

EXPLAINING NOTE

Regarding point 1 on the agenda of the EGSM set for 31.08.2020/01.09.2020

As announced by TERAPLAST S.A. ("**TeraPlast**") via de current report dated 24.07.2020 published on the Bucharest Stock Exchange, on 24 July 2020, the Board of Directors of TeraPlast has reached and signed an agreement with KINGSPAN HOLDING NETHERLANDS B.V., a Dutch company ("**Purchaser**") regarding the sale by TeraPlast to the Purchaser of its shareholdings in the following subsidiaries (the "**Transaction**"): Terasteel S.A. ("**TeraSteel Romania**"), Terasteel d.o.o. Serbia ("**TeraSteel Serbia**") and Wetterbest S.A. ("**Wetterbest**"), these subsidiaries being active in the building of sandwich panels and metallic structures and accessories and respectively metallic roof tiles and accessories, corrugated and trapezoidal sheets, steel purlins, standing seams, thin smiths roofs, etc.

As an effect of the Transaction, the Purchaser will also become indirectly the sole shareholder of Cortina WTB S.R.L. ("**Cortina**") and of Terasteel Slovakia SRO ("**TeraSteel Slovakia**"), given that Wetterbest is the sole shareholder of Cortina and that TeraSteel Romania is the sole shareholder of TeraSteel Slovakia.

The agreement concluded between TeraPlast and the Purchaser is subject to customary closing conditions, including but without being limited to clearance from the competent competition authorities and the absence of a material adverse change as contractually agreed by the parties.

The agreement was concluded under the suspensive condition of obtaining the approval of the Transaction by the Extraordinary General Shareholders Meeting of Teraplast SA. Thus, in order to implement the Transaction, the Board of Directors has convened the Extraordinary General Shareholders Meeting for 31.08.2020/01.09.2020, so that the shareholders of TeraPlast may express their votes on the Transaction.

Therefore, the closing of this Transaction is subject to such approval from the shareholders of TeraPlast and subject to other suspensive conditions being satisfied.

The Board of Directors feels the Transaction is value accretive for the shareholders of TeraPlast and recommends a positive vote.

The total consideration ("**Total Consideration**") to be paid by the Purchaser to the Company for the shares directly or indirectly held by TeraPlast in TeraSteel Romania, TerraSteel Serbia, Wetterbest, Cortina and TeraSteel Slovakia will be determined based on a headline price of 410,000,000 RON which will be adjusted downwards depending on the number of additional Terasteel shares that will not be acquired by TeraPlast and sold to the Purchaser at Closing and based on the following formula:

- headline price, plus actual working capital, minus target working capital, plus actual cash, minus actual indebtedness.

The consideration will be paid by the Purchaser to TeraPlast via bank transfer. There will be no payment in shares or other financial instruments issued by the Purchaser.

Because of the suspensive conditions of the agreement between TeraPlast and the Purchaser and given that the final total consideration is based on a variable mechanism and will be set at a future date, there is no certainty that the agreement and Transaction will be implemented at the price illustrated above or at all.

The sale of the shares described above will not determine a change of the shareholders' structure of TeraPlast.

31.07.2020