and employee benefits.

Our responsibility to the community extends beyond supporting local projects aimed at bringing about positive change. In addition to job creation, we recognize the importance of training the new generations of professionals and are involved in a dual education program to train computer numerical control (CNC) machine operators.

Whistleblower

Any violation of the code of conduct or any incident regarding the breach of laws or integrity norms by the company, employees, or collaborators can be reported through the whistleblower available on our website.

The received reports are handled by the Integrity Officer and analyzed when necessary within the Integrity Committee. According to the whistleblowing policy, we ensure the confidentiality of those who report irregularities and their protection against possible retaliation, as well as effective measures for addressing and preventing the reported situations.

Last year the first craft contest, part of the **county project „My Craft – a job of the future"** took place. During the competition, participating students took two individual tests, one theoretical and one practical, and the evaluation committee consisted of 3 representatives from partner companies involved in the project.

The students who participated in the CNC Operator competition are from Grigore Moisil Technical High School in Bistrița and from Beclean Agricultural Technical High School. Within the program, a total of 33 students were trained for the CNC machine operator specialization, and the first graduates of the program completed the course in June 2023. Participants received a monthly scholarship, transportation, and meals for each day of training at TeraPlast.

Detailed information about our employees and related topics such as diversity, training and recruitment will be part of the 2023 Sustainability Report which will be published in May 2024. The 2022 Sustainability Report is available at this link.

TeraPlast on the capital market

TeraPlast SA has been listed on the Bucharest Stock Exchange (BVB) since July 2, 2008, under the symbol TRP. Currently, TRP shares are included in the reference BET index of the BVB, as well as in the FTSE Russell and MSCI indices.

During March 2023 to March 2024, TRP shares were also included in the ROTX index of the Vienna Stock Exchange, and since September 2023, they have been promoted in the MSCI indices from the Small Cap category to the Mid Cap/Large Cap category in the MSCI Frontier and MSCI Romania indices.

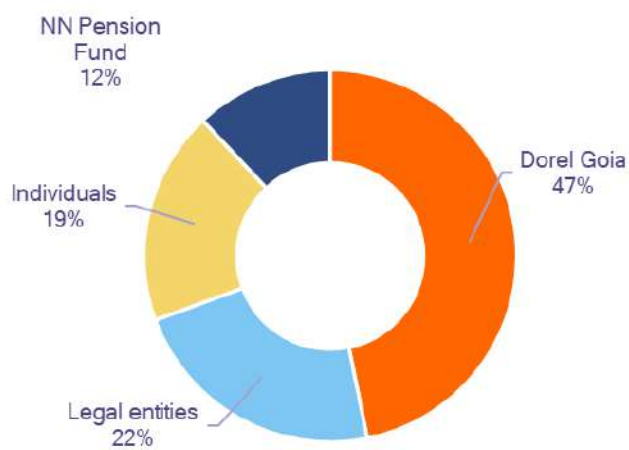
2023 also marked the **15th anniversary since going public on the Bucharest Stock Exchange** (BSE). Over these 15 years, the company's market capitalization has increased more than fourfold, with revenues growing from 219 million lei in 2007 to 711 million lei in 2022, and assets rising from 170 million lei to nearly 700 million lei. Total investments during this period amount to almost 800 million lei.

TRP shareholders

At the end of 2023, TeraPlast's shareholder structure comprised of over 14,000 shareholders. Throughout the year, the structure remained largely unchanged. This information can be viewed in the accompanying graph and on the BSE website where comprehensive details about the company's announcements from the previous year are also available.

As of December 31, 2023, Mr. Dorel Goia (Chairman of the Board of Directors) held 1,020,429,614 TRP shares, Mr. Alexandru Stânean (CEO) held 1,806,252 TRP shares, and Ms. Ioana Birta (CFO) held 206,309 TRP shares. Regarding the other members of the TeraPlast Board of Directors, Mr. Lucian Claudiu Anghel and Mr. Vlad-Nicolae Neacșu each held 310,000 TRP shares as of the same date, while Mr. Vasile Pușcaș held 20,000 TRP shares.

TeraPlast shareholding structure in 2023



In 2023, no dividends were distributed, and there were no increases in share capital.

The Stock Option Plan program initiated in 2022 was completed according to the remuneration policy (available here), with the share buyback finalized on February 17, 2023. As a result, 2,670,000 shares were allocated to employees of the TeraPlast Group, free of charge. The shares were granted based on performance during the 2020-2021 period, reflecting the record results achieved in 2021.

The stock option plan program aligns with the Group's strategy for retaining key personnel, and according to TeraPlast's remuneration policy, the actual allocation of shares takes place after 12 months from the end of the period that they are granted for.

At the General Meeting of Shareholders on April 28, 2023, a new share buyback program was approved, which was completed in February 2024.

The shares related to this program were granted to employees in March 2024.

TeraPlast's communication with both the financial journalists and shareholders and investors was publicly recognized in 2023. For the fourth consecutive year, our company received **the highest score, 10, in the Vektor evaluation conducted by ARIR** - the Association for Investor Relations on the Romanian Stock Exchange. The evaluation criteria include the availability of information about the board of directors, events dedicated to investor management interaction, company policies, non-financial reporting, and dissemination of new information.

At the ARIR Gala held in November 2023, TeraPlast was awarded the **prize for "Best Company in Investor Relations - Public Vote for the Main Market".** Additionally, at the BVB Awards event in February 2023, TeraPlast received the award for **"Best Communication by an Issuer with Journalists in 2022 - Financial Press Award."**

In 2023, the TeraPlast team participated in 5 events dedicated to interactions between listed companies and investors, where we met with over 30 investors from Romania and abroad in total. Comprehensive information about corporate governance documents (policies, governance statutes, etc.), reporting, and other relevant aspects of TeraPlast's activity on the capital market are available on the dedicated investor website: https://investors.teraplast.ro/

Board of Directors and Group's management

Our company is managed in a unitary system, overseen by the Board of Directors. The General Shareholders' Meeting (GSM) is the highest decision-making body. Members of the Board of Directors are elected upon the proposal of significant shareholders of the company and appoint the executive leadership.

The members of the TeraPlast Board of Directors were re-elected at the AGM on September 14, 2023, for a term of 4 years (September 14, 2023 - September 14, 2027). The Chairman of the Board of Directors elected by the board members is Mr. Dorel Goia, with a 4-year term, identical to that of the other directors. Currently, 3 out of 5 directors are independent.

The executive management of the TeraPlast Group is provided by Mr. Alexandru Stânean, with a mandate of 4 years, starting on July 2, 2020, as CEO, and by Ms. Ioana Birta, Chief Financial Officer, whose mandate is valid until September 2027.

Additional information about the Board of Directors and executive management are available on our website at this link.

There are no past or ongoing litigations or administrative proceedings involving the directors and/or executive management regarding their activities or their ability to fulfill their duties within TeraPlast.

Dorel Goia

Chairman

Year of birth: 1954
Experience: entrepreneurship
First time elected in the Board: 2008
Entrepreneur with extensive experience in various fields.

Vasile Pușcaș

Independent Non-Executive Director

Year of birth: 1952
Experience: politics
First time elected in the Board: 2023
Activity: university professor

Lucian Claudiu Anghel

Independent Non-Executive Director

Year of birth: 1972
Experience: banking, capital markets
First time elected in the Board: 2021
Activity: Libra Bank

Vlad Nicolae Neacșu

Independent Non-Executive Director

Year of birth: 1981
Experience: finance
First time elected in the Board: 2020
Activity: Sens Unic Imobiliare SRL

Alexandru Stânean

Executive Director (CEO)

Year of birth: 1982
Experience: business administration
First time elected in the Board: 2007
Activity: TeraPlast Group (CEO)

Advisory committees

TeraPlast currently has 3 advisory committees, as detailed below. The committees have an advisory role, and the International Development Committee was established in 2023.

The Audit Committee consists of Mr. Vlad Nicolae Neacșu - Chairman - and Mr. Dorel Goia, Mr. Lucian-Claudiu Anghel, Mr. Vasile Pușcaș, and Ms. Andreea Elena Manta - an independent member appointed by the OGMS Resolution dated September 14, 2023.

Mr. Lucian Claudiu Anghel chairs the **Nomination and Remuneration Committee**, and the other members are Mr. Dorel Goia, Mr. Vlad Nicolae Neacșu, and Mr. Vasile Pușcaș.

The International Development Committee has an advisory role regarding the international business development projects of the TeraPlast Group, in accordance with the strategy in this regard. Thus, the International Development Committee assists the Board of Directors in evaluating and selecting investment opportunities, both as M&A operations and greenfield projects.

The responsibilities of each TeraPlast committee are detailed in dedicated documents on our website, available here. In the same section, you can find information about the company's policies: dividend policy, remuneration policy, and forecasting policy.

Other relevant information on TRP shares

Number of shares	2.179.000.358
Share capital	217.900.035,80 lei
Nominal value	0,1000
No. of shares traded in 2023	203.251.162
Value traded in 2023	106.914.382 lei
Maximum medium price in 2023	0,6370 lei
Minimum medium price in 2023	0,4580 lei
No. of shareholders as of 31.12.2023	14.500
2023 market maker	BRK Financial Group

Sustainable development

Our mission is to provide efficient solutions for people and the environment.

As a polymer processor we consider it our responsibility to come up with solutions, contributing to the substitution of plastics in general and those with a short life cycle in particular with sustainable alternatives where possible.

We also contribute to the responsible management of plastic waste and the responsible consumption of resources, and fairness and integrity are solid elements of our vision of sustainable development. In 2023 there were no litigations related to environmental aspects.

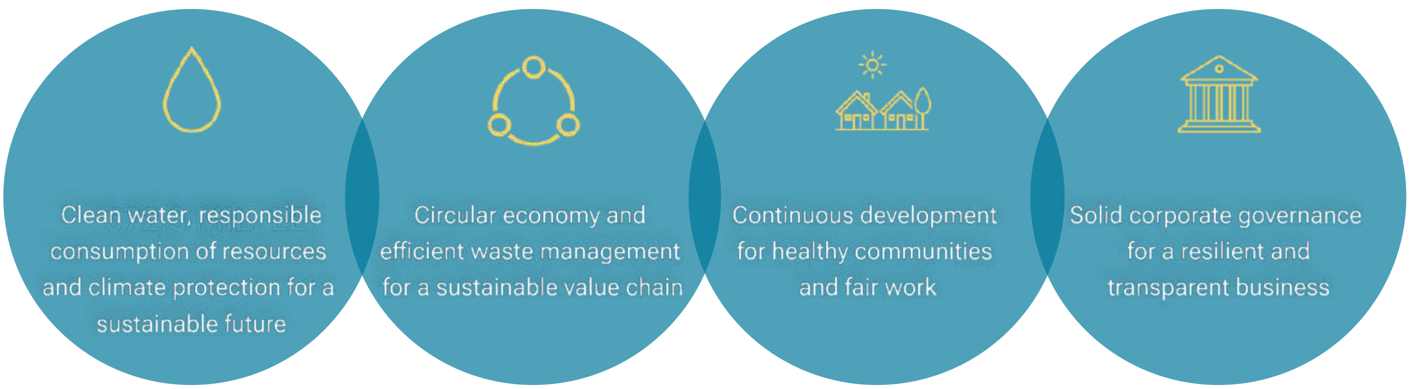
We publish every year, according to the regulations in force in the field of disclosure of non-financial information, a sustainability report that includes detailed information in this area.

The most recent report published at the time of writing this report is the 2022 Sustainability Report, which can be viewed by accessing this link.

The 2023 report will be published in May 2024, and its availability will be announced through the company's official communication channels, including on the BSE website (TRP symbol).

Our approach

In our vision of sustainable development, 4 major directions of action are highlighted:



These directions articulate how sustainable development is integrated into our businesses every day and how our mission to provide efficient solutions for people and the environment is embodied in medium and long-term strategic actions.

We are a company whose products are largely aimed for water management. The Installations Division provides solutions for clean water (potable water supply, water for irrigation from both underground and above-ground sources), waste water and rainwater management. By adhering to the highest quality standards, ensuring longevity and technical properties, our products contribute to the transportation and distribution of clean, uncontaminated water, safe transportation of wastewater, and the durability of infrastructure for healthy cities and modern agriculture.

We contribute to the circular economy and efficient waste management through **the operation of the rigid PVC recycling factory and the integration of recycled material into finished products for outdoor sewers**. We also use recycled materials from third parties in our products, where we have not developed our own recycling capabilities. We have ecological alternatives in our portfolio where possible, such as biodegradable and compostable packaging which are OK Compost certified according to the EN 13432 standard.

Through the nature of our production processes, the largest share of our resource consumption is electricity. As a result, we have invested in a photovoltaic plant and in 2024 we will build a new one, to increase our share of **renewable energy** in the total consumption. Also, the electricity supplier provides us with guarantees of origin for the purchased electricity, and they cover 100% of the energy purchased by TeraPlast SA.

Awareness of greenhouse gas emissions we generate helps us identify opportunities to reduce our impact, to help **mitigate climate change**. We calculate the Scope 1, 2 and 3 carbon footprint and also performed a risk assessment based on the TCFD (Task Force on Climate-Related Financial Disclosures) framework.

From a continuous development perspective, the expansion of our businesses has a **direct impact in local communities** through job creation, the well-being of our employees and involvement in local projects and initiatives.

Last but not least, the size of the TeraPlast Group and the vision we have for our development require the existence of a **robust corporate governance**, which formalizes and addresses topics such as risk management, ethics and integrity, transparency etc. We are a signatory of the **UN Global Compact**, and thus we have a voluntary commitment to promote the ten principles of the UN regarding human rights, labor standards, environment, anti-corruption, and to contribute to the achievement of sustainable development goals.

Our progress in these 4 directions is contained in the annual sustainability report. The report also includes information on the EU Taxonomy (Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment).

Ratings and reviews

We remain consistent and have agreed, for the fourth year, to publish the score obtained from Sustainalytics in the project they are carrying out in collaboration with BSE. The information is available on the BSE Research Hub Portal, in the dedicated section.

In 2023, for the first time, we carried out our CDP – Carbon Disclosure Project – evaluation for the Water and Climate questionnaires. Last year we also completed the EcoVadis evaluation, where we obtained Silver Recognition.

Detailed information on the above-mentioned assessments will be included in the sustainability report.

2024 Budget

For this year, we present a budget with moderated organic growth.

The slightly conservative approach results from past years' experience in which, the premises from the start of the year materialized only in part throughout the year.

The macroeconomic context imposes such an approach, with expectations that several market segments will face contractions on various levels while public works, with governmental or European financing will be on the upswing.

RON '000	2022	2023	2024 B
Net Sales	**711.126**	**672.331**	**864.518**
Other operating income	655	1.835	139
Total Operating Income	**711.781**	**674.165**	**864.657**
Raw materials, consumables & merchandise	(486.499)	(424.942)	(545.111)
Salaries and employee benefits	(83.556)	(95.056)	(116.432)
Utilities	(21.128)	(32.593)	(42.400)
Amortization, impairments, provisions	(26.285)	(33.002)	(36.491)
Other operating expenses	(67.880)	(70.203)	(89.057)
Total Operating Costs	**(685.349)**	**(655.796)**	**(829.491)**
EBIT	26.433	18.369	35.166
EBITDA	52.718	51.372	71.657
EBITDA %	7%	8%	8%
Financial result, net	(9.877)	(13.167)	(17.017)
Profit before tax	**16.556**	**5.202**	**18.149**
Income tax expense	(1.182)	(4.064)	(7.500)
Net Profit	**15.374**	**1.138**	**10.649**
Net Profit %	**2%**	**0%**	**1%**

Main expenses, as percentage of the turnover, will be in line with last year. In order for this to happen, the Group planned for several optimizations and fixed costs reduction in segments that underperformed in 2023.

Additionally, at the consolidated level, a preservation of business lines' weight in revenues is forecasted.

As a whole, **the turnover as well as the EBITDA will increase consistently**. The M&A operations conducted within the Installations segment will make a significant contribution, while the new stretch film business will drive revenue growth in the Packaging segment.

For the Installation segment, domestic infrastructure projects are expected to grow in 2024 as well.

2024 Key figures

TURNOVER

864,5 MLN. LEI

+29% vs. 2023

EBITDA

71,7 MLN. LEI

+39% vs. 2023

EBITDA MARGIN

8,3%

+0,7pp vs. 2023

NET PROFIT

10,6 MLN. LEI

+836% vs. 2023

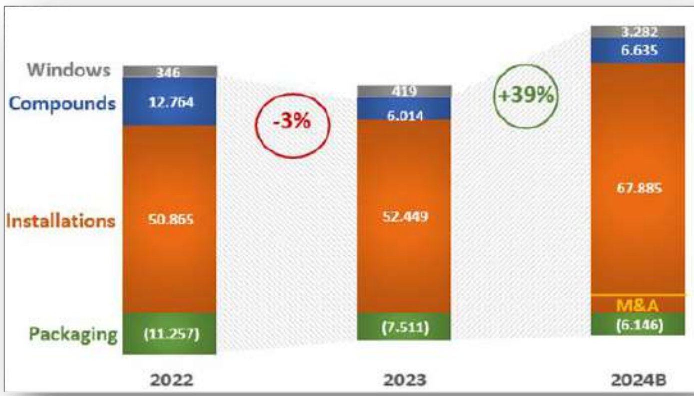
GROSS MARGIN

37%

Sales volumes for the current activity of the Group are forecasted to grow by 16% to 80 thousand tonnes. These will be topped by the sales volumes of the newly acquired subsidiaries. Thus, for the whole year, **TeraPlast Group will reach sales volumes of 100 thousand tonnes, amounting to 33% increase in sales volumes compared to 2023**.

Net sales

EBITDA



TeraGlass will continue the strategy of 2023 to switch to non-DIY customers. This switch will be boosted by the newly recruited, experienced sales team, focused on the renovations and new buildings market.

For the Packaging segment, radical transformations are to be expected in 2024. The turnover will grow by 80% due to the commissioning of Opal (stretch film). TeraBio Pack will reach break-even this year, however as a whole, the Packaging segment will generate a loss, as until Opal reaches critical mass, it will have a negative impact on the EBITDA.

Romania is a net importer of stretch film, which gives competitive advantage for domestic production, reflected in lower lead-times and costs. Opal products target both domestic market and existing export markets of the Group, as well as new markets that will be assimilated following the integration of the newly purchased companies.

The newly acquired subsidiaries are expected to bring sales of 8,000 tonnes for this year. They will constitute about 15% of the Group's sales and EBITDA for 2024 and will be consolidated in the Installations segment.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the consolidated financial statements of Teraplast SA and its subsidiaries ("the Group"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

2. The consolidated financial statements as at December 31, 2023 are identified as follows:

• Net assets/Total equity:	RON 312,680,694
• Net profit for the financial year:	RON 1,138,004

3. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments.

Basis for Opinion

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

Key Audit Matters

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

KEY AUDIT MATTER	How our audit addressed the key audit matter
Income recognition	
Income generated by the sale of finished products and the merchandise is the Group's core activity. The recognition of income from the sale of finished products and merchandise depends on the proper evaluation of the amount of the contractual consideration, including of discounts granted in certain sale transactions and their registration in the period they refer to, according to the commercial clauses provided in the contracts with customers. In addition, income is one of the most important key performance indicators of the Group. The Group's disclosures on income are included in Note 4 to the financial statements. In our opinion, income recognition is a significant audit area, as the Group's management may incorrectly account for the income generated by the sale of finished products and merchandise due to the nature of the sale transactions and the contractual clauses regarding the modalities and date of transfer of control over the goods sold.	Our audit procedures conducted to address the risk of significant misstatement of income recognition included as follows: • We have assessed the Group's accounting policies regarding income recognition. • We have assessed the design and implementation of existing key controls on the sales of the finished products and merchandise. • We have confirmed the income with the most important customers selected on a random sample basis at December 31, 2023 in order to assess the completeness of the transactions conducted by the Group therewith. • We have selected a random sample of income, which we compared against the relevant supporting documents to ensure the accuracy and completeness of the income registered, by also validating the financial period when they should have been registered depending on the date of transfer of control over the finished products or the merchandise sold by the Company as seller, to the customer as buyer. • We have reviewed the income by comparing the current period with the prior period for: sales, volume of products, volume of customers and margin.

Deloitte.

Other information – Administrators' Consolidated Report

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' Consolidated report and the Remuneration Report, but does not include the consolidated financial statements and our auditor's report thereon, or the non-financial information declaration, which is being presented in a separate report.

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

   In connection with our audit of the consolidated financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   Other reporting responsibilities with respect to other information – Administrators' consolidated report

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

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

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

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

   Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the consolidated financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' consolidated report. We have nothing to report in this regard.

   Other reporting responsibilities with respect to other information – Remuneration report

   With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 18 April 2023 to audit the financial statements of Teraplast SA for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2019 until December 31, 2023.

We confirm that:

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

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

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

Report on compliance with the Law 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Law 162/2017, and Commission Delegated Regulation (EU) 2018/815 applicable to the consolidated financial statements included in the annual financial report of TERPLAST SA as presented in the digital files which contain the unique LEI code 254900CX9UNGB7VM0R35 ("**the Digital Files**")

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

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

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

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

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

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

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

- obtaining an understanding of the Company's process for preparation of the Digital Files in accordance with ESEF, including relevant internal controls;
- reconciling the Digital Files including the marked-up data with the audited consolidated financial statements of the Company to be submitted in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments;
- evaluating if all financial statements contained in the consolidated annual report have been prepared in a valid XHTML format;
- evaluating if the iXBRL mark-ups, including the voluntary mark-ups, comply with the requirements of ESEF.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the consolidated financial statements for the year ended December 31, 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the consolidated financial statements. Our audit opinion relating to the consolidated financial statements of the Company for the year ended December 31, 2023 is set out in the "*Report on the audit of the consolidated financial statements*" section above.

Alina Ioana Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
8th Floor and 9th Floor, District 1
Bucharest, Romania
March 26, 2024

TERAPLAST SA

CONSOLIDATED FINANCIAL STATEMENTS

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

AT AND FOR THE YEAR ENDED
31 DECEMBER 2023

CONTENTS: **PAGE:**

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

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

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

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

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

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

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

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

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

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

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

	Share capital	Legal reserves	Revaluation reserve	Treasury shares	Cumulated etained earnings	Capital attributable to parent's equity holders	Non-controlling interests	Total equity
Balance at 1 January 2022	**217,900,036**	**33,296,210**	**15,877,973**	**(4,935,035)**	**325,740,259**	**587,879,443**	**3,651,481**	**591,530,924**
Result for the year	-	-	-	-	15,762,928	15,762,928	(389,060)	15,373,868
Other comprehensive income	-	-	-	-	1,081,359	1,081,359	-	1,081,359
Total comprehensive income	**-**	**-**	**-**	**-**	**16,844,287**	**16,844,287**	**(389,060)**	**16,455,227**
Set up of legal reserves		1,915,514	-	-	(1,915,514)	-	-	-
Reserves representing revaluation surplus	-	-	1,426,585	-		1,426,585	-	1,426,585
Benefits granted to employees in the form of financial instruments	-	-	-	4,439,826		4,439,826	-	4,439,826
Losses on the sale of treasury shares	-	-	-	-	(411,138)	(411,138)	-	(411,138)
Dividends paid and share capital increase (2021)	-	-	-	-	(270,195,925)	(270,195,925)	-	(270,195,925)
Dividends paid in 2022	-	-	-	-	(32,684,967)	(32,684,967)	-	(32,684,967)
Other increases/(decreases) of equity items	-	-	-	-	(1,081,359)	(1,081,359)	-	(1,081,359)
Balance at 31 December 2022	**217,900,036**	**35,211,724**	**17,304,558**	**(495,209)**	**36,295,643**	**306,216,752**	**3,262,421**	**309,479,173**

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN
CEO

IOANA BIRTA
CFO

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

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

Approved:
12 February 2024
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

1. GENERAL INFORMATION

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

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

Structure of TeraPlast group

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

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

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

Group Teraplast includes Teraplast and its subsidiaries:

- Teraglass Bistrita SRL - manufacturer of PVC windows and doors
- TeraPlast Recycling SA – PVC recycler
- TeraBio Pack SRL – manufacturer of biodegradable polyethylene packaging
- Teraplast Magyarország – distributor of TeraPlast's products in Hungary
- Somplast SA – the Company holds production halls that it leases to TeraBioPack and TeraPlast Recycling
- TeraGreen Compound and Teraverde Carbon – dormant companies

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Basis of accounting

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

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

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

Going concern

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

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

The budget prepared by the Group management and approved by the Board of Administration for 2024 indicates positive cash flows from operating activities, an increase in sales and profitability which contributes directly to improving liquidity and allows the Group to fulfil its contractual clauses with the financing banks. Group management believes that the support from banks is sufficient for the Group to continue its activity in the ordinary course of business, as a going concern.

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

Basis for consolidation

The financial statements comprise the financial statement of the parent and of its subsidiaries as at 31 December 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

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

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

Business combinations

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations (continued)

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

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

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

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

Goodwill

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

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

Intangible assets purchased in a business combination

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of intangible assets

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

Non-current assets held for sale and discontinued operations

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

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

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

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

Standards, amendments and new interpretations of standards

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Standards, amendments and new interpretations of standards (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash and cash equivalents

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenues from contracts with customers

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues from contracts with customers (continued)

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

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

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

Assets and liabilities related to the contract

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

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

Dividend and interest income

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

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

Leases

The Group as lessee

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group as lessee (continued)

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

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

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

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

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

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

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

The Group does not act as lessor.

Foreign currency transactions

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Costs related to long-term borrowings

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

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

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

Government grants

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

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

Taxation

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

Current tax

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

Deferred tax

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

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

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

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

Intangible assets

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

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

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

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

Impairment of tangible and intangible assets

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Inventories

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

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

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

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

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

Share capital

Common shares are classified in equity.

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

Dividends

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

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

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

Segment reporting

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

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

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

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

Financial instruments

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

(a) Financial assets

Initial recognition and measurement

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Initial recognition and measurement (continued)

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

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

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

Subsequent measurement

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

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

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

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

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

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

Impairment of financial assets

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Credit risk

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

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

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

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

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

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

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

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

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

Definition of default

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

Derecognition of assets and liabilities

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

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

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement (continued)

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

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

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

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

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

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

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

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

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

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

Use of estimates

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Judgments

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

Impairment of intangible and tangible assets

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

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

- The relationship between its market capitalization and its book value
- The operating performance, for which the Group used EBITDA as KPI, was RON 51.3 million, 3% less compared to 2022 mainly caused by the contraction recorded in the compounds segment. The results reflect the difficult economic conditions, with declining demand in some of the markets we operate in, which for us meant directing effort towards maintaining volumes and margins. We had to navigate a different environment than we had forecast at the start of 2023, driven mainly by slower progress in infrastructure work and residential refurbishments and lower demand for compounds. For the current year, the TeraPlast Group proposes a budget that foresees prudent organic growth. The slightly conservative approach was given by last years' experience in which some of the assuptions from the beginning of the year partially materialized during the execution of the budget. The macroeconomic context requires such an approach, and the expectation is that most sectors of the economy will show contractions at various levels, while for infrastructure works, fueled by public and European funds, a positive evolution is expected. The share of the main expenses in the budgeted turnover for 2024 is similar to 2023. They included process optimizations and the reduction of fixed expenses for businesses that recorded operational losses in the previous year. At the same time, at the consolidated level, a maintenance of the shares of business lines in revenues is forecast. As a whole, the budget foresees substantial increases in turnover and EBITDA.
- Utilization of production capacity was similar to the previous year on all CGUs.

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

Estimates and assumptions

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

Revaluation of property, plant and equipment and investment property

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

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

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

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

4. REVENUE AND OPERATING SEGMENTS

An analysis of the Group revenues is detailed below:

	Year ended 31 December 2023	Year ended 31 December 2022
	RON	*RON*
Sales of finished goods	619,770,668	664,079,300
Sale of merchandise	59,387,621	51,748,740
Revenues from other activities	3,568,660	5,251,602
Trade discounts granted	(10,396,360)	(9,953,194)
Total	**672,330,589**	**711,126,448**

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

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

The Group's distribution channels for its products are:

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

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

BUSINESS LINES

Installations

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

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

The company has a long history of market innovations:

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

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

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

Compounds

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

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

Recycling

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

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

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

Windows and doors

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

Flexible packaging

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

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

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

Financial year ended 31 December 2023	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	500,999,773	76,074,221	48,846,437	46,410,158	672,330,589
Other operating income	1,310,890	-	13,912	509,711	1,834,513
Operating income, total	502,310,663	76,074,221	48,860,349	46,919,869	674,165,102
Raw materials, consumables used and merchandise*	(308,839,337)	(56,668,214)	(27,378,207)	(32,056,078)	(424,941,836)
Employee benefits expenses	(63,516,389)	(6,470,313)	(11,492,017)	(13,577,194)	(95,055,913)
Travel expenses	(22,582,408)	(1,956,316)	(4,398,404)	(1,343,716)	(30,280,844)
Expenses with utilities	(25,208,589)	(2,262,082)	(877,883)	(4,244,484)	(32,593,039)
Amortization and adjustments for the impairment of assets and provisions**	(23,210,026)	(2,981,708)	(1,167,859)	(5,642,462)	(33,002,055)
Adjustments for the impairment of current assets	(110,502)	-	(1,147,381)	296,176	(961,707)
Sponsorships	(1,015,629)	(121,600)	(20,912)	-	(1,158,141)
Other expenses	(28,588,996)	(2,581,478)	(3,126,501)	(3,505,136)	(37,802,111)
Expenses related to indirect sales and administrative expenses	(473,071,877)	(73,041,711)	(49,609,164)	(60,072,894)	(655,795,646)
Operating result	29,238,786	3,032,510	(748,814)	(13,153,025)	18,369,456
EBITDA* **	52,448,812	6,014,218	419,045	(7,510,563)	51,371,511
EBITDA %	10,5%	7,9%	0,9%	-16,2%	7,6%
Financial result	(9,114,628)	(823,652)	(1,225,278)	(2,003,718)	(13,167,276)
Corporate tax	(2,819,079)	(630,234)	-	(614,863)	(4,064,176)
Net result	**17,305,079**	**1,578,624**	**(1,974,092)**	**(15,771,606)**	**1,138,004**

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

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

4. REVENUE AND OPERATING SEGMENTS (continued)

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

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

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

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

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

3. REVENUE AND OPERATING SEGMENTS (continued)

Financial year ended 31 December 2022	Installations and recycling	Compounds, including recycled	Joinery profiles	Flexible packaging	Total
Turnover	**488,213,820**	**126,073,058**	**56,499,542**	**40,340,028**	711,126,448
Other operating income	556,207	61,203	16,001	21,410	654,821
Operating income, total	**488,770,027**	**126,134,261**	**56,515,543**	**40,361,438**	**711,781,269**
Raw materials, consumables used and merchandise*	(320,704,410)	(98,286,241)	(34,678,665)	(32,829,925)	(486,499,241)
Employee benefits expenses	(52,884,791)	(7,826,950)	(11,203,540)	(11,640,854)	(83,556,135)
Travel expenses	(20,907,922)	(2,008,091)	(5,286,775)	(1,497,255)	(29,700,043)
Expenses with utilities	(15,811,883)	(1,877,062)	(932,674)	(2,506,301)	(21,127,920)
Amortization and adjustments for the impairment of assets and provisions**	(18,918,819)	(2,680,181)	(1,352,116)	(3,334,042)	(26,285,158)
Adjustments for the impairment of current assets	(4,357,097)	0	(1,070,460)	73,587	(5,353,970)
Sponsorships	(368,546)	(1,383,907)	(10,200)	0	(1,762,653)
Other expenses	(22,787,559)	(2,070,722)	(2,987,718)	(3,217,569)	(31,063,568)
Expenses related to indirect sales and administrative expenses	**(456,741,028)**	**(116,133,154)**	**(57,522,148)**	**(54,952,358)**	**(685,348,688)**
Operating result	**32,029,000**	**10,001,107**	**(1,006,605)**	**(14,590,921)**	**26,432,581**
EBITDA* **	**50,947,819**	**12,681,288**	**345,511**	**(11,256,878)**	**52,717,739**
EBITDA %	***10.4%***	***10.1%***	***0.6%***	***-27.9%***	*7,4%*
Financial result	(6,773,797)	(707,806)	(1,173,621)	(1,221,287)	(9,876,511)
Corporate tax	(1,647,444)	(928,181)	(418,415)	1,811,838	(1,182,202)
Net result	**23,607,759**	**8,365,120**	**(2,598,641)**	**(14,000,370)**	**15,373,868**

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

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

5. SUNDRY INCOME AND EXPENSES

Financial income and costs

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

The Group did not capitalize any borrowing cost in 2023 and 2022 because the investments financed through bank debt were assets with long implementation period (construction, installation and commissioning).

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

Dividend income includes the dividends received from CERTIND in amount of RON 63,900 (2022: RON 55,691).

Other operating income

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

6. RAW MATERIALS, CONSUMABLES USED AND MERCHANDISE

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

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

7. GAINS AND LOSSES ON DISPOSAL OF FIXED ASSETS

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

8. EXPENSES WITH PROVISIONS, IMPAIRMENT ADJUSTMENTS AND AMORTIZATION

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

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

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

Impairment of non-current assets

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

Inventory impairment

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

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

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

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

Remuneration of the Board of Administration

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

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

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

10. OTHER EXPENSES

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

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

11. INCOME TAX

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

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

The tax rate applied for the reconciliation above for 2023 and 2022 is 16% and is paid by Romanian legal entities.

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

11. INCOME TAX (continued)

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment in progress	Total
COST						
Balance at 1 January 2023	11,993,270	98,249,929	363,685,304	4,126,037	19,661,330	497,715,871
Increases:	1,382,040	2,997,411	4,039,276	40,970	96,239,156	104,698,852
Transfers to/ from non-current assets in progress	-	8,799,315	44,748,284	102,328	(54,033,191)	-
Transfers related to right-of-use	-	-	(961,872)	-	-	(961,872)
Disposals and other decreases	(560,826)	(1,824,322)	(1,994,308)	-	(273,831)	(4,653,288)
Balance at 31 December 2023	**12,814,483**	**108,222,333**	**409,516,684**	**4,269,335**	**61,593,464**	**596,416,300**
Balance at 1 January 2022	**9,670,598**	**61,303,823**	**277,836,329**	**2,558,344**	**63,383,946**	**414,753,040**
Increases:	1,847,567	570,533	6,165,212	58,387	81,470,714	90,112,414
Transfers to/ from non-current assets in progress	-	35,487,664	88,107,389	1,544,653	(125,139,706)	-
Revaluation increase /(decrease)	475,105	887,909	-	-	-	1,363,014
Transfers related to right-of-use	-	-	(1,514,030)	-	-	(1,514,030)
Disposals and other decreases	-	-	(6,909,596)	(35,347)	(53,624)	(6,998,567)
Balance at 31 December 2022	**11,993,270**	**98,249,929**	**363,685,304**	**4,126,037**	**19,661,330**	**497,715,871**

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

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Land	Buildings	Equipment and vehicles	Installations and furniture	Property, plant and equipment in progress	Total
ACCUMULATED DEPRECIATION						
Balance at 1 January 2023	**2,073**	**7,202,609**	**149,912,702**	**1,213,503**	**1,255,176**	**159,586,063**
Depreciation during the year	346	8,094,890	29,209,861	677,909	-	37,983,007
Disposals and decreases	-	(214,742)	(1,242,247)	-	-	(1,456,988)
Impairment	-	(3,595)	333,354	(1,273)	(239,741)	88,746
Net transfers of right-of-use assets	-	-	(1,196,562)	-	-	(1,196,562)
Balance at 31 December 2023	**2,419**	**15,079,163**	**177,017,110**	**1,890,139**	**1,015,435**	**195,004,266**
Balance at 1 January 2022	**1,727**	**2,752,590**	**131,486,203**	**943,630**	**1,255,176**	**136,439,326**
Depreciation during the year	346	4,602,074	23,728,015	295,326	-	28,625,761
Disposals and decreases	-	-	(4,545,784)	(30,022)	-	(4,575,805)
Impairment	-	(152,055)	107	4,569	-	(147,379)
Net transfers of right-of-use assets	-	-	(755,840)	-	-	(755,840)
Balance at 31 December 2022	**2,073**	**7,202,609**	**149,912,702**	**1,213,503**	**1,255,176**	**159,586,063**
NET CARRYING AMOUNT						
Net carrying amount at 31 December 2023	**12,812,064**	**93,143,171**	**232,499,574**	**2,379,196**	**60,578,029**	**401,412,034**
Net carrying amount at 31 December 2022	**11,991,197**	**91,047,320**	**213,772,602**	**2,912,534**	**18,406,154**	**338,129,808**

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

13. INTANGIBLE ASSETS

	Licenses and other intangible assets	Intangible assets in progress	Total
Cost			
Balance at 1 January 2023	**10,760,406**	**851,079**	**11,611,485**
Increases	451,758	616,046	1,067,804
Transfers into / from tangible assets in progress	898,247	(898,247)	-
Disposals/decreases	-	-	-
Balance at 31 December 2023	**12,110,411**	**568,878**	**12,679,290**
Balance at 1 January 2022	**8,012,358**	**1,450,739**	**9,463,097**
Increases	214,721	1,933,667	2,148,389
Transfers into / from tangible assets in progress	2,533,327	(2,533,327)	-
Disposals/decreases	-	-	-
Increases from purchase of Somplast	-	-	-
Balance at 31 December 2022	**10,760,406**	**851,079**	**11,611,485**
Accumulated amortisation			
Balance at 1 January 2023	**7,839,501**	**-**	**7,839,501**
Amortization expense	917,381	-	917,381
Impairment	(39,501)	-	(39,501)
Decreases	-	-	-
Balance at 31 December 2023	**8,717,831**	**-**	**8,717,831**
Balance at 1 January 2022	**7,100,844**	**-**	**7,100,844**
Amortization expense	777,706	-	777,706
Impairment	(39,049)	-	(39,049)
Decreases	-	-	-
Balance at 31 December 2022	**7,839,501**	**-**	**7,839,501**
Net carrying amount			
At 31 December 2023	**3,392,581**	**568,878**	**3,961,459**
At 31 December 2022	**2,920,905**	**851,079**	**3,771,984**

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

14. RIGHT-OF-USE ASSETS

The Group has right-of-use assets from rented buildings, warehouses and showrooms. The Group finances through lease agreements vehicles.
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Cost	Buildings	Equipment from operating leases	Vehicles and equipment from previous finance leases	Total
Balance at 1 January 2023	**9,942,227**	**2,448,430**	**12,035,787**	**24,426,443**
Additions	11,287,182	1,792,656	1,485,309	14,565,147
Disposals	(10,275,623)	(1,651,631)	(523,437)	(12,450,692)
Balance at 31 December 2023	**10,953,785**	**2,589,454**	**12,997,659**	**26,540,898**
Amortisation				
Balance at 1 January 2023	**4,002,545**	**567,048**	**2,033,979**	**6,603,572**
Amortisation expenses (Note 8)	2,278,401	617,144	1,720,003	4,615,549
Decreases	(3,506,079)	(666,448)	(523,437)	(4,695,964)
Balance at 31 December 2023	**2,774,868**	**517,744**	**3,230,545**	**6,523,157**
Carrying amount at 1 January 2023	**5,939,682**	**1,881,382**	**10,001,807**	**17,822,871**
Carrying amount at 31 December 2023	**8,178,917**	**2,071,710**	**9,767,113**	**20,017,741**

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

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

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

15. SUBSIDIARIES AND FINANCIAL INVESTMENTS

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

Subsidiary	Country	Shareholding	31 December 2023	Shareholding	31 December 2022
		%	*LEI*	*%*	*LEI*
TeraGlass Bistrița SRL	Romania	100	8,468,340	100	3,468,340
TeraPlast Recycling SA	Romania	99	11,766,350	99	11,766,350
Somplast SA	Romania	70.8	4,897,400	70,8	4,897,400
TeraBio Pack SRL	Romania	100	23,000,000	100	10,100,000
Teraplast Magyarorszag KFT	Hungary	100	36,492	100	36,492
TeraGreen Compound SRL	Romania	100	98,832	100	98,832
Teraverde Carbon SRL	Romania	100	10,000	-	-
		-	**48,277,414**	**-**	**30,367,414**

Other long-term equity investments

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

Investment name	Country	Investment share	31 December 2023	Investment share	31 December 2022
		%	*RON*	*%*	*RON*
CERTIND SA	Romania	7.50	14,400	7.50	14,400
Partnership for sustainable development	Romania	7.14	1,000	7.14	1,000
ECOREP GROUP SA	Romania	0,1	100	-	100
		-	**15,500**	**-**	**15,500**

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

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

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

16. INVENTORIES

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

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

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

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

17. TRADE AND OTHER RECEIVABLES

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

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

The changes in adjustment for impairment on doubtful receivables

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

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

An allowance for impairment is recorded for the full amount of trade receivables overdue for more than 60 days.

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

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

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

18. INVESTMENT PROPERTY

At 31 December 2023 and 31 December 2022, TeraPlast holds 21 thousand sqm of land in Bistrița for value appreciation, classified as investment property. The production unit of TeraPlast used to be located on this land, before the Company moved to TeraPlast Industrial Park. The land has a fair value of RON 5,737 thousand (RON 4,915 thousand at 31 December 2022).

The Group carries its investment properties at fair value, with changes in fair value being recognized in the statement of profit or loss. Investment properties were revalued at 31 December 2022 by an external independent valuator. The valuation method used was the market comparison.

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

19. SHARE CAPITAL

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

As at 31 December 2023, the value of the share capital subscribed and paid up of the Company included 2,179,000,358 (2022: 2,179,000,358) authorized shares, issued and paid in full, at a value RON 0.1/share and having a total nominal value of RON 217,900,036 (2022: RON 217,900,036). Common shares bear a vote each and give the right to dividends. In 2022, the dividends in amount of RON 32,684,967 were paid in July 2022, and refer to the result from Q2-Q4 of 2021. The value of the gross dividend per share was RON 0.015/share.

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

Shareholding

	Balance at 31 December 2023		Balance at 31 December 2022	
	Number of shares	**% ownership**	**Number of shares**	**% ownership**
Goia Dorel	1,020,429,614	46.83	1,020,429,614	46.83
FONDUL DE PENSII ADMINISTRAT PRIVAT NN/NN PENSII S.A.F.P.A.P. S.A.	261,832,007	12.02	261,832,007	12.02
FD DE PENS ADMIN PRIV AZT VIITORUL TAU/ALLIIANZ PP	135,167,485	6.2	135,167,485	6.2
LCS IMOBILIAR SA	78,628,275	3.6	78,628,275	3.6
Other natural and legal persons	682,942,977	31.34	682,942,977	31.34
Total	**2,179,000,358**	**100**	**2,179,000,358**	**100**

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

20. EMPLOYEE BENEFIT LIABILITIES AND PROVISIONS

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

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

	Short-term		Long-term	
	31 December 2023	**31 December 2022**	**31 December 2023**	**31 December 2022**
Employee benefits	-	-	-	1,956,847
Provisions for risks and charges	525,125	952,640	1,956,847	-
Total	**525,125**	**952,640**	**1,956,847**	**1,956,847**

Long-term employee benefits	**Financial year ended 31 December 2023**
Opening balance	1,956,847
Movements	-
Closing balance	**1,956,847**

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

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

The latest actuarial valuations were performed on 31 December 2023 by Mr. Silviu Matei, a member of the Romanian Actuaries Institute. The Group's management considered that the values revealed by the report at 31 December 2023 are insignificantly different from the values at 31 December 2022 and decided not to change the already registered provision.

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

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

21. TRADE AND OTHER PAYABLES

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

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

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

21.1 OTHER CURRENT LIABILIITES

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

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

22. LOANS FROM BANKS

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

Teraplast SA

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

Teraplast Recycling SA

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

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

22. LOANS FROM BANKS (continued)

Teraglass Bistrita SRL

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Exim	Investments	23.09.2019	2,728,145	1,981,160	771,739	1,209,421	60 MONTHS
Banca Transilvania	Working capital	08.07.2021	10,680,155	11,926,809	11,926,809	-	12 MONTHS
BCR Bank	Working capital	23.12.2020	5,270,669	3,918,040	3,918,040	-	12 MONTHS
TOTAL			**18,678,969**	**17,826,009**	**16,616,588**	**1,209,421**	

TeraBio Pack S.R.L.

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
BCR	Investments	29.04.2021	24,242,260	19,500,432	4,955,076	14,545,357	60 MONTHS
BCR	Investments	29.04.2021	9,034,271	-	-	-	12 MONTHS
BCR	Working capital	29.11.2021	4,699,164	2,245,986	2,245,986	-	12 MONTHS
BCR	Working capital	29.11.2021	10,000,000	9,933,139	9,933,139	-	12 MONTHS
TOTAL			**47,984,695**	**31,679,558**	**17,134,201**	**14,545,357**	

Somplast S.A.

Financing bank	Type of financing	Origination date	Balance at 31 December 2021	Balance at 31 December 2022	Short term at 31 December 2022	Long term at 31 December 2022	Period
Banca Transilvania	Working capital	08.07.2021	4,550,305	1,441,143	1,441,143	-	12 MONTHS
TOTAL			**190,627,470**	**239,579,487**	**155,393,060**	**84,186,427**	

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

23. LEASE LIABILITIES

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

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

24. FINANCIAL INSTRUMENTS

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

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

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

(a) Capital risks management

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

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

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

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

(b) Summary of significant accounting policies

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

(c) Objectives of the financial risk management

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

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

(d) Market risk

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

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

(e) Foreign currency risk management

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

	TOTAL	
Profit or (loss)	**(12,046,973)**	**12,046,973**

Transaction risk

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

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

26. FINANCIAL INSTRUMENTS (continued)

Conversion risk

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

(f) Interest rate risk management

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

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

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

(g) Other price risks

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

(h) Credit risk management

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

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

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

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

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

(i) Liquidity risk management

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

(j) Fair value of financial instruments

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

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

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

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

24. FINANCIAL INSTRUMENTS (continued)

Tables on liquidity and interest rate risks

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

2023

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(57,614,578)	(37,890,784)	(7,062,487)	(3,355,254)	(2,349,792)	(1,963,534)	(110,236,428)
Interest-bearing instruments							
Short and long-term loans	(1,835,050)	(6,807,832)	(150,110,950)	(41,804,437)	(26,240,802)	(25,740,998)	(252,540,069)
Future interest on loans	(285,767)	(1,415,496)	(3,548,831)	(6,653,821)	(3,615,718)	(1,839,230)	(17,358,863)
Non-interest bearing							
Cash and cash equivalents	18,879,289	-	-	-	-	-	18,879,289
Receivable	86,845,050	73,975,425	1,533,327	999,360	363,270	204,929	163,921,360

2022

	less than 1 month	1-3 months	3 months - 1 year	1-3 years	3 - 5 years	more than 5 years	Total
Non-interest bearing							
Trade receivables and other liabilities	(37,370,494)	(36,246,238)	(5,906,450)	(2,883,304)	(2,349,792)	(3,138,430)	(87,894,708)
Interest-bearing instruments							
Short and long-term loans	(1,718,129)	(6,021,957)	(146,825,432)	(31,493,355)	(13,202,533)	(1,397,850)	(200,659,255)
Future interest on loans	(28,383)	(681,194)	(1,411,692)	(1,877,622)	(302,264)	(101,080)	(4,402,235)
Non-interest bearing							
Cash and cash equivalents	10,713,209						
Receivable	76,550,779	68,799,143	8,332,385	1,139,106	363,270	341,548	155,526,231

25. RELATED PARTY TRANSACTIONS

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

31 December 2023

Subsidiaries

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

Related parties (common shareholding/decision-makers)

- ACI Cluj SA
- Hermes SA
- Info Sport SRL
- Ischia Activholding SRL
- Ischia Invest SRL
- La Casa Ristorante Pizzeria Pane Dolce SRL
- New Croco Pizzerie SRL
- Parc SA
- Primcom SA
- Sens Unic Imobiliare SRL
- Alpha Quest Tech SRL
- Banca Romaneasca SA – member of Eximbank SA group
- Grupul Bittnet Systems SA
- Compa SA
- Magazin Universal Maramures SA
- LCS Imobiliar SA
- Libra Internet Bank

The transactions between the parent and its subsidiaries, Group affiliates were eliminated from the consolidation.
In 2023 and 2022, the Group did not enter into significant transactions with related parties.

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

26. CASH AND CASH EQUIVALENTS

Cash

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

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

	31 December 2023	31 December 2022
	RON	*RON*
Cash in bank accounts	18,631,285	10,470,326
Cash on hand	62,479	31,325
Cash equivalents	185,525	211,558
Total	**18,879,289**	**10,713,209**

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

27. SUBSIDIES FOR INVESTMENTS

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

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

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

28. COMMITMENTS AND CONTINGENT LIABILITIES

TeraPlast SA

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

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 106,034,674 (31 December 2022: RON 103,210,462) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

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

Increase of production capacity for PVC pipes and fittings – project value: RON 42,479,590
TeraPlast SA extended the production capacity within the existing site for certain categories of products in the current manufacturing of the company, namely fittings (PP and PVC), PE pipes and PVC pipes, by making investments in the construction of new buildings and purchase of equipment. The investment was entirely put into operation in November 2022.

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

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

The investment was entirely put into operation in December 2022.

At December 31, 2022 the Company received the State aid in amount of RON 11,583,440.

The last application for reimbursement in amount of RON 12,385,006 was filed and disbursed in September 2023.

Teraglass Bistrita SRL

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

Guarantees for bank loans

At 31 December 2023, tangible assets and investment properties with a net book value of RON 8,928,774 (31 December 2022: RON 10,990,048) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Increase of production capacity – project value: RON 15,356,373

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

29. COMMITMENTS AND CONTINGENT LIABILITIES (continued)

Teraplast Recycling SA

Unused credit facilities
At 31 December 2023, the Company registers unused credit facilities in amount of RON 12,000,000 (31 December 2022: RON 3,000,000).

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 60,997,357 (31 December 2022: RON 3,657,679) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

State aid for the set-up of a new production facility
In May 2022, the company signed a financing agreement for an investment project worth RON 52,621 thousand, under the State aid scheme for the incentivising of investments with major impact in the economy, 50% of the project is financed with State aid. On 9 October 2023, the Company contracted a loan worth EUR 11.232 million and a bridge loan worth EUR 4.785 million, which will be repaid from the State aid for supporting the investments undertaken in the state aid scheme for incentivising investments with major impact in the economy.

At the date of these financial statements, Teraplast Recycling filed an application for reimbursement on 29 Dceember 2023 worth RON 16,933,591.

The facility will have two production lines for industrial-use polyethylene films, which means a capacity of more than 14,000 tons annually.

TeraBioPack SRL

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

Guarantees for bank loans
At 31 December 2023, tangible assets and investment properties with a net book value of RON 44,606,704 (31 December 2022: RON 34,175,310) constitute collateral for loans and credit lines. For loans from banks, the Company guaranteed all present and future cash, all present and future stocks of goods and products and assigned present and future receivables, as well as their accessories, from current and future contracts with customers, which act as assigned debtors. Also, the Company assigned the rights resulting from the issued insurance policies having as object the properties and the movable goods brought as collateral.

Investment in the biodegradable flexible packaging – project value: lei 67,446,557

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

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

Somplast SA

The company has a credit line of RON 5,000,000 contracted from BT of which the amount of RON 3,558,857 is not used at 31 December 2023 (31 December 2022: RON 449,695).

30. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

Declaration of management

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

Approved:

12 February 2024
Board of Administration

ALEXANDRU STANEAN	**IOANA BIRTA**
CEO	CFO

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of,
Teraplast SA

Report on the Audit of the Separate Financial Statements

Opinion

1. We have audited the financial statements of Teraplast SA ("the Company"), with registered office in Sărățel village, Șieu-Măgheruș commune, DN 15A, km 45+500, Bistrița-Năsăud county, identified by unique tax registration code 3094980, which comprise the statement of financial position as at December 31, 2023, and the statement of comprehensive income, the statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

2. The financial statements as at December 31, 2023 are identified as follows:

   - Net assets/Total equity: RON 611.058.875
   - Net profit for the financial year: RON 25,463,670

3. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments.

Basis for Opinion

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

Key Audit Matters

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

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KEY AUDIT MATTER	How our audit addressed the key audit matter
Income recognition	
Income generated by the sale of finished products and the merchandise is the Company's core activity. The recognition of income from the sale of finished products and merchandise depends on the proper evaluation of the amount of the contractual consideration, including of discounts granted in certain sale transactions and their registration in the period they refer to, according to the commercial clauses provided in the contracts with customers. In addition, income is one of the most important key performance indicators of the Company. The Company's disclosures on income are included in Note 4 to the financial statements. In our opinion, income recognition is a significant audit area, as the Company's management may incorrectly account for the income generated by the sale of finished products and merchandise due to the nature of the sale transactions and the contractual clauses regarding the modalities and date of transfer of control over the goods sold.	Our audit procedures conducted to address the risk of significant misstatement of income recognition included as follows: • We have assessed the Company's accounting policies regarding income recognition. • We have assessed the design and implementation of existing key controls on the sales of the finished products and merchandise. • We have confirmed the income with the most important customers selected on a random sample basis at December 31, 2023 in order to assess the completeness of the transactions conducted by the Company therewith. • We have selected a random sample of income, which we compared against the relevant supporting documents to ensure the accuracy and completeness of the income registered, by also validating the financial period when they should have been registered depending on the date of transfer of control over the finished products or the merchandise sold by the Company as seller, to the customer as buyer. • We have reviewed the income by comparing the current period with the prior period for: sales, volume of products, volume of customers and margin.

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Other information

6. The administrators are responsible for the preparation and presentation of the other information. The other information comprises the Administrators' report and the Remuneration report for 2023, but does not include the financial statements and our auditor's report thereon, or the non-financial information declaration, which is being presented in a separate report.

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

   In connection with our audit of the financial statements for the year ended December 31, 2023, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   Other reporting responsibilities with respect to other information – Administrators' report

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

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

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

   b) the Administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016 for the approval of accounting regulations conforming with International Financial Reporting Standards, with subsequent amendments.

   Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the financial statements prepared as at December 31, 2023, we are required to report if we have identified a material misstatement of this Administrators' report and the Remuneration report. We have nothing to report in this regard.

   Other reporting responsibilities with respect to other information – Remuneration report

   With respect to the Remuneration report, we read it to determine if it presents, in all material respects, the information required by article 107, paragraphs (1) and (2) of Law 24/2017 regarding the issuers of financial instruments and market operations, republished. We have nothing to report in this regard.

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on 18 April 2023 to audit the financial statements of Teraplast SA for the financial year ended December 31, 2023. The uninterrupted total duration of our commitment is 5 years, covering the financial years ended December 31, 2019 until December 31, 2023.

We confirm that:

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

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

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

Report on compliance with Law no. 162/2017 on the statutory audit of annual financial statements and annual consolidated financial statements and on amending other pronouncements ("Law 162/2017"), and Commission Delegated Regulation (EU) 2018/815 on the European Single Electronic Format Regulatory Technical Standard ("ESEF")

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the separate financial statements included in the annual financial report of Teraplast SA as presented in the digital file which contains the unique LEI code 254900CX9UNGB7VM0R35 ("**the Digital File**").

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

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

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

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

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

Our responsibility is to express a conclusion on whether the separate financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements

3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

Our firm applies International Standard on Quality Management 1 ("ISQM1"), and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

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

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

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.
In our opinion, the separate financial statements for the year ended December 31, 2023 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

Alina Ioana Mirea, Audit Partner

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

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

On behalf of:

DELOITTE AUDIT S.R.L.

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

The Mark Building, 84-98 and 100-102 Calea Grivitei,
9th Floor, District 1
Bucharest, Romania
March 26, 2024

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)

		Financial year:	
Caption	**Note**	**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**

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)

	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**

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)

	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.

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)

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.

Significant increase in credit risk

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

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

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

Corporate Governance Statement

Principle	Provision	Compliant/Non-compliant	Comment
A1	All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A	Compliant	
A2	Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	Compliant	
A3	The Board of Directors or the Supervisory Board should have at least five members	Compliant	
A4	Most Board members shall not have an executive function. In the case of companies in the Premium Category, no less than two non-executive members of the Board shall be independent. Each independent Board member shall issue a statement at the time of nomination thereof for election or re-election, and whenever any change arises in the status thereof, indicating the elements on the basis of which the same is to be deemed independent in terms of character and judgment.	Compliant	
A5	Any other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions in the Board of companies and non-profit institutions, shall be disclosed to the shareholders and prospective investors prior to nomination and during the term of office thereof.	Compliant	
A6	Any member of the Board shall present the Board with information on any relation with a shareholder holding, either directly or indirectly, shares representing more than 5% of all voting rights.	Compliant	
A7	The Company shall appoint a Secretary of the Board to be in charge of supporting the activity of the Board.	Compliant	
A8	The Corporate Governance Statement shall stipulate whether a Board assessment has taken place under the direction of either the Chairperson or the Nomination Committee and, if so, shall summarize the key measures and the resulting changes. The Company shall have a policy/guide regarding Board assessment, including the purpose, criteria and frequency of the assessment process.	Compliant	
A9	The Corporate Governance Statement shall contain information on the number of Board and Committee meetings over the past year, the participation of the directors (in person and in default) and a Report by the Board and Committees on their activities	Partially compliant	Full information disclosed in the sustainability report

A10	The Corporate Governance Statement shall include information on the exact number of independent members of the Board.	Compliant	
A11	The Board of companies in the Premium Category shall set up a Nomination Committee, consisting of non-executive members, to direct the nomination of any new Board members and to submit recommendations to the Board. Most members of the Nomination Committee shall be independent.	Non-compliant	TRP is Standard Category
B1	The Board shall set up an Audit Committee, in which at least one member shall be independent and non-executive. Most members, including the Chair, shall have proven appropriate qualification relevant to the functions and responsibilities of the Committee. At least one member of the Audit Committee shall have proven adequate experience in auditing or accounting. In the case of companies in the Premium Category, the Audit Committee shall consist of at least three members and most members of the Audit Committee shall be independent	Compliant	
B2	The Chair of the Audit Committee shall be an independent non-executive member.	Compliant	
B3	As part of its responsibilities, the Audit Committee shall carry out an annual assessment of the internal control system	Compliant	
B4	The assessment shall take into account the effectiveness and scope of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board Audit Committee, the promptness and effectiveness with which the executive management addresses any deficiencies or weaknesses identified as a result of the internal control and the submission of relevant reports to the Board	Compliant	
B5	The Audit Committee shall assess any conflicts of interest in connection with the transactions of the Company and its subsidiaries with related parties.	Compliant	
B6	The Audit Committee shall assess the effectiveness of the internal control and risk management systems	Compliant	
B7	The Audit Committee shall monitor the application of the legal standards and generally accepted internal audit standards. The Audit Committee shall receive and assess the reports of the internal audit team.	Compliant	
B8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, these shall be followed by regular reports (at least annual reports) or ad hoc reports to be subsequently submitted to the Board.	Compliant	
B9	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and agreements entered into by the Company with the shareholders and affiliates thereof.	Compliant	

B10	The Board shall adopt a policy to ensure that any transaction of the Company with any of the companies with which it has close ties, whose value is equal to or greater than 5% of the Company net assets (according to the latest financial report), is approved by the Board following a binding opinion of the Board Audit Committee and is properly disclosed to the shareholders and prospective investors to the extent that such transactions fall within the category of events subject to reporting requirements.	Compliant	
B11	Internal audits shall be performed by a structurally separate division (the Internal Audit Department) within the Company or by hiring an independent third party.	Compliant	
B12	In order to ensure the fulfilment of the primary functions of the Internal Audit Department, functionally speaking, it shall report to the Board by means of the Audit Committee. For administrative purposes and as part of the responsibilities of the management to monitor and reduce risks, it shall report directly to the Chief Executive Officer	Compliant	
C1	The Company shall publish the Remuneration Policy on its website and shall include a statement on the implementation of the Remuneration Policy in the Annual Report during the annual period under review. Any key change in the Remuneration Policy shall be published on the Company website in a timely manner.	Partially compliant	References to sources of information on the website; full information part of the sustainability report
D1	The Company shall organize an Investor Relations Service - indicating to the general public the officer(s) in charge or the relevant organizational unit. In addition to the information required by law, the Company shall include on its website a section dedicated to Investor Relations, in both Romanian and English, with all the relevant information of interest to investors, including: The main corporate regulations: Articles of Association, the procedures regarding the General Shareholders' Meeting (GMS); The professional CVs for the members of the Company management bodies, other professional commitments of the Board members, including executive and nonexecutive positions in the Boards of Directors of companies or non-profit institutions; Current and regular reports (quarterly, half-yearly and annual); Information on the GMS; Information on the corporate events; The name and contact details of a person who can provide relevant information, on request; Company presentations (e.g., investor presentations, quarterly result presentations, etc.), financial statements (quarterly, half-yearly, annual), Audit Reports, and Annual Reports.	Compliant	

D2	The Company shall have a policy on the annual distribution of dividends or other benefits to the shareholders. The principles of the policy of annual distribution to the shareholders shall be published on the Company website	Compliant	
D3	The Company shall adopt a policy regarding forecasts, whether they are made public or not. Forecasts mean quantified conclusions of various studies aimed at determining the overall impact of a number of factors for a future period (the so-called assumptions): by its nature, a forecast has a high level of uncertainty, and the actual results can vary significantly from the original forecasts. The Forecast Policy shall determine the frequency, period considered and content of the forecasts. If published, the forecasts may only be included in the annual,half- yearly or quarterly reports. The Forecast Policy shall be published on the Company website.	Compliant	
D4	The rules of the GMS not limit the participation of shareholders in the general meetings or the exercise of their rights. Any amendments to these rules take effect, at the earliest, starting with the next GMS.	Compliant	
D5	Independent financial auditors shall be present at the GMS when their reports are presented at these meetings.	Compliant	
D6	The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	Compliant	
D7	Any specialist, consultant, expert, or financial analyst mat take part in Shareholders' Meetings on the basis of a prior invitation from the Chairperson of the Board. Accredited journalists may also attend GMS, unless otherwise decided by the Chairperson of the Board.	Compliant	
D8	The quarterly and half-yearly financial reports shall include information in both Romanian and English on the key factors that influence change in terms of sales levels, operating profit, net profit and other relevant financial indicators, from one quarter to the next, and from one year to the next.	Compliant	
D9	A Company shall hold at least two meetings/teleconferences with analysts and investors each year. The information presented on these occasions shall be published in the Investor Relations section of the Company website at the time of the meetings/teleconferences.	Compliant	
D10	If a Company supports various forms of artistic and cultural expression, sporting, educational or scientific activities and deems their impact on the Company innovation and competitiveness to be part of its mission and development strategy, it will publish its policy on its activity in this field.	Non-compliant	Policy currently being drawn up