

PRESS RELEASE

TeraPlast Group's turnover increased by 25%, exports by 51% and EBITDA was below the record level of the first 9 months of 2021, in the very challenging economic conditions of 2022

- **The Installations business, the flagship of the Group, had a 28% increase in turnover compared to the first 9 months of 2021, while EBITDA registered a growth of 6% compared to the same period last year, despite very challenging economic conditions.**
- **Exports increased by 51% in the first nine months of the current year compared to the same period of the previous year.**
- **TeraPlast and TeraPlast Recycling's EBITDA, mature businesses of the group, with a contribution of 87% in the turnover, was 11.5% (vs 14.3%, 9 months 2021). The deteriorating macroeconomic environment has eroded margins compared to last year's record profitability.**
- **The Group's EBITDA, of 8.6%, is burdened by an evolution below expectations of the flexible packaging line, which requires more time to reach critical mass in a recovering market. The windows and doors business is accelerating and increasing its operational performance, after several months since the implementation of increased prices in the relationship with major customers.**
- **For the entire year 2022, the turnover of the Group will be close to the budgeted one, of approximately 727 million lei. The group estimates a consolidated EBITDA of around 60 million lei, 20% less than last year, but above the 2020 level.**
- **TeraPlast Group does not give up its development plans, considering that during this period there will be more opportunities in the M&A market, in the export markets, as well as to be in the best position for the next growth cycle.**

Bistrița, October 25, 2022

In the third quarter, **TeraPlast Group** maintained its focus on consolidating its market share and on the profitability of new business segments.

The turnover of the TeraPlast Group between January and September 2022 reached the level of 563.6 million lei, increasing by 25% compared to the same period last year. The EBITDA for the three quarters stood at 48.5 million lei, down by 25% compared to the record results of the first nine months of 2021. The recorded EBITDA margin, of 8.6%, is slightly down compared to the first half of this year, as a result of the very challenging macroeconomic context in 2022, which led to a decrease in the number of infrastructure

construction projects and to the postponement of the contracting of some new ones to the end of the year or the first part of 2023.

The Group's result is still burdened by the operational losses of the Flexible Packaging segment, specific to the start-up period, but also influenced by the long process of product approval by the customers, in a climate of reduced private consumption. The increase in the segment's customer portfolio and volumes indicates a significant improvement, with the prospect of reaching break-even in the first part of next year.

Q3 2022 Results <i>(RON, thousands)</i>	Group total	Installations & Recycling	Compounds, including recycled	Doors & Windows	Flexible packaging
Turnover	563,677	384,422	107,496	43,607	28,152
% vs Q3 2021	25%	28%	-1%	39%	n/a
EBITDA	48,530	44,272	12,095	232	-8,069
% vs Q3 2021	-25%	6%	-43%	n/a	n/a
EBITDA margin	8.6%	11.5%	11.3%	0.5%	-28.7%

The economic context, domestic and international, impacted the Group's results. The evolution of the construction sector showed a performance below expectations. The engineering works segment registered an annual decrease of 3.8% in the first eight months of the year, according to seasonally adjusted statistical data published by the INS. During the 3rd quarter, a clearing operation was also carried out, in order to adjust the level of stocks of raw materials and finished products to the level of market demand, an operation that negatively influenced the margins of July and August.

The volume of exports increased in the first nine months by 51% compared to the same period of the previous year, and the share in the total turnover rose to 16%, from 13%, the level reached in the period January-September 2021. Expanding the presence on the European markets is still a strategic direction for the Group, in order to increase the size, competitiveness and resilience of the businesses in the portfolio. To support the export activity, in the third quarter TeraPlast opened a subsidiary in Hungary with the aim of establishing a logistics centre to ensure a better presence on the local market.

The **Installations** business line continues to grow, even in the context of delays in the start of new public infrastructure projects. This business maintained a double-digit EBITDA margin of 11.5%. At

the same time, the evolution is positive, +6% compared to the historical record level registered in the same period last year. The Group's priority was to consolidate the market share that gives a competitive advantage when the big infrastructure projects announced by PNRR and Anghel Saligny will start to be implemented in the coming quarters.

The **Compounds** segment, which also includes **recycled compounds**, recorded lower volumes and experienced pressure on sales prices, reflected in the evolution of the EBITDA margin (-43%). In this context, strengthening the market share and maintaining long-term relationships with contractual partners are priorities for this segment.

TeraGlass experienced an improvement in operational performance in the third quarter. For the July-September period, EBITDA stood at 0.76 million lei, which brought the result to positive territory for the first nine months of this year. The improvement in margins came from the renegotiation of contract prices that became effective at the end of H1.

The **Flexible Packaging** segment, new within the Group, is experiencing an increase in sales, but still insufficient to counteract the operational losses due to the reduced load of production capacities and product approval expenses by potential customers. In addition to supplying the domestic market, where TeraBio Pack already has ongoing partnerships with retailers, the company is exploring and capitalizing on opportunities in foreign markets. The company is currently in the process of signing several contracts with large international retail chains and in advanced discussions with other international retailers in the region. The packaging market - including biodegradable ones - has a real potential for development, but it takes time to have a positive impact on the Group. With the improvement of market circumstances and the increase in the utilization of the production capacity, the positive contribution of this segment to the consolidated results will be visible starting next year.

The net profit recorded in the January-September was of almost 16.4 million lei, down 62% compared to the same months in 2021. The comparison is made, however, with an exceptional result recorded last year, exceeding the expectations of the moment. The significant gap between the evolution of operational performance and that of net profit was determined by the significant increase in interest rates, at a time when the Group invested 70 million lei to complete projects started last year and supported the increase in working capital required for new products. 60% of the Group's investment loans are with fixed interest, and the working capital will decrease as a result of the inventory reduction, so next year the Group's financing cost will be significantly reduced.

„The results still bear the imprint of the volatile context we are going through, and which presents uncertainties for the next period. Even in such a climate, we managed to maintain the Group's performance at a satisfactory level. The record growth we experienced in previous years has moderated, but through effective management and prompt response to difficulties, we maintain the resilience of the Group to deliver performance in line with the great economic challenges at hand.

The challenges remain constant and even if we see some improvements, such as the supply chains or the prices of raw materials, new tensions arise like the energy crisis or restrictive monetary policies", stated Ioana Birta, chief financial director of the TeraPlast Group. "Unfortunately, we cannot change such a trajectory by ourselves. Therefore, we are focusing on consolidating market share and on the opportunities that arise during this period. We see both increased dynamism in the M&A area and increased interest from foreign markets in our products. We are not abandoning any significant investment plans because we want to be in a position to make the most of the next wave of economic activity when the waters settle."

Installations and Recycling business line (TeraPlast and TeraPlast Recycling)

- Turnover increased by 28%, to 384.4 million lei;
- EBITDA of 44.2 million lei, increased by 6% compared to the historical record of the same period last year;
- Segment that maintains an EBITDA margin advance compared to January-September 2021.

Compounds business line (TeraPlast and TeraPlast Recycling)

- Includes rigid and plasticized PVC compounds, HFFR compounds (halogen-free, fire-resistant), but also recycled compounds (regranulated PVC);
- EBITDA margin of 11.3%, decreasing due to the reduction in volumes;
- The decrease in the prices of virgin raw materials represented a challenge for the attractiveness of recycled compounds, which, however, have an important sustainability component.

Windows and doors business line (TeraGlass)

- Turnover increased by 39%, to 43.6 million lei;
- The segment recorded good positive operating margins in the third quarter, after the losses recorded in H1 2022;
- A business line with a strong export orientation;

Flexible packaging business line (TeraBio Pack)

- Turnover of 28.1 million lei;
- Operational losses of 8 million lei; the volumes are still below the size of the capacities for the rapid profitability of the segment;
- Positive EBITDA expected in the first half of 2023.

About TeraPlast Group

The Group is comprised of the companies TeraPlast, TeraGlass, TeraPlast Recycling, TeraBio Pack and Somplast. Starting July 2nd, 2008, TeraPlast SA – the parent-company of TeraPlast Group – is listed on the Bucharest Stock Exchange under the TRP symbol. The company's shares are included in the BSE reference index, BET, and in FTSE Russell's Small Cap and Global All Cap indices. Within the Vektor evaluation based on 15 criteria for investor relations communication, conducted by ARIR, TeraPlast obtained the maximum score, 10, for the third time in a row.

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The report containing the consolidated financial results for the first nine months of 2022 is available on the website <https://investors.teraplast.ro/reports-and-information/financial-reports/> and can be seen by accessing the link below: