



**TeraPlast®**

# Board of Directors' Report

# 2022





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# TeraPlast Group


**TeraPlast®**  
since 1976


 Installation  
Compounds


**498**


Parent company of the Group.  
Listed on the BSE since 2008.

TERAPLAST SA


Systems for interior sewage  
Systems for exterior sewage  
Systems for transport and distribution of water and natural gas  
Rainwater management systems  
Cable protection systems  
Underfloor heating

Plasticized and rigid PVC compounds  
HFFR compounds




**TeraPlast®**  
 Recycling


**98**


**100%**


 Rigid PVC recycling

TERAPLAST RECYCLING SA

Micronized recycled PVC  
Regenerated recycled PVC





**150**


**100%**


 Flexible Packaging

TERABIO PACK SRL

Biodegradable and compostable packaging  
Polyethylene packaging


**TeraGlass®**  
ferestre și uși


**196**


**100%**


 PVC and Aluminum windows & doors

TERAGLASS BISTRIȚA SRL

PVC windows and doors  
Aluminum windows & doors  
Garage doors  
Curtain walls

The structure of the Group from above reflects the core operational activities in 2022. To them, **the company Somplast SA** is added, whose production activity has been transferred to the flexible packaging segment of TeraBio Pack. Currently, TeraPlast owns 70.75% of Somplast, which on 31.12.2022 had 17 employees and manages the location in Năsăud. In 2022, there were no significant reorganizations, acquisitions, disposals of assets or mergers within the TeraPlast Group that would change its structure.



Business  
lines



Medium no.  
of employees



TeraPlast's  
stake

LEGAL NAME

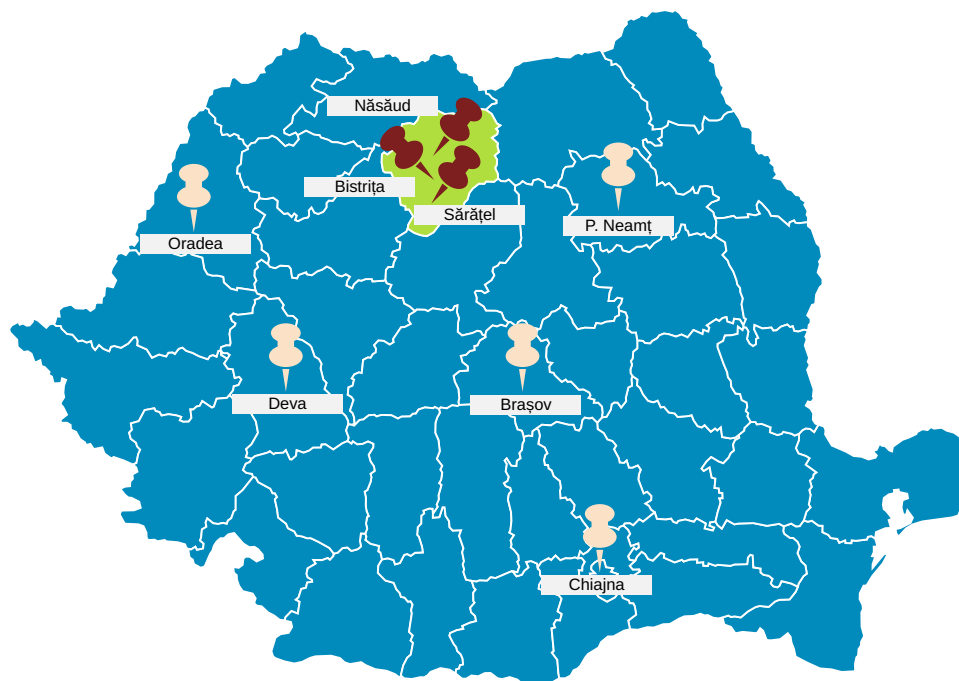
Product categories

Our production activity is carried out in **3 locations in Bistrița-Năsăud county**: Sărățel, Bistrița and Năsăud. The headquarters of the Group is located in the industrial park in Sărățel, which concentrates most of our factories.

The surfaces of TeraPlast Group locations add up to a total of 346,000 m<sup>2</sup>, of which 103,600 m<sup>2</sup> represent production and storage spaces, and 114,600 m<sup>2</sup> outdoor storage platforms. The production activity of TeraPlast, the biodegradable film factory of TeraBio Pack and part of the recycling activity of TeraPlast Recycling are carried out in the industrial park in Sărățel. TeraBio Pack's polyethylene production is carried out in Năsăud together with the rest of TeraPlast Recycling's production, and the TeraGlass factory is located in Bistrița.

TeraPlast's distribution force is supported, in addition to the solid network of partners, by 5 own distribution centers, as can be seen in the adjacent image. Thus, we ensure that we are close to our customers and respond promptly to their requests.

The distribution center in Hungary is not present in the picture because although it was established in 2022, it became operational from the beginning of 2023.



Distribution centers for TeraPlast's products (own warehouses)



Headquarters - Sărățel  
Production units - Sărățel  
Production units - Bistrița  
Production units - Năsăud

Our factories are equipped with state-of-the-art equipment which, together with the production programming software, ensures high productivity and the best quality products according to international standards. Maintenance and modernization of the manufacturing equipment takes place annually. The technologies in our factories are aged between 1 year and a maximum of 10 years. The total processing capacity of TeraPlast Group is 174,500 tons of polymers annually.

#### The factories of the TeraPlast Group are:

1. PVC factory, Sărățel (TeraPlast)
2. Polypropylene factory, Sărățel (TeraPlast)
3. Polyethylene products factory, Sărățel (TeraPlast)
4. PVC windows and doors factory, Bistrița (TeraGlass)
5. Rigid PVC recycling factory, Sărățel (TeraPlast Recycling)
6. Polyethylene packaging factory, Năsăud (TeraPack)
7. Biodegradable packaging factory, Sărățel (TeraBio)
8. Factory of polyethylene systems for water and gas, Sărățel (TeraPlast).





# Product portfolio and markets

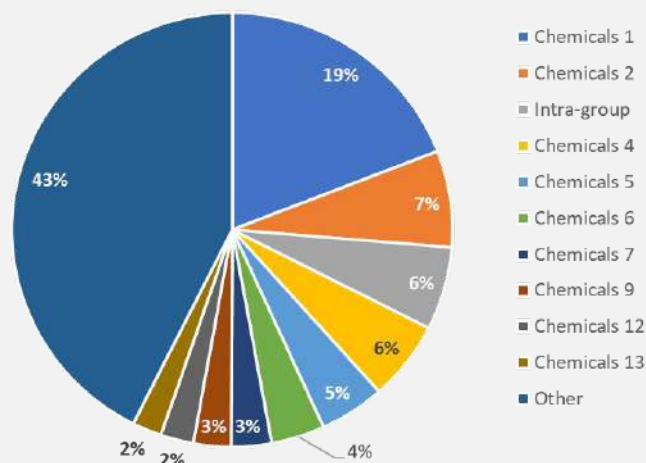
We have a tradition of over 125 years, and over time our business resilience and adaptability have strengthened. We pay attention to the trends of the markets we operate in and apply the lessons learned in the past. We are diversifying our business portfolio through new segments and new product categories in the field of polymer processing and aim to occupy the leading position in all the markets we operate on.

In the current structure of our Group, we address the construction market through the installations and window profiles segments, the manufacturing industry through the compounds segment, the PVC processors market through the recycling of rigid PVC and the flexible packaging market through the portfolio of polyethylene and biodegradable films and bags .

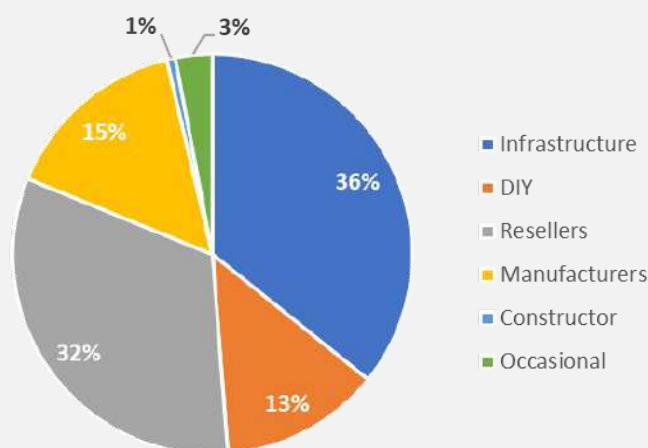
The customers of the Installations and Windows and Doors business lines represent contracting companies, distributors, DIY stores, for the Compounds business, the customers are producers whose raw material is PVC compounds, respectively PVC processors that use extrusion and injection processes, at likewise in the case of the rigid PVC recycling business, and for the flexible packaging segment, the customer base consists of large retail networks, distributors and industrial companies that use films, bags and sacks for packaging goods.

The commercial activity of our Group's segments follows a B2B (business to business) business model. The customer base of each company of the group, as well as that of suppliers, is based on the principle of diversification, so that dependence on the customer, respectively on the supplier, is reduced.

**Supplier mix in TeraPlast Group in 2022**



**Client mix in TeraPlast Group in 2022**



## TeraPlast Group's Business lines

### Installation

The Installations portfolio includes systems for internal sewers, systems for external sewers, systems for the transport and distribution of water and natural gas, rainwater management systems, cable protection systems and the underfloor heating system. The detailed portfolio of Installations can be consulted in the [dedicated section on the TeraPlast website](#). In this segment, we are the market leader of external sewers and hold top positions in the other categories.

In the last 3 years we have invested significantly in expanding existing production capacities and diversifying our product portfolio. Thus, starting 2022, **two new product ranges** were added to the Installations business line: **TeraDuct** – microtubes for the protection of optical fiber cables – and **NeoTer** – a complete system for underfloor heating. Investments in the micro-tubes and the underfloor heating system were initiated in 2021 and were completed in 2022. With these two new systems we address new markets with great development potential.

The portfolio of Installations currently includes **PVC pipes with recycled material** in 3 variants under the brand **Gri(n) Pipe**:

- PVC pipes with multi-layer structured wall, with expanded core of 100% micronized recycled PVC, with the outer walls of virgin raw material (50% recycled content);
- PVC pipes with multi-layer structured wall, with compact core of
- 100% recycled PVC and outer walls of virgin raw material (55% recycled content);
- PVC pipes with multi-layer structured wall and expanded core, made of 100% micronized recycled PVC both in the core, as well as in the compact layers.

### Compounds

TeraPlast is the **leader on the Romanian compounds market** and the main supplier of PVC compounds for the cable industry in Romania. The portfolio includes plasticized and rigid compounds with applications in the extrusion and injection industry. The product portfolio of this business line also includes halogen-free, fire-resistant (HFFR) compounds.

### Windows & Doors

The production and trade of windows and doors in our portfolio includes 2 product families, namely:

1) **PVC windows, doors and accessories**, with the following product groups:

- TeraGlass window and door systems with 4, 6 and 7 chambers;
- Salamander window and door systems with 5 and 6 chambers;

2) **Aluminum doors, windows and structural walls**, with or without thermal barrier according to requirements and needs of the beneficiary.

The company's objective is to reach the top 10 producers of heat-insulating carpentry in Romania. More details about the portfolio of this segment are available at <https://www.teraglass.ro/>.

### Rigid PVC recycling

The finished product of this segment is obtained from PVC pipes or profiles and can be regranulated PVC or Micronized PVC 1,000 microns. By processing capacity, TeraPlast Recycling is **the largest producer of rigid micronized PVC in Europe**. Recycled PVC can be successfully used in the production of sewer pipes or in the production of PVC profiles. More details at <https://teraplastrecycling.com/en/>.

In 2021, the processing capacity of the recycling plant was expanded, reaching 31,000 tons annually.

## Flexible Packaging

The flexible packaging segment operates within the company TeraBio Pack SRL and is organized in two divisions:

- **TeraBio** – the division of biodegradable products – includes foils, films, bags and sacks made of biodegradable material. The products are OK Compost certified by TUV Austria.
- **TeraPack** – the polyethylene products division – includes polyethylene foils, films, bags and sacks. This division includes the polyethylene packaging production capacities taken over from Somplast Năsăud and Brikston Construction Solutions.

TeraBio Pack products are aimed at distributors and retail chains as well as industrial customers. From the beginning of the activity (December 2021) until the end of 2022, TeraBio Pack has reached the top 5 manufacturers in the market.

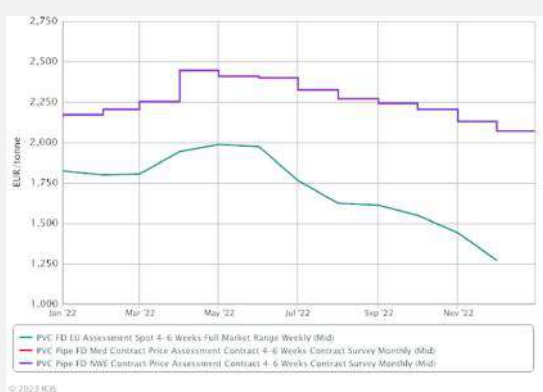
**TeraPlast Group's products are certified and tested** by institutions such as: IFT Rosenheim, SRAC, ICECON Romania, DIN CERTCO and TUV Austria. In accordance with European standards, the activity of our companies is carried out in the Quality-Environment-Health and Occupational Safety Integrated Management System: ISO 9001, 14001, 45001.

**The internal testing laboratory is accredited by RENAR** (Romanian Accreditation Association). In addition, research and development activities for our product portfolio are conducted annually. In 2022, the main projects in this area were underfloor heating pipes (PE-Xa), PVC compounds and HFFR (halogen-free, fire retardant). Thus, our colleagues have developed recipes through which our compounds have new, expanded applications, as well as recipes for improving current products. The budget for this area of activity is over 250 thousand lei annually (including personnel expenses), and for 2023, the main directions are: continuing the development of compounds recipes and improving recipes for PVC pipes to increase their resistance.

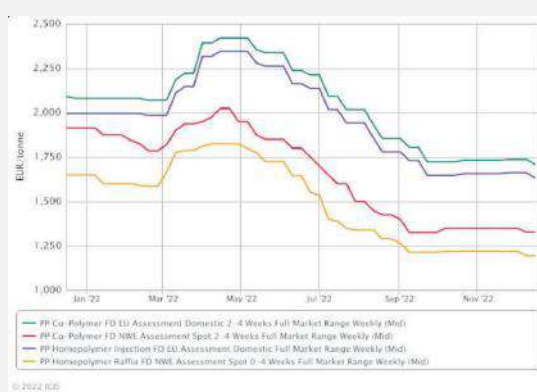
At Group level, we have **sources of supply** that have proven their efficiency in 2022 as well. We have increased our degree of diversification on the main raw materials, and their **prices have fluctuated in line with market trends**. We have an extensive base of approved suppliers so that there is no risk of dependence on a single supplier or a single geographical area.

### Price evolution for the main raw materials in 2022, according to ICIS

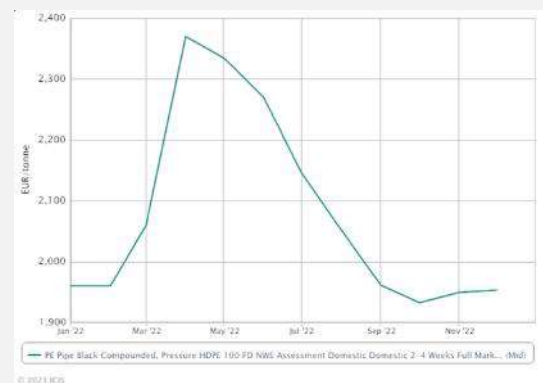
#### PVC



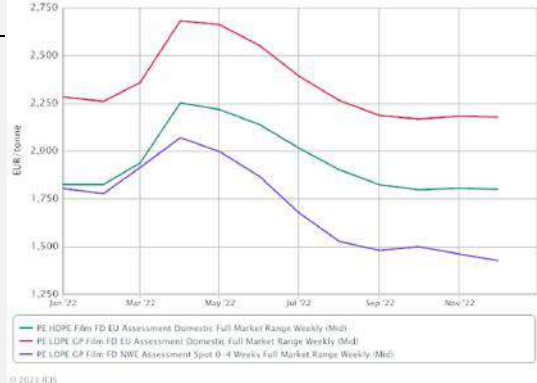
#### PP



#### PE

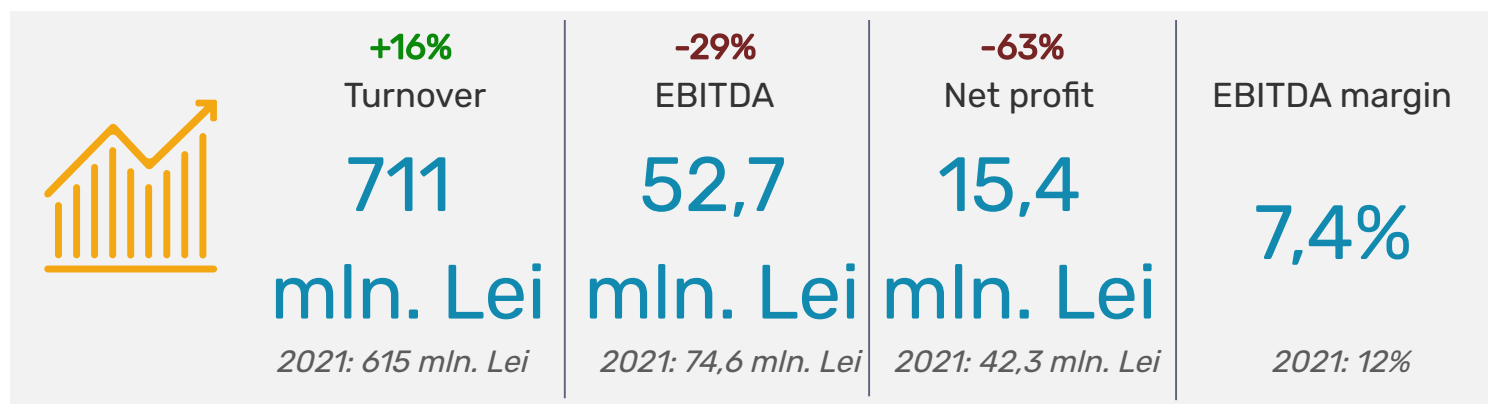


#### HDPE & LDPE



# 2022 Key figures

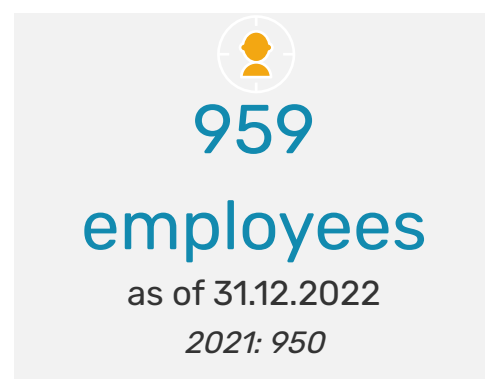
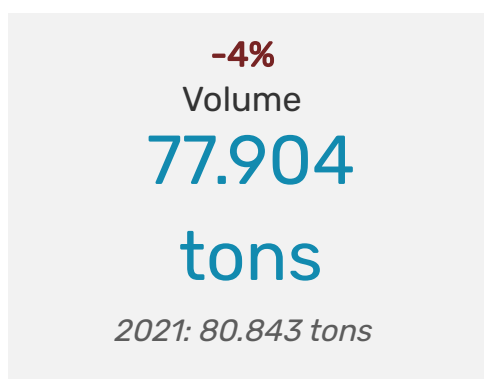
2022 was the second best year in the history of TeraPlast Group, after the record levels of 2021. The group also completed the implementation of the most ambitious investment plan in its history, becoming the largest polymer processor in the Center and East Europe.



The turnover of TeraPlast Group increased in 2022 by 16% compared to 2021, reaching 711 million lei. EBITDA stood at 52.7 million lei, down 29% compared to the previous year's result, because of the volatility of raw material prices and a below-estimated level of water & sewage works financed from European and public funding. The Installations & Recycling segment - "the engine of the Group" - despite the most challenging year in the last 5 years, managed to exceed the record EBITDA achieved in 2021.

The EBITDA margin eroded during the year and reached 7.4% at the end of 2022. The result was marked mainly by the challenges faced by the Windows & Doors and Flexible Packaging segments, where delays in indexing the selling prices were experienced, respectively high ramp-up and market penetration costs. Furthermore, we have been impacted by both accelerated raw material price increases and delays in price increases in the market.

The net profit of 2022 was almost 15.4 million lei, down 64% compared to the exceptional result of the previous year. The evolution was determined, on one hand, by depreciation costs, against the background of the increase in the Group's asset base following the large investments made, and, on the other hand, by the increase in interest rates for lei, which for the Group meant an additional expense of 8.3 million lei in 2022 compared to 2021.



Information about price, liquidity and cash flow risk can be consulted in the [notes to the consolidated financial statements](#), respectively note 24. Financial instruments (pages 53-57).



In 2022 we managed to consolidate our market share, and the leading position will allow us to reap business opportunities once the markets in which we operate recover in the coming years. **The major investments** completed in the period 2021-2022, in the amount of **219 million lei**, are added to those made in recent years with the aim of diversifying the field of activity, the geographical footprint of the Group, increasing energy independence and for the substitution of virgin raw materials with recycled material.

At the same time, it is natural that in the first years from commissioning the investments in some new state-of-the-art production capacities, the financial results do not shine against the background of the enormous challenges determined by the unprecedented global and regional economic context. However, our approach aims at a long time horizon of more than 5 years in order to maximize added value for shareholders. Therefore, **we remain confident in the long-term potential of the investment projects started in recent years.**

The decrease from the budget, but also from the 9-month reforecast, was caused by the radical change in the dynamics of the raw materials market as a collateral effect of the war in Ukraine. Another impact was the slower start of the Flexible Packaging segment and a below-expected performance of the Windows & Doors segment generated by delays in the transfer of production costs to the market. The immediate challenges, while eroding 2022 margins, have not affected our medium to long-term development, development with a **growing sustainability component.**

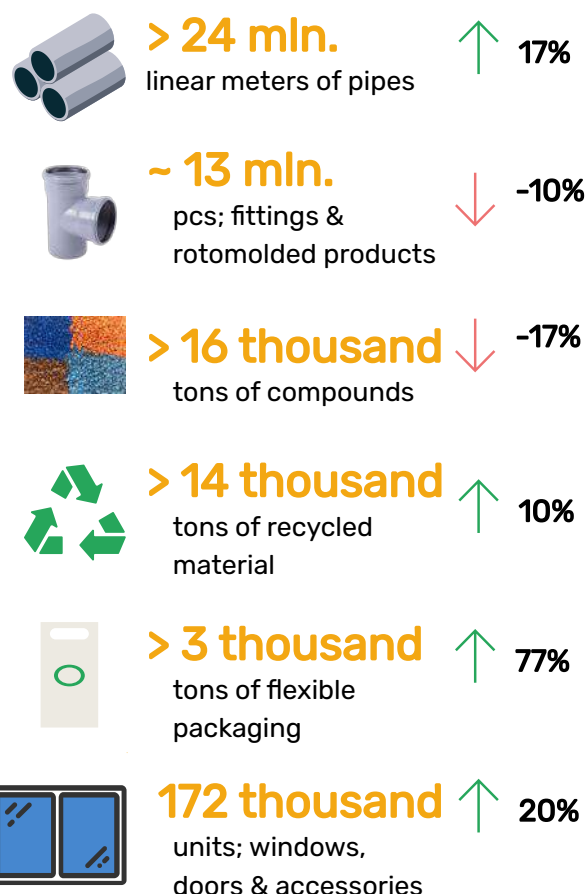
In 2022, **TeraPlast Group exports increased by 23% compared to 2021** and accounted for 15% of the consolidated turnover. Our Group's products were present in 20 countries in 2022, among the most important being Hungary, Germany, Bulgaria, the Czech Republic and the Netherlands.

### Share of business segments in consolidated turnover



■ Installation & Recycling
 ■ Compounds & Recycling
 ■ Windows & Doors
 ■ Flexible Packaging

### Evolution in volumes 2022 vs 2021



## Evolution of business segments in 2022

The Installations and Recycling segment maintained a positive trend compared to the record result of 2021: EBITDA improved significantly in absolute terms and reached 51 million lei. The EBITDA margin remained solid at 10.4% for the full year 2022.

The turnover of this segment increased by 20% compared to 2021, up to 488 million lei. Although the turnover of the Installations segment increased due to inflation, volumes stagnated compared to 2021, which generated pressure on the margin, namely the partial transfer of costs to the market. The objective achieved in 2022 was the consolidation of the market share, the leading position being essential for the fruition of business opportunities once the activity in the field recovers.

The Compounds and Recycling segment faced an atypical situation in the market, with the emergence of disruptive factors, impossible to anticipate. Against the background of increased energy costs in the European Union, significant differences in quotations have appeared between raw materials in the EU, including Romania, and those outside the European Union. This climate put pressure on margins, but the Group focused on preserving its market share and maintaining its leading position in this segment. The background left traces in the evolution of the turnover of the Compounds segment and caused a reduction of EBITDA by 53% compared to 2021. The margin remained at a level of 10.1%, above the TeraPlast average.

The Windows & Doors business line, managed by TeraGlass, had a turnover increasing by 30%, including from the increase in sales volumes. The segment faced rapidly increasing raw material prices, the biggest influences being felt in PVC profiles and glass. The Group's ability to pass on these costs up the value chain has been limited as the customers are Europe's large DIY chains with considerable bargaining power. As a result, margins suffered, and EBITDA for this business line saw a 65% contraction compared to 2021.

The Flexible Packaging segment was heavily burdened by the lack of optimal loading of the lines. The quantities produced in 2022 are half of the production capacity. Approval costs, translated into small production batches, also contributed to the inefficiency of the business line. Profitability of this new division within the Group requires more time than initial estimates. However, in the second half of 2022, some industrial products were approved and contracts with large retail chains entered into force, including in foreign markets, which indicates an increasing trend.

	Installations and recycling			Compunds			Windows&Doors			Flexible Packaging			Teraplast Group		
RON '000	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b	2021	2022	2023b
Net sales	407.320	488.214	543.279	147.540	126.073	148.421	43.397	56.500	68.721	16.853	40.340	87.338	615.111	711.126	847.759
Other operating income	1.050	556	-	-	61	-	8	16	704	31	21	-	1.089	655	704
Total operating income	408.370	488.770	543.279	147.540	126.134	148.421	43.406	56.516	69.425	16.884	40.361	87.338	616.200	711.781	848.463
Raw materials, consumables, merchan	(268.521)	(320.704)	(346.874)	(99.955)	(98.286)	(112.555)	(25.683)	(34.679)	(40.271)	(12.350)	(32.830)	(60.926)	(406.509)	(486.499)	(560.627)
Salaries and employee benefits	(44.217)	(52.885)	(59.707)	(11.409)	(7.827)	(10.980)	(9.133)	(11.204)	(13.598)	(4.516)	(11.641)	(12.911)	(69.275)	(83.556)	(97.196)
Depreciation and adjustments for asset	(15.976)	(18.919)	(19.812)	(3.005)	(2.680)	(3.208)	(1.595)	(1.352)	(1.217)	(747)	(3.334)	(6.643)	(21.321)	(26.285)	(30.880)
Other operating expenses	(45.124)	(64.233)	(82.228)	(9.357)	(7.340)	(11.393)	(7.590)	(10.288)	(12.069)	(3.705)	(7.148)	(9.945)	(65.776)	(89.008)	(115.634)
Total operating costs	(373.837)	(456.741)	(508.621)	(123.726)	(116.133)	(138.135)	(44.000)	(57.522)	(67.155)	(21.318)	(54.952)	(90.425)	(562.882)	(685.349)	(804.337)
EBIT	34.533	32.029	34.658	23.814	10.001	10.285	(594)	(1.007)	2.270	(4.434)	(14.591)	(3.087)	53.319	26.433	44.126
EBITDA	50.508	50.948	54.470	26.819	12.681	13.493	1.000	346	3.487	(3.687)	(11.257)	3.556	74.640	52.718	75.006
EBITDA %	12,4%	10,4%	10,0%	18,2%	10,1%	9,1%	2,3%	0,6%	5,1%	-21,9%	-27,9%	4,1%	12,1%	7,4%	8,8%
Financial result, net	(1.437)	(6.774)	(13.710)	(235)	(708)	(1.120)	(395)	(1.174)	(2.236)	(276)	(1.221)	(3.131)	(2.344)	(9.877)	(20.196)
Profit before tax	33.096	25.255	20.948	23.579	9.293	9.166	(990)	(2.180)	34	(4.710)	(15.812)	(6.218)	50.975	16.556	23.930
Income tax expenses	(4.625)	(1.647)	(3.736)	(4.012)	(928)	(808)	-	(418)	-	(46)	1.812	-	(8.684)	(1.182)	(4.544)
Net profit	28.471	23.608	17.212	19.566	8.365	8.357	(990)	(2.599)	34	(4.756)	(14.000)	(6.218)	42.291	15.374	19.385
Net Profit %	7,0%	4,8%	3,2%	13,3%	6,6%	5,6%	-2,3%	-4,6%	0,0%	-28,2%	-34,7%	-7,1%	6,9%	2,2%	2,3%

# 2022 Main events

Our activity in 2022 has been an intense one, which involved maintaining focus on business development, but also managing external challenges determined by the raw materials market, energy and the difficult macroeconomic context.

Also last year, we completed the investments of over 219 million lei implemented in the period 2021-2022, in the expansion of production capacities and the diversification of the business portfolio through new segments of activity.

## In dialogue with the decision makers

In 2022, the Group's management held several discussions with representatives of the central administration regarding the opportunities and challenges in the Romanian business environment, especially in the construction and recycled materials market, as well as the advantages of the development of companies with Romanian capital. A special emphasis was placed on the issues arising in the current complex context, marked by rising raw material costs, stress in supply chains, tension in the energy market and labor shortages.

TeraPlast's CEO also participated in the "nZEB Standards Conference - The role of sustainable materials in the energy efficiency of buildings", an event organized by Deputy Oana Marciana Özmen, Secretary of the Commission for Industries and Services in the Chamber of Deputies.



## Financing agreement for a new factory

The new stretch film plant will have two production lines for industrial polyethylene films, which represent a capacity of more than 14,000 tons annually. The equipment is state-of-the-art, with a high degree of robotization and automation of the production flow.

The project will be co-financed through the state aid scheme, which provides for a state support of 50% of the total eligible expenses. Through this facility, the beneficiary undertakes to contribute to the consolidated general budget within five years from the completion of the investment with an amount at least equal to that of the state aid received.



## Investor relations

Our communication with both investors and the financial press, was recognized externally also by the awards received by TeraPlast: scored 10 in the Vektor evaluation and the award for the Best communication of an issuer in 2022 - the financial press award, within the BVB Awards.

In the second part of the year, we organized the TeraPlast Investor's Day, during which shareholders and investors interested in TRP interacted with the company's management and visited the Group's factories.

More details about our activity on the capital market and the relationship with investors are available in the dedicated chapter of this report.



## Investment in a new photovoltaic plant

In line with our objective to increase the share of renewable energy in our electricity consumption, we are investing in a new photovoltaic plant. The total value of the project exceeds 19 million lei. The investment includes a photovoltaic plant with a power of about 4.56 MWp, respectively a power produced (from inverters) of 3.8 MW.

The new plant will contribute to reducing the Group's carbon footprint by reducing emissions by up to 3,200 tons of CO<sub>2</sub>e annually.

To finance the project, we also submitted a funding request through the National Recovery and Resilience Program.

## Regional development

One of the main business objectives of the TeraPlast Group is the expansion of the regional footprint. As a result of the increase of the share of the Hungarian market in the Group's exports, we decided to establish a distribution point in Berettyoujfalu, Hajdu-Bihar county.

Thus, our Group reaches 7 distribution points, 6 in Romania and 1 in Hungary.

The warehouse is operational from the beginning of 2023.



## Adapting to the market context

In 2022, the construction market faced a complex climate that generated increases in the prices of construction materials, combined with the accelerated evolution of energy and fuel costs. They significantly impacted the costs with suppliers and materials related to the real estate project started by Alfa Construct Partners on the former location of the TeraPlast factory. So, in agreement with the developer, we decided to terminate the partnership.

As part of the partnership, our company provided the land, and the real estate developer would build the buildings at his own expense. We remain open to capitalizing on this asset for the benefit of our shareholders and the local community.



## NeoTer by TeraPlast

**NeoTer is a state-of-the-art underfloor heating system** with a high degree of energy efficiency and significant advantages in terms of heating energy consumption and environmental impact. The system is calibrated to current consumer needs, in line with new trends in housing construction and development, and is a reliable heating solution applicable to both new construction and renovation projects.

Complex information about the NeoTer by TeraPlast underfloor heating system is available on [neoter.ro](https://neoter.ro)

## TeraDuct by TeraPlast

Under the TeraDuct brand, the Group has developed a new technical solution designed for fiber optic telecom infrastructure. TeraPlast is the only Romanian manufacturer that brings to the market this type of solution from the internal offer.

TeraDuct ONE by TeraPlast is a microduct made of high density polyethylene, used to protect fiber optic microcables. It is available in a variety of diameters and can be bundled with different configurations: TeraDuct LINE and TeraDuct MIX.

Complete information about TeraDuct by TeraPlast microtubes is available at [teraduct.teraplast.ro](https://teraduct.teraplast.ro)



# Our team

We regard the employees of the TeraPlast Group as a living, dynamic organism, constantly adapting and changing. We are attentive to the evolution of our colleagues' preferences and strive to be the best option for them as an employer.

At the same time, we pay particular attention to respecting a minimum set of principles that refer to business ethics, professionalism, integrity, loyalty, transparency, equal opportunities, non-discrimination, rights and freedoms. All these things are detailed in the [Code of Conduct publicly available on our website](#).

At the level of our Group, we encourage initiative and reward performance, we promote a harmonious work environment, conducive to the personal and professional development of our colleagues. **The union** represents all employees of the Group companies and we hold regular discussions to keep up with the evolution of the labor market and the personalized needs of our team.

We are committed to respecting and promoting fundamental human rights, civil rights and the free movement of people in every company and in all business relationships we conduct. We comply with international directives, norms and standards regarding respect for human rights.

We have implemented a publicly available [Whistleblower system](#) for both our colleagues and collaborators. It can be accessed directly from our website and we encourage people who have, from a professional context, objective information related to violations of laws or integrity rules by the company, its employees or collaborators, to report these irregularities. Reports can be signed or submitted anonymously.



Also through the Code of Conduct, and as a signatory of the UN initiative - UN Global Compact, **our commitment to comply with the regulations in the field of anti-corruption**, to promote the fight against corruption in all companies and in all the activities that we unfold, takes shape. We do not tolerate any action or behavior that could be considered susceptible to active or passive corruption, preferential treatment or favoritism. We comply with the provisions of Law no. 78/2000 for the prevention, detection and sanctioning of acts of corruption. Also, if an employee is put in a position to receive gifts or advantages of any other nature from partners and collaborators, other than symbolic ones, he/she has the obligation to declare them to his/her direct boss and the Ethics and Integrity Commission, according to the provisions of the code.

**In 2022, the number of employees of TeraPlast Group was 959**, at approximately the same level as in 2021. Identifying and attracting labor is a constant challenge for us, as well as for the entire market. Our priority in recruitment is to attract colleagues who share our values and principles and who either specialize in the area of activity for which they are recruited or wish to develop to specialize. We also have a **customized e-learning platform** where our colleagues can take courses in different fields of activity. Detailed information on training programs and involvement in training future generations of professionals will be available in the sustainability report we will publish by the end of June 2023.



# TeraPlast on the capital market

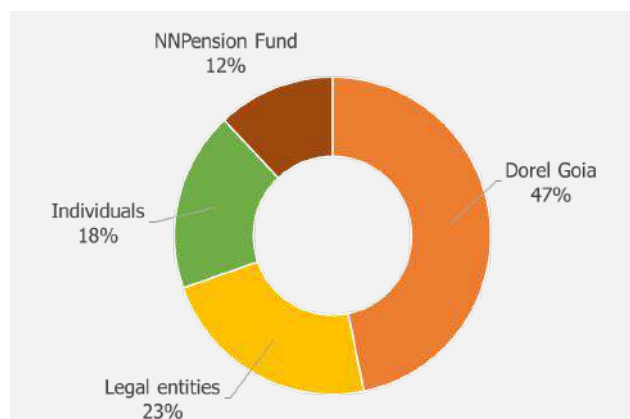
The company TeraPlast SA is listed on the Bucharest Stock Exchange since July 2, 2008, under the symbol TRP. In 2022, TeraPlast was consistently in the top 10 companies traded on the BSE, from the BET index, in terms of value and volume.

TRP shares are also included in the **FTSE Russell Small Cap and All Cap indexes**, but also in the **CECE MID CAP index of the Vienna Stock Exchange**, thus having increased visibility at the regional level. *(TeraPlast is also part of the ROTX index of the Vienna Stock Exchange as a result of the revision of its structure, but the new structure, of which TeraPlast is also a part, entered into force in March 2023)*

TeraPlast's **shareholding structure** has not changed significantly in 2022 and can be consulted in the adjacent chart and on the [BVB website](#).

As of 31.12.2022, Mr. Dorel Goia (President of the Board of Directors) held 1,020,429,614 TRP shares, Mr. Alexandru Stănean (CEO) held 1,356,252 TRP shares, and Mrs. Ioana Birta (CFO) held 56,309 TRP shares.

The rest of the administrators had no holdings in TRP on the said date.



In 2022, our company distributed, following the proposal of the Board of Directors, respectively the approval of the General Shareholders' Meeting of April 28, 2022, **dividends** in the total amount of 32,684,967.26 lei, the gross dividend/share being 0.015 lei, related to the profit of quarters 2, 3 and 4 of 2021.

In addition to this, from the profit recorded in the 1st quarter of 2021, dividends were distributed in the total amount of 226,615,937 lei, respectively 0.13 gross lei/share, and the share capital was increased by 43,579,988 lei, both based on of the decision of the general meeting of shareholders on June 25, 2021. **Dividends from the related T1 profit were paid in July 2021, and the share capital increase took place in September 2021.**

Therefore, in the last 3 years, simultaneously with the major investments in the diversification and development of the Group that will bring added value to our shareholders in the medium term, we have also rewarded our shareholders by distributing dividends when this was possible and did not raise risks on the soundness and development of our businesses, even by distributing quarterly dividends (2020: dividend 0.026 lei/share related to the profit in Q3, paid in December 2020; 2021: quarterly dividend paid in July 2021; 2022: dividend related to the last 3 quarters, paid in July 2022).

One of the basic aspects that the TeraPlast Board of Directors considers in evaluating the opportunity to propose the distribution of dividends is represented by the company's investment needs and opportunities, which may include both expansions of existing production capacities and product development new in the portfolio or M&A activities. **TeraPlast's full dividend policy can be viewed by [accessing the dedicated document on the company's website](#).**

In 2022, the program to buy back own shares was also carried out with the aim of offering them to employees, members of the management of TeraPlast Group companies and board members, free of charge, as part of a **stock option plan program**. This action was carried out as a result of the shareholders' approval for the buy back of a **maximum number of 2,760,000 shares with a nominal value of 0.1 lei/share at a minimum price equal to the BVB market price at the time of the purchase and a maximum price of 2 lei/share**, within a budget of 5,520,000 lei. The shares so redeemed were allotted in February 2023. More details are available [here](#).

Our activity on the capital market has also been recognized externally, which confirms our constant efforts to apply the best practices in the **relationship with investors**, namely respect for their rights, market regulations, accurate, complete and timely information, as well as openness to dialogue. We publish quarterly consolidated financial results, organize teleconferences with investors and analysts, press conferences, meetings with investors (Investor Day) and participate in events dedicated to interacting with them. At the same time, whenever there is new information, relevant to our investors, regarding our operational activity, perspectives, investments and other projects, as well as to optimally disseminate our messages, we send press releases, answer interviews and participate in shows and profile events.

Among the most important **awards received by TeraPlast** for the activity in 2022 are:

- **"The best company in IR - the vote of individual investors"** at the Gala organized by ARIR (Romanian Association for Investor Relations at the Romanian Stock Exchange) - November 2022, title received by TeraPlast for the third consecutive year.
- **Score 10 in ARIR's Vektor Evaluation** based on 12 investor relations criteria, covering topics such as availability of information, contact details, corporate governance/policy documents, implementation of voluntary initiatives, etc. - January 2023, score received by TeraPlast for the fourth consecutive year.
- **"The best communication with journalists of an issuer in 2022. The financial press award"** at the BVB Awards event organized by the Bucharest Stock Exchange - February 2023, award received by TeraPlast for the second consecutive year.

Complete information about corporate governance documents (policies, governance statute, etc.), reports and other relevant aspects about TeraPlast's activity on the capital market are available on the website dedicated to investors: <https://investors.teraplast.ro/>


**TeraPlast®**
**Investor Day**


# Board of Directors and Group management

Our company is a company managed in a unitary system, by the Board of Directors. The General Meeting of Shareholders (GMS) is the highest decision-making body. The members of the Board of Directors are elected at the proposal of the significant shareholders of the company and appoints the executive management.

The members of the TeraPlast Board of Directors were re-elected during the OGMS of September 14, 2022, with a 1-year mandate (September 14, 2022 - September 14, 2023). The president of the Board of Directors elected by the members of the board is Mr. Dorel Goia, with a mandate of 1 year identical to that of the rest of the administrators. **Currently, 2 out of 5 administrators are independent.**

## Structure of the TeraPlast Board of Directors

### Dorel Goia Chairman

- Birth year: 1954
- Experience: entrepreneurship
- First time elected in the Board: 2008
- Entrepreneur with extensive experience in various fields

### Lucian Anghel Independent Non-Executive Director

- Birth year: 1972
- Experience: banking, capital markets
- First time elected in the Board: 2021
- Activity: Banca Românească

### Alexandru Stănean Executive director (CEO)

- Birth year: 1982
- Experience: Business administration
- First time elected in the Board: 2007
- Activity: TeraPlast SA (CEO)

### Vlad Neacșu Independent Non-Executive Director

- Birth year: 1981
- Experience: financial
- First time elected in the Board: 2020
- Activity: Sens Unic Imobiliare SRL

### Magda Palfi Non-Executive Director

- Birth year: 1967
- Experience: banking
- First time elected in the Board: 2008
- Activity: Raiffeisen Bank (Regional corporate director - Cluj center)

More information on the structure of the Board of Directors is available [in the dedicated section on our website](#).



## Advisory Committees

There are two advisory committees within TeraPlast – the Audit Committee and the Remuneration and Nomination Committee.

**The Audit Committee** consists of the following members: Vlad Nicolae Neacșu, Nadir Geafer Ali, Magda Eugenia Palfi, Lucian Claudiu Anghel.

**The Nomination and Remuneration Committee** consists of the following members: Lucian Claudiu Anghel, Dorel Goia, Vlad Nicolae Neacșu, Magda Eugenia Palfi.

Additional information about TeraPlast boards is available [on our website](#).

## Group's Management

The executive management is provided by:

- **Alexandru Stănean**, Chief Executive Officer, whose current mandate is 4 years, started in July 2020.
- **Ioana Birta**, Chief Financial Officer, whose current mandate is 4 years, started in June 2019.

The members of the Board of Directors are elected in the General Meeting of Shareholders based on the vote of the shareholders in accordance with legal requirements, and the executive management is appointed by the Board of Directors based on competences and evaluated based on performance indicators. Therefore, there are no agreements or understandings to report in this document. Also, there are no past or ongoing administrative litigations or proceedings involving the directors and/or executive management regarding their activity or their ability to perform their duties within TeraPlast.

## Other relevant information on TeraPlast (TRP) share

Total number of shares	2.179.000.358
Share capital (lei)	217.900.035,80
Nominal value (lei)	0,1000
Number of shares traded in 2022	272.399.773
Value traded in 2022 (lei)	216.157.782
Minimum medium price in 2022 (lei)	0,4685
Maximum medium price in 2022 (lei)	1,1660
Number of shareholders as of 31.12.2022	12.406
Market maker	BRK Financial Group

# Sustainable development in TeraPlast Group

In accordance with legal regulations on the disclosure of non-financial information, we prepare and publish a separate **sustainability report**, which includes the information required by the non-financial statement and describes our sustainability initiatives. The TeraPlast sustainability report for 2021 is available [on our website](#), and the one for 2022 will be published by 30.06.2023 on the [teraplast.ro](#) website, and its availability will be communicated through the official communication channels of the company, including on the BVB website (symbol TRP).

In preparing the sustainability report, we consider the **Global Reporting Initiative (GRI)** standards, the Core option. Starting with the report for 2022, we will also consider eligible activities according to the **European taxonomy** (Regulation no. 852/2020 on the establishment of a framework to facilitate sustainable investments).

We are also a **signatory to the UN Global Compact**, the most important initiative in the field of responsible corporate governance in the world. Through this voluntary membership, TeraPlast has made a commitment to promote the ten principles of the UNGC in the fields of human rights, labor standards, environment, anti-corruption and contribute to the achievement of sustainable development goals. We have been reporting our progress annually since last year, and in 2023, this information will be an integral part of the sustainability report.

In the process of reporting information on our impact and initiatives in relation to sustainable development, we use a **methodology based on**:

- Review the list of material topics and stakeholders to determine any new categories, taking into account two quantitatively assessed criteria: the stakeholder's influence on TeraPlast's business and TeraPlast's impact on the stakeholder.
- Consultation with interested parties to obtain their views on material topics.
- Realization of the materiality matrix based on the information collected from internal and external stakeholders.

## List of material topics

Dimension	Material topic
Governance	Corporate governance
	Risk management & conformity
	Business ethics, integrity and best practices
	Cybersecurity
	Supply chain & raw materials procurement from responsible sources
	Use of recycled raw materials
	Product quality and safety
	Sustainable products within the portfolio
Environment	Resource management
	GHG emissions & climate protection
	Waste management & circular economy
Social	Employee recruitment & retention
	Workplace health and safety
	Equal opportunities, rights & freedoms
	Employee welfare
	Professional development and promotion at work
	Care for the community

## Our vision on sustainable development

Our group is the largest polymer processor in Central and Eastern Europe. In our view, plastics provide a certain level of comfort in everyday life; its sudden and complete elimination is not a solution. Instead, we believe in the **power of transition**. An optimal management of plastic products, from manufacturing to the end of use, respectively to their recovery, can significantly contribute to reducing the negative impact that plastics have in the world.

We encourage the use of alternatives where possible (e.g. biodegradable packaging), responsible waste management and contribution to the circular economy, use of renewable energy sources and following ethical frameworks and professional practices that increase adoption of behaviors and actions with a reduced impact on the environment.

## Our sustainable development initiatives

Paying attention to the integration of sustainability in our Group's activity has been part of our development strategy for many years. Since 2017 we have started investing in the **rigid PVC recycling plant** (TeraPlast Recycling), we have developed internationally patented recipes for the inclusion of **recycled material in PVC pipes** and we even have in our portfolio a PVC pipe for outdoor sewers made from 100% recycled material.

We also develop solutions to **increase the durability of our products** and reduce their impact on the environment throughout their lifetime. We also invested in 2021 in the **factory of biodegradable and compostable films** and products according to EN 13432, OK Compost certified by TUV Austria. We invested in a **photovoltaic plant** in 2019-2020 and, in 2023, we will invest in a new photovoltaic plant to increase the supply of energy from renewable sources in the industrial park in Sărătel.

In 2022 we quantified direct emissions (Scope 1) and indirect emissions related to electricity consumption (Scope 2) in tCO<sub>2</sub> eq. (tons of carbon dioxide equivalent), in accordance with the requirements of the **GHG Protocol** - A Corporate Accounting and Reporting Standard.

In 2023, we will assess the Group's **carbon footprint on Scope 3** (indirect emissions - not included in Scope 2 - occurring in the company's value chain, including upstream and downstream emissions).

**25.163 tons CO<sub>2</sub>eq**

TeraPlast Group footprint for Scope 1 and Scope 2 (market based) in 2021



In 2020, the Bucharest Stock Exchange initiated a project with Sustainalytics to carry out ESG ratings for listed companies. Our company was one of the issuers that, right from the beginning, agreed to publish the obtained score. Updated information is available on the [BVB Research Hub portal](#), in the dedicated section.



In 2022, there were no existing or anticipated environmental litigations.



# 2023 Budget and perspectives

We are constantly looking at a long time horizon of over 5 years. We maintain our development direction by diversifying our business segments, increasing our geographic footprint, increasing energy independence and substituting virgin raw materials with recycled material where possible. Thus, we will maximize the added value for shareholders.

2022 was the second best year in the history of TeraPlast Group, in which we completed the implementation of the most ambitious investment plan in the history of the Group (219 million lei in the period 2021-2022) and we are the largest polymer processor in Europe Central and Eastern.

Despite the difficult context in which we carried out our activity and the impact it had on the Group's results (erosion of margins, decrease in net profit), **the Group's medium and long-term development was not affected**. The leading positions in the markets in which we operate, the supply policy and the synergies at the Group level diminish the potential negative impact on the evolution of our businesses.

## Development prospects for the markets we operate on, per segment\*:

### INSTALLATION

#### 8 billion EUR

Budgeted for infrastructure through National Recovery & Resilience Plan and Anghel Saligny program (water, sewerage and gas networks)

### FLEXIBLE PACKAGING

#### 274 million EUR

is worth the flexible packaging market in Romania, of which 169 mln EUR are imports

### WINDOWS & DOORS

#### 2,2 billion EUR

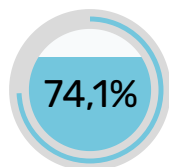
Budgeted for renovations – apartment blocks & public buildings renovated/ rehabilitated (PNRR Renovation Wave)

### COMPOUNDS

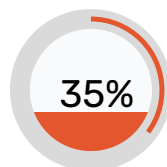
#### 18 billion EUR

Budgeted for other projects where the Group's products (i.e. compounds) can be used (energy, waste management, transport, social & institutional buildings, healthcare, education etc.)

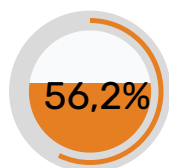
## Long-term development prospects for the Installation segment in Romania\*\*:



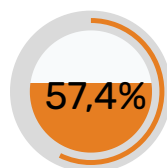
Of the Romanian population is connected to the public water supply system



Of the Romanian population is connected to the public natural gas supply system



Of the Romanian population is connected to sewage systems with treatment stations



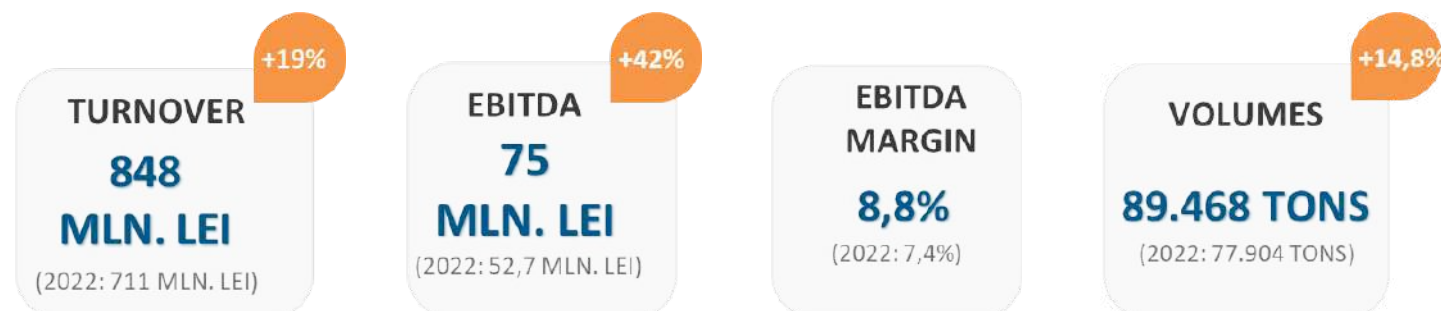
Of the Romanian population is connected to the public sewage system

\*According to the information on this topic from the public administration.

\*\*According to the latest data available published by the National Statistics Institute and the publicly communicated information.

<https://www.teraplast.ro/en/release/teraplast-groups-growth-prospects-were-not-affected-by-the-challenges-of-2022/>

Consolidated results in 2023 will improve amid reduced price volatility. Turnover will increase from increased volumes.



lei, thousand	Group Total	Installation & Recycling	Compounds & Recycling	Windows & doors	Flexible Packaging
Turnover	847.759	543.279	148.421	68.721	87.338
% vs 2022	19%	11%	18%	22%	117%
EBITDA	75.006	54.470	13.493	3.487	3.556
% vs 2022	42%	7%	6%	n/a	n/a
EBITDA Margin	8,8%	10,0%	9,1%	5,1%	4,1%

**102 mln. lei**  
Total value of the investments for 2023.

The budget presented for 2023 does not include the effects determined by possible mergers/acquisitions.

The **Installations and Recycling segment** will benefit, starting from the second half of the year, from a positive effect of the entry into the execution phase of the projects from the Anghel Saligny Program and those remaining under the POIM. The start of infrastructure works will lead to the breaking of record volumes in 2021.

For the **Compounds and Recycling segment**, a normalization of market conditions is forecast from the perspective of price stability and implicitly the demand for products manufactured in the EU.

TeraGlass, through the **Windows and doors segment**, is considering a positive impact following the start of PNRR projects on the energy efficiency of buildings, with a market-wide potential of 2 billion lei. In this segment, we anticipate a decrease in the average price and an increase in volumes. Profitability will improve as upward pressure on raw material prices fades. On the other hand, there will be an adverse impact due to the increase in the minimum wage in construction.

The **flexible packaging segment** will see an increase in volumes as a result of overcoming the ramp-up phase, expanding the customer base and increasing demand. In 2023, segment-level EBITDA will enter positive territory.

## We continue to invest in 2023

It concerns investments the total amount of **102 million lei**, of which the most important projects aim a new factory for the production of stretch films and a new photovoltaic plant. Thus, we continue our diversification of our activities and the geographical regions in which we develop business, in parallel with green investments aimed at improving our energy independence sustainably and also based on government economic support programs.



TeraPlast SA

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