

October, 2021

## **The financial results of the TeraPlast Group for January – September 2021**

### **Teleconference with analysts and investors**

#### **A. Presentation of results and main points in the speech**

*Presenters: Alexandru Stănean, CEO TeraPlast; Ioana Birta, CFO TeraPlast*

- We have completed a 3rd quarter full of challenges, we have completed it very well as you can see in what we have announced.
- We have had a very intense year, a year that has materialized with a very large increase in the company's visibility not only at national level but also at regional level.
- We are one of the few Romanian companies included in the FTSE Russell indices, we have been upgraded from MicroCap to Small Cap in a select company.
- We are one of the few Romanian companies included in a Vienna Stock Exchange index, in terms of liquidity.
- We had a first part of the year in which we distributed dividends we granted free shares, but also on the operational side we had a very intense year.
- We purchased the packaging business of Leier – Brikston group in Romania.
- We continued to work intensively on the integration of Somplast's film production in TeraBio Pack and Somplast's small installation business in TeraPlast.
- All these have been seen, and thank you for your trust, in the capitalization of TRP which this year exceeded 2 billion lei.
- It was a complicated year because we had price fluctuations on raw materials and other materials, which through a very aggressive purchasing policy we managed to cushion.
- Energy has reached historic peaks, and here too, through the procurement policy and the long-term partnerships that we have are in an incredibly good position to what is now happening in the market.
- We have an intense year because we have 3 factories to ramp-up - a process that overlaps with the various crises in the market, but the existing deviations are minor, and we do not expect to change our long-term plans.
- The Group structure is unchanged compared to last quarter.
- Through TeraPlast SA – the parent company of the Group – we have committed ourselves to become the regional leader in CEE in terms of polymer processing capacities, which puts us in a unique position on the raw materials market.
- We are basically talking about synergies that are created in both procurement and technology, which help keep costs under control.



- TeraPlast Recycling, especially this year, has proven its effectiveness by substituting 30% of the virgin raw material in the TeraPlast pipes with recycled material, as we have a very high lack of availability in raw materials in the market.
- The new packaging business is the growth pillar, here we have the production taken over from Somplast, from the Leier group and the greenfield factory of biodegradable packaging that is now in the last phases before ramp-up.
- Somplast remained a real estate business that operates and maintains the production site in Nasaud where part of the packaging production of the TeraBio Pack operates and where recycling will be relocated.
- TeraGlass, the window and door factory, is the largest exporter of the group as a percentage of turnover.
- In the Installation and Compounds segments we are market leaders.
- Packaging is constantly growing. On the capacities we currently have, we have all the premises to become a market leader in a very short time.
- TeraPlast Recycling is the largest European producer of micronized rigid PVC and in Europe's top 5 in terms of production capacity for everything that is rigid PVC. I stress this European position, as a Romanian company is rarely seen in such a European ranking.
- As I was telling you, we have a year in which we have a lot of work to do on putting investments into operation.
- We say that we are on track, we have contracted 86% of our purchases for the EUR 33 million as the investment plan represents.
- There are some delays that are not fundamental in our medium-term plans, i.e. we expect to put in operation the production lines for indoor water supply systems, floor heating, biodegradable packaging and fiber-optics tubes in November, and water and gas systems -- the new PE systems factory -- will start producing by the end of March next year.
- These delays are inherent in the global context. Let us just look at the semiconductor crisis. Our machines are highly productive and highly automated, which is why they have a lot of microchips, among other things, for controllers. Obviously, the whole context is attracting small delays that we do not consider to be fundamental and do not significantly change our medium-term prospects, namely for 2021-2022.
- I want to repeat why we are making these investments, why we are increasing production capacity on installations by 50%.
- We have an historic chance for Romania to catch up with the significant disparities it has with Western Europe in terms of environmental infrastructure.
- In Romania, about half of the population is connected to a sewage network, just over 70% to water networks and only 35% of Romanian homes have access to gas.
- In the next period, we will have huge funds available through PNRR which is approved.
- For water and sewage infrastructure we will have 1,88-million-euro allocations – it is a huge sum if we take into account that the market for water and sewage products is somewhere at 400 million euro per year, so we are discussing prospects for more than a doubling of the market in a relatively short term, because this money must be spent over the next 3-4 years

- We have 2,2 billion euros for renovations and renovations of apartment blocks that will have a direct impact on window demand. As you well know, in what it means building renovation, windows are a significant component.
  - There are still 18 billion euros for other projects, such as motorways, which also include TeraPlast products, although much less than water and sewage.
  - These market prospects have not existed in Romania's recent history.
  - We must remember that this demand generated by PNRR overlaps with the other projects on POIM, and we hope that the new European funds framework will also include equally consistent amounts for water and sewage infrastructure.
  - At the same time, on an EBRD study, Romania must invest 20 billion euros in order to achieve compliance with the European Water Directive.
  - This money comes from European and government funds.
  - If we add the Anghel Saligny program of around 10 billion euros, we can get a clearer idea of the market outlook.
  - I do not remember such opportunities in recent history in the market on which we operate.
  - Beyond the installation market where we are leaders and comfortable, we have the EUR 300 million market for flexible packaging.
  - It is dominated by imports – about half of the total annual consumption in this market is imports.
  - There are a lot of Romanian players who are dispersing their efforts. The market does not have an aggregated leader.
  - We have all the premises for us to be the market leader as soon as possible in the light of the investments made.
  - For this reason, we are maintaining our medium-term objectives, i.e. the next 2-3 years
  - We will deliver double-digit growth in profitability and sales, we maintain our goal of becoming leaders in the markets we are operating on, we invest wisely in organic growth – various greenfield projects – as well as mergers and acquisitions. We remain on the target of restoring the EBITDA of 2020, before the sale of the Steel division and the business line window profiles, respectively to reach the EBITDA of lei 130 million. Last but not least, as part of the projects that we are currently implementing, we will create 200 jobs.
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- In terms of financial key-figures, we continue with double-digit growth; almost 50% growth in turnover and net profit compared to last year.
  - The 14,3% margin is above what we have budgeted, and the percentage is just under the level at 9 months last year.
  - One influence has also been the economic context in which we find ourselves. The basis to which we relate is an influence because last year at 9 months we had the lowest raw material costs in the group's history, as an impact of the drop in raw material prices since the beginning of the pandemic.
  - This year, we are in a completely different position. The prices of raw materials are at historical peaks, and we also face problems with the availability of raw materials in the market. At the same time, the economic context impacts on our installation business.

- I am referring here to public procurement contracts, where indexation of the prices of construction materials is regulated, but there is a gap to implement it.
- As a result, the plant segment continued to grow at a high rate in turnover, by +30% , but with an EBITDA slightly decreasing percentage-wise, though above expectations if we are relate to an average of the construction materials industry.
- The compounds doubled both in terms of turnover and EBITDA. It is also a segment where we will increase production capacity next year.
- At the windows and doors, the operational efficiency policies are reflected in the results, and we continue to focus on improving the margin.
- Flexible packaging for now includes only polyethylene packaging, the business taken over from Somplast, which was integrated into the TeraBio Pack in September.
- Also in September, we purchased the packaging production assets from Leier which, being just a month represented in these results, has a very small impact.
- Another impact is represented by the costs of ramping-up the biodegradable packaging plant, which is in the advanced stages of commissioning the production.
- Turnover has increased both due to the increase in prices and the increase in volumes.
- Raw materials have a 65% share in turnover compared to 61% in the previous period, so we can say that we can see the influence of the price increase that we have mostly passed on to the market because there was still room for doing so.
- This increase in the share of raw materials in turnover has been diluted by fixed costs which have been related to a larger base, to increased volumes, so we are talking here about economies of scale.
- The second significant expense is the employee benefits expense. We now have 900 colleagues, of which 120 employees are needed at the TeraBio Pack to start production shortly, in the coming weeks. Thus, the expenditure on employee benefits was kept at 11% of turnover.
- As far as the margin is concerned, we are at a 2% gap from the 9-month budget, so we are on track, the difference being insignificant, so we do not consider it necessary to reforecast.
- We look at the progress at 9 months versus budget, compared to 9 months last year versus the whole year. Progress is not linear because we in Q4 have planned to make investments operational.
- We have an insignificant gap, we believe, in relation to such complex investments, so they will be put into operation in line with what we have planned.
- The increase in turnover, as I was saying, is formed both by the sales price as a result of the increase in raw material prices, and by volume and mix, which means increasing the quantity of products sold. The mix is made up of new, different products, because the product improvement is continuous in our group. We have an internalized R&D department. We are also developing new products, in example, the sewage pipe produced of 100% recycled material.
- The financial performance is still very good in the 2 main segments – installations and compounds, which also include recycled material.
- In addition to the material used by TeraPlast from TeraPlast Recycling, we have also developed a portfolio of TeraPlast Recycling's own clients.
- Looking at the proceeds chart and the use of the 9-month money, we see that the collection from the sale of the Steel Division and window profiles was significant, which we used mainly for dividends.
- We've also made investments – we've already paid more than half of the planned investments this year. We have planned investments of lei 160 million and this year we paid 83 million lei, plus a small part, about lei 10 million last year.

- So far, we have not collected any of the State aid. However, the remaining part to be paid out of this investment, amounting to approximately lei 65 million, will be recovered from the State aid, as it is the equivalent of the amount that we will receive from the State after the investments have been put into operation.
- We have also cut loans – bank debt – at a time when we are also making significant investments.
- We also used some of the money to fund increases in working capital.
- We also have an influence from Somplast's net asset. This only means that we have started to consolidate this company that came to the group's balance sheet starting April.
- The net working capital has increased mainly due to the increase in the average debt collection time.
- We have a very strict process of monitoring receivables and we do not have any significant problems or delays that for us it means 90 days overdue, a threshold at which receivables are adjusted 100% and are reflected in P&L in Receivables adjustment. So far, we have not recorded such values because of the strict process that we have.
- The risk is largely transferred to the insurer, to Coface, with 60% of the September receivables being insured.
- The risk is also mitigated by the diverse portfolio of customers, both manufacturers and distributors, and DIY networks.
- Our largest customer, a DIY chain store, accounts for 5% of these debts. For the rest, the next significant customers are 1% weighted and the risk is thus dispersed.
- The monitoring process is automated, as only in September we sold to over 1.200 customers, each of them being analysed in detail in quantitative and qualitative terms, following a set of financial indicators based on which we give a score and a credit limit.
- We also look at the behaviour of the management, the company's managers in relation to third parties.
- We use a robotic UiPath process to manage such a large volume of customers.
- In terms of inventory rotation, the increase is due to the aggressive supply policy in this uncertain context to ensure that we do not run out of inventories.
- The level of indebtedness has decreased significantly, we are 1.2 total bank debt per EBITDA (EBITDA over the last 12 months ended at September).
- We still have 65 million lei to pay for investments that return from state aid. Calculating at a debt level of 3, we have a debt capacity of 125 million lei, so we have the capacity to borrow for additional investments.

## B. Q&A

### 1. What reserves are left from the sale of the Steel Division?

**Alexandru Stănean:** I think the cash flow slide answers this question. If you refer to the dividend area, the dividend base for next year may be the profit of the last 3 quarters of this year, with the remainder already distributed.

### 2. How is the company protected from rising energy prices? Will the company and profitability be affected?

**Alexandru Stănean:** In terms of utilities' prices, TeraPlast does a few things very well, and one of them is buying, including utilities. We have long-term partnerships that allow us to negotiate normally under abnormal market conditions. I can tell you that we have serious suppliers both for gas and for electricity, we have investments made in the largest roof photovoltaic power plant that covers 10% of what we need.

All this makes us comfortable with the arrangements we have on electricity. We do not see any significant impact in the short and medium term on the energy area. We have prices negotiated by the end of next year, which give us comfort and predictability in terms of energy cost and impact, so it is not one that worries us.

The price rise is a general phenomenon, we believe that the prices we are seeing now will have to normalize over the next 6 months, probably at levels higher than those of 6 months ago, but it remains to be seen.

In the light of our contracts, the cost of energy is at a comfortable and sustainable level.

In terms of raw materials, price fluctuations as an impact, we are discussing increases somewhere between 30% and 100% depending on the raw material. If we look at what happened to our margin, we do not see an impact of this magnitude. To a large extent, we have transferred the increases to the market and ultimately it is a global context that applies to all competitors and to us. No market player can afford to "subsidize" the market by not passing on the increase in raw material prices.

Then we have some competitive advantages that allow us to have profitability above the market average, that of the industry.

We are the processor that uses the highest percentage of recycling. Recycled material has many advantages, firstly, we protect the environment, it helps us save CO<sub>2</sub>, is a material available unlike the materials in the plants where there have been all sorts of crises, and not least is a material significantly cheaper than virgin raw material. All this puts us in a very good competitive position.

Then, we tend to be the largest customer either overall, or per product category, for our suppliers. From this perspective, we have a privileged negotiating position. When prices rise, it is possible for us to have the smallest increase. If it is to cut quantities from the market, TeraPlast will be among the least affected by these measures.

Finally, we have chosen since the beginning of the year to have a very aggressive inventories policy, which is also seen in the financial statements. From what I know, our competitors have had to stop some lines for lack of raw materials. We have not stopped for this reason, we have been running continuously, we have consistent inventories levels, and the

fact that we have taken them on an upward trend means that their average price is also competitive.

### 3. What investment and acquisition plans do you have for the future?

**Alexandru Stănean:** As I said, none of the plans announced are changed. On the other hand, not having published certain information, I cannot go into very specific details, but I want to assure you that we are in the almost final stages of negotiation with at least 2 targets for M&A and probably another operation will be carried out by the end of this year. We are committed to growing through M&A, but we are not doing it under random conditions. It must be in the right conditions for our shareholders and for the sellers. We also have a pipeline of greenfield investment projects that is under consideration and as we reach the final analysis with them, we will make them public.

### 4. Will you still pay dividends?

**Alexandru Stănean:** We have money, as you can see, despite the significant investments made. On the other hand, our priority is to deliver the double-digit growth discussed and announced on both profit and EBITDA levels. To the extent that cash flow allows, once we solve the growth side, we discuss dividends, but it is the decision of the shareholders what we do with the profits because they are yours, the shareholders'.

### 5. Is the use of corporate bond financing envisaged in the future?

**Alexandru Stănean:** Given the costs we lend, we believe that we would waste the shareholders' money by paying the interest on the bonds. We are more than bankable, and bank credit is now one-tenth of a cost to bonds. On the other hand, as financing options, we are a listed company, and except for the IPO, TRP has not raised money from the capital market through capital increases, which is also an option among those we have on the table. In these circumstances, bonds are only the third option in terms of funding.

### 6. Why don't you organize conferences with investors a few days after the results are published?

**Alexandru Stănean:** Our strategy in IR is to be the first to come to market with financial results. We are coming with the conference call immediately after because we do not want to be crowded with other issuers. If we postpone teleconferencing, we have a good chance to overlap with other issuers, and perhaps leave you even less time for analysis. We will think about this feedback for the future.

### 7. When will TRP begin to benefit from PNRR?

**Alexandru Stănean:** First we have to get over all sorts of temporary political crises that we are now in, start accessing those money that is likely to end up in 2<sup>nd</sup> – 3<sup>rd</sup> quarter next year and then start to impact the market. This is pretty much the timeline, we believe.

## 8. What is the market share of the group at national and regional level on flexible packaging?

**Alexandru Stănean:** What we can say now is that on the production capacities that we are commissioning and the ones we have purchased, we can become the leader of the flexible packaging market in Romania. The heavy is on the sales side, which is the one that must implement this in the market. We are not changing our goal; we want to become the leader by the end of next year. One additional observation. Last month was the first month Somplast achieved its capacity for producing flexible packaging. Over 200 tons of packaging produced and sold, because it is a business model with production to order. This has not happened in the history of Somplast, and we will continue with efficiencies to increase production and sales.

## 9. What is the status of Somplast's integration?

**Alexandru Stănean:** The businesses that overlap with the existing ones of the TeraPlast Group have been transferred. The installation part of Somplast is in TeraPlast, the packaging part is in TeraBio Pack. The site is now being developed for the relocation of the TeraPlast recycling to Nasaud and we are planning the site to relocate the assets purchased from Leier as well.

## 10. Do you intend to attract private equity funds as you did with KJK?

**Alexandru Stănean:** We don't comment much on it at management level, but I think that considering the free float we have at this time, any interested fund could buy and accumulate a sufficiently large percentage.

## 11. Can you name two marketing projects?

**Alexandru Stănean:** Some of the projects that have consumed quite a lot of our marketing resources are the launch of floor heating systems and optical fibre tubes, and also the creation and positioning of the brand of packaging, especially the biodegradable ones.

## 12. Regarding the launch of new products, do you have R & D department or purchase licenses?

**Alexandru Stănean:** We are also open to purchasing licenses, but everything we have achieved so far was internal through our own industry- specific R&D teams. The solutions developed are protected by patents at international level – especially those with recycled raw material.

## 13. How many products did you launch in 2021?

**Alexandru Stănean:** We have 3 very large groups, which are in various phases on the launching pipeline: Floor heating, biodegradable packaging, and fiber-optic tubes. Beyond these large product groups, we have launched improved products over the solutions we already have, such as the Gri(n)Pipe, made of 100% recycled material and other exterior sewage pipes where the percentage of recycled material increases compared to the 30% where we are now at an average.

#### **14. What are the dividend policy and procurement policy, the IRR investment plan, and the maintenance capex?**

**Alexandru Stănean:** TeraPlast has some of the latest technologies in the market because the machines are relatively new to the market, so consequently maintenance is small. TeraPlast's maintenance Capex is somewhere at 1 million euros a year. Any additional capex over this million comes with capacity increases, therefore sales and hence EBITDA.

The IRR threshold for investment: Here we are looking at a threshold above 20%.

As far as business purchases are concerned, we look at any company that ensures synergy. That means using or the same raw material and technological process as we – polymers – or addressing the same market – to be in our areas of activity, including packaging. Throughout this whole range, we look at acquisition targets to create value for our shareholders and achieve efficiencies of scale that the target cannot achieve without integration into our group.

From a dividend policy point of view, as I said, it is up to shareholders, but the vision we have at the time is that our main objective is to deliver double-digit growth where the first figure is not 1. That's why we have to invest, to purchase companies. As much as cash flow allows, we will also grant dividends.

#### **15. What profit do you expect for Q4?**

**Alexandru Stănean:** Based on the information we have at this time, although quarter 3 has been full of challenges and, because of the overall context, it has been slightly below expectation, there is no reason to believe that the medium-term plans should suffer significant deviations, therefore we do not see the need to reforecast on financial results versus those published in the budget.

We remain ambitious and within the same parameters. Market conditions and prospects have not changed, and Romania has very good market prospects. As a result, a small political crisis such as the one we are now experiencing does not make us change our plans because there are still those perspectives, even with a small gap.

#### **16. Inventories almost doubled compared to December 2020, including finished products, similar, trade receivables and operating cash flow are negative this year. Having problems with your receivables?**

**Alexandru Stănean:** We have no problems with the receivables. We have made a deliberate decision to have a different inventory and debt management strategy compared to last year and, in addition, the comparison of September 2021 with December 2020, although this is the case in the financial statements, is wrong from a seasonal perspective.

September is the peak month of the season, and December is the month out of the season. Indeed, it has increased cash conversion cycle from 73 to 96 days, but it was a decision taken in the context of raw material crises because we cannot afford to work with inventories to the minimum because we risk too much - we risk stopping the factory, not being able to serve the demand.

### **17. What's the time for the recovering of the investment in TeraBio Pack?**

**Alexandru Stănean:** If we consider that the net investment from State aid is EUR 6 million, and the budget announced for this year contains indications on the turnover and EBITDA margin of the packaging business, we can easily reach a relatively short time to recover the investment.

### **18. Do you have income bottlenecks or reinforcements due to gaps in the settlement of ongoing water-sewage works?**

**Alexandru Stănean:** The temporary situation that the settlement process goes through on water and sewage works concerns not so much the payments from the budget, but the approval of the recalculation of costs under the new price conditions in the building materials market. That's where we see some reinforcements. It is a temporary situation that will be overcome in the next period, and I think that it will be overcome also because it is even a given European legislation on the gauge of cost standards for the auctions to be launched. Once this has been implemented in the national legislation, we will overcome the less pleasant time due to uncertainty in the market.

### **19. How much does the production capacity for compounds increase?**

**Alexandru Stănean:** 30% in 2022. It is the growth we are considering for compounds for both plasticized PVC compounds and recycled compounds.

### **20. What are the expectations for the Q4?**

**Alexandru Stănean:** Throughout this year we do not see significant deviations from the objectives announced. We maintain our turnover forecasts and EBITDA that we have published in the budget. If we had seen significant deviations, we would have come up with a reforecast.

Indeed, in quarter 4 profitability tends to fall from Q3, but not due to the increase in operational expenditure, but due to the drop in volumes in December in particular. This is why the EBITDA margin is eroded in Q4, not that there would be some one-off expenditure at the end of the year. We keep expenditure accounts very rigorous, and we do accruals throughout the year for what we know is coming. Q4 is a weaker quarter than quarters 2 and 3, but we take into account the volumes we sell in Q4, not non-recurring expenditures. Also in Q4, in November-December, we will have the production capacities on biodegradable packaging, the part of interior installations and fiber-optics tubes into operation. In construction, winter works are mostly carried out in interior installations. The fact that we will have these production capacities will help us to digest the off-season better because less work is done outside. Packaging is being bought – let's not forget that in December it is the apotheosis of the market in packaging. The prospects for Q4 this year are significantly better than in Q4 last year, which is why we maintain our forecasts throughout the year.

## **21. Have you experienced problems attracting labour?**

**Alexandru Stănean:** Attracting labour is also one of the things that provokes us at this time. There is a crisis on the Romanian labour market in the skilled labour area. We are doing everything that depends on us to overcome these problems. We have workers that we have brought from Vietnam for simple jobs, some of which are far above average operators. We have dual education partnerships. We are in talks with technical education institutions, at Bistrita and Nasaud level, because we have resigned, and we know that we need to train our workforce. Unfortunately, the level of the technical schools is like it is in Romania, but as we have done so far, we do not have problems that will entangle our production capacities. We have all sorts of instruments that we have used and will use.

## **22. What are your forecasts of the evolution of raw materials?**

**Alexandru Stănean:** As we move toward the exit of the season, raw materials will probably stabilize at current prices. To be so effective, we pay large sums for many market studies throughout the year, and we are part of strong industry organizations. Most of our raw materials are not listed on the stock exchange, so that there are no futures on them. The deals and forecasts on raw materials can be found in specialized journals or in publications and market studies.

These rather expensive forecasts say that by the middle of next year raw materials will remain at current peak levels, after which they will be on a slightly decreasing trend, but the increase will be very smooth and we will not return to price levels last year or 2 years ago, at least until mid-2023.

We believe that in one form or another, we will still have challenges on raw materials next year. We are in a privileged position, as I said. However, I do not remember having had a more stressful purchasing period, such as that starting Q4 last year. Purchases were more stress than usual for us.

## **23. In relation to the raw materials, there is still no decrease, although Bloomberg claims that the prices on PVC were high and then withdrawn. Do you see a fall or not?**

**Alexandru Stănean:** I don't know where Bloomberg got the information from. PVC is usually treated in 4-5 separate markets. It may be for the USA market.

Pressures are for increasing, not decreasing. This month we had a major force at large European plants. All this creates pressure on the price. In Turkey, for example, prices are over \$2.000 per tonne. In South-East Asia the same way, China appears to be a net importer of PVC at least in the coming period. In the US, the production sources using shale gas are not yet put back into operation and the ramp-up takes something. In Europe alone, it is less than USD 2.000. At the moment, there is a PVC shortage in the market because the demand is not linked to the offer. Because of that, we see no reason for lower price levels in the next quarters.

#### **24. And on the reduction of margins on installations?**

**Alexandru Stănean:** It's like Q4. Due to the temporary situation in the market with uncertainty on price indexation, I could say that we did not sell about 5 million lei per month in the months of the quarter 3. If we multiply lei 15 million on installations by a gross margin somewhere at 30% on this business, we are talking about lei 4,5 million that would have gone to the EBITDA.

The uncertainties our customers experienced have generated Q3 to the level you see. The works are in the market and once the price indexation mechanism is normalized for both ongoing settlements and for the auctions in SICAP or which are due to come, we will return to the situation in Q2.

#### **25. Is it possible to come back right out of Q4, or is it rather something we can see at the beginning of next year?**

**Alexandru Stănean:** The legislation for unlocking is already adopted at European or national level, index indices are established, but its implementation is not, for various reasons, generalized.

Some customers were able to get the indexations, others failed. We still cannot say definitively that it has been resolved and we do not know how long that uncertainty will take.

With regard to the Q4 or the whole of 2021, we do not know of major deviations from the budget, which is why we did not consider it appropriate to come up with a reforecast.

#### **26. If you are able to achieve your goals this year tough market conditions, are we more optimistic about 2022?**

**Alexandru Stănean:** I have already said what we are going to do next year, so it is not necessarily a surprise. We said we would make the EBITDA of 130 million lei.

The outlook for 2022 is improved by the unpopular but necessary Anghel Saligny program. There are areas, especially small and very small municipalities, which are only covered in exceptional cases by European funds. We have not included it in the figures on the market outlook because it is not yet complete. But if this program is going to happen, then we will come next year to present you with further capacity increases, because the current ones are not going to be enough anymore.

#### **27. Can the amount of recycled raw material used in products be increased?**

**Alexandru Stănean:** At present we are at the maximum of what the product standard allows. Products such as the pipe from 100% recycled we sell it by company-standard with national approval. The European standard does not yet provide for this. Through associations such as TEPPFA, which we are part of, we are also working on changing standards because Green Deal requires a change in standards to accommodate more recycled material.

We are ready and we can go as much as 100%. However, we need to deliver on the European standard in the market. We sell the pipe made of 100% recycled material where national approvals are accepted.