

PRESS RELEASE

TeraPlast Group: Improved margin and flat sales compared to Q4/2022

- The consolidated turnover decreased by 14% compared to Q1/2022, due to the reduction in volumes. Compared to Q4/2022, there are marginal decreases (1-4%) and even increases in the Compounds segment.
- EBITDA of 9 million lei, down 42% compared to Q1/2022, but margins are improving compared to the end of last year.
- The EBITDA margin for the Installations, Compounds and Recycling businesses (TeraPlast and TeraPlast Recycling), which represent 84% of the Group's revenues, is maintained at above 9%.
- March 2023 records a resurgence of activity compared to the first two months of the current year.
- The Group's management maintains its estimates on the consolidated budget presented to shareholders for the full year 2023.

Bistrița, April 25, 2023

The first quarter of 2023 concludes a period of transition in the perspective of a new growth cycle, in which efforts have been directed towards consolidating and expanding market shares, while also managing current difficulties generated by the unstable macroeconomic and geopolitical climate, full of challenges and short-term uncertainties. These immediate difficulties have been reflected in a decline in sales volumes at Group level, compared to the extraordinary levels of the first quarter of last year, a trend which we expect to reverse, including as an effect of seasonality in the construction market, counting on a more intense activity in the second part of 2023. From a sequential evolution perspective, quarter on quarter, an improvement is observed on several levels, especially the improvement of the gross margin to 38%. Also, consolidated EBITDA margin was 6.1% in Q1, compared to 2.8% in Q4/2022.

The consolidated result is also weighed down by the diversification of assets within TeraPlast, aimed at guaranteeing long-term growth and the fruition of opportunities when demand reconfigures. Commissioned investments take time to reach critical size and high performance, and particular improvements are already visible.

In this complex climate, the Group's management has taken measures to maintain financial resilience, through rigorous cost control and a solid cash-flow.

„In the first quarter of this year, as a continuation of the 2022 approach, we sought an optimal balance between volumes and operating margins, market shares and competitiveness, short-term challenges and long-term development vision. We do not have the performance we have been used to, lately, but we are aware of the impact of the cyclical nature of the economy and the need for time to operationalize new investments. We pay much attention to cost efficiency, but we cannot cancel the impact of inflation.” stated Mrs Ioana Birta, CFO of TeraPlast Group. *„The first quarter results are in line with the*

forecasted budget, so short-term developments do not scare us or derail us from our strategy. The group went through other less favorable periods in the past, an example is 2016, from which it emerged strengthened. As this year unfolds, we expect a stabilization and improvement in the climate of the markets in which we operate, which will translate into recovery in sales volumes and improvement in operating margins.”, added Mrs Birta.

In the first quarter, **the consolidated turnover decreased by 14% compared to Q1/2022, to around 147 million lei**, mainly as a result of the reduction in volumes. **EBITDA at Group level stood at 9 million lei, down 42%** compared to the first three months of last year.

The Installations, Compounds and Recycling segments, with the largest share in the Group's activity, continue to have satisfactory EBITDA margins considering the economic context, between 9 and almost 10%.

Q1 2023 Results

Lei, thousands	Group Total	Installations & Recycling	Compounds & Recycling	Windows & Doors	Flexible Packaging
Turnover	147,190	102,534	20,452	12,333	11,872
% vs Q1 2022	-14%	-10%	-42%	2%	23%
EBITDA	9,025	9,207	2,000	(117)	(2,065)
% vs Q1 2022	-42%	-29%	-63%	n/a	n/a
EBITDA margin	6.1%	9.0%	9.8%	-0.9%	-17.4%

The **Installations & Recycling division**, which generates almost 70% of the consolidated turnover (102 million lei) had a slow start at the beginning of the year, and a significant acceleration of orders is expected starting from the 3rd quarter. The construction sector has mixed developments, with underperformance on the residential and water and sewer infrastructure segment. The big transport infrastructure projects are the ones currently benefiting from financing, but they have a negligible impact on the Group's business. A positive effect as a result of the development of projects from the PNRR and the "Anghel Saligny" Program is foreseeable from quarter 3/2023, as more projects will go through tenders and the execution will be accelerated in the context in which 2024 is an election year.

The **Compounds & Recycling segment** faced a radical change in market conditions, which led to a sharp drop in EBITDA compared to Q1/2022 (-63%), but also in volumes. Demand in Western Europe for recycled, micronized and reggranulated, material has decreased since the second half of last year and the trend has continued in Q1. The market has seen a significant flow of raw material at low prices, which has reduced the attractiveness of recycled material. It was a phenomenon that affected the performance of the Installations & Recycling division, but especially of the Compounds & Recycling division. However, the Group remains faithful to its commitments to promote recycled material, expand its use and persevere on the path of sustainable development.

TeraGlass (Windows & Doors) has faced an additional cost since the beginning of the year from the increase in the minimum wage for the construction sector which has reduced the performance of the division and generated operational losses. The new legal provisions resulted in a 30% increase in salary costs for this segment. The transfer of these costs into prices will be difficult, given that indexation was slow last year as well, after prolonged negotiations with distributors, especially since the division is strongly export-oriented. To counterbalance such costs, measures will be taken to optimize other expenses so as to reduce the overall impact.

The **Flexible Packaging business** line experienced an improvement in parameters compared to previous quarters, although the degree of equipment loading is far from optimal, and this fact is reflected by the division's performance (EBITDA -2 million lei). Generated turnover increased by 23% and the division's EBITDA loss narrowed compared to Q1/2022, which provides the premises to meet the objective of taking this business line into positive territory from the profitability point of view until the end this year.

„Through our investment plans involving diversification and streamlining, we seek to deliver solid long-term performance. We do not let the current results discourage us, especially since we are referring to successive periods of record results. We aim for a good mix of activity in several markets that will provide future opportunities and at the same time reduce the Group's dependence only on certain segments that can suffer temporary shocks. We have a solid business that can adapt to the momentary discontinuities and a management team that has successfully gone through difficult periods before, so it knows what it has to do. We are expanding the business, increasing its geographical footprint, also analyzing M&A operations, to generate long-term added value, something that we know is also desired by our shareholders, who stayed with us even when, at a cursory look, the numbers seem unfavorable” stated Mr Alexandru Stănean, CEO of TeraPlast Group.

TeraPlast Group has planned investments worth 120 million lei this year, which are added to the ones worth almost 400 million lei of the last 5 years. For the project of the new stretch film factory, the actual construction phase of the building has been entered, and the first production line has already been ordered. The construction of the new photovoltaic plant, worth 19 million lei, is still awaiting the approval of financing through the PNRR, and the agreement will be followed by an accelerated implementation of the project.

Installation & Recycling business line (TeraPlast & TeraPlast Recycling)

- 70% contribution to the turnover of the Group;
- Segment turnover decreased by 10%, to 103 million lei, as a result of the reduction in sales volumes against the background of the reduced volume of public water-sewer and natural gas works;
- EBITDA of 9.2 million lei, which makes it the most profitable division of the Group.

Compounds & Recycling business line (TeraPlast & TeraPlast Recycling)

- Includes rigid and plasticized PVC compounds, HFFR compounds (halogen-free, fire-resistant) and recycled compounds (regranulated PVC);
- 42% decrease in turnover (20.5 million lei), due to the loss of attractiveness of recycled material compared to virgin raw material;
- EBITDA affected by the general drop in raw material prices. However, the margin is the highest within the Group (9.8%).

Windows & Doors business line (TeraGlass)

- Turnover slightly increasing, by 2%, to 12.3 million lei;
- The results regressed to the level of Q1/2022 against the background of an increase in wages in the construction sector, regulated by normative acts;
- 75% of the turnover generated by export.

Flexible Packaging business line (TeraBio Pack)

- Turnover increasing by 23%, to almost 12 million lei as the customer base expanded and, implicitly, the volumes increased;
- Negative EBITDA, -2 million lei, due to insufficient equipment loading;
- Bringing EBITDA into positive territory is expected by the end of 2023.

Evolution compared to Q4/2022

Signals regarding the stabilization trend of the market climate are visible, beyond the seasonality of the Installations business, from the evolution compared to Q4 of 2022.

With turnover at the same level as Q4/2022, EBITDA doubled quarter-on-quarter, while EBITDA margin went from 2.8% in Q4/2022 to 6.1% in Q1/2023.

These developments come mainly from the increase in EBITDA of the Compounds and Recycling segments, by 274%, and of Installations and Recycling, by 37%, in the first quarter of the current year, compared to Q4 of last year.

Q1 2023 results vs Q4 2022 results

<i>Lei thousands</i>	Group Total	Installation & Recycled	Compounds & Recycled	Windows & Doors	Flexible Packaging
Turnover	147.190	102.534	20.452	12.333	11.872
% vs Q4 2022	0%	-1%	10%	-4%	-3%
EBITDA	9.025	9.207	2.000	(117)	(2.065)
% vs Q4 2022	116%	37%	274%	-203%	-35%
EBITDA margin	6,1%	9,0%	9,8%	-0,9%	-17,4%

About TeraPlast

TeraPlast Group is the largest polymer processor in Central and Eastern Europe. The group is composed of the following companies: TeraPlast, TeraGlass, TeraPlast Recycling, TeraBio Pack and Somplast. Starting July 2nd, 2008, TeraPlast SA is listed on the Bucharest Stock Exchange under the symbol TRP. The company's shares are included in the BET reference index of the Bucharest Stock Exchange and, from September 2021, in the Small Cap and Global All Cap indices of FTSE Russell.

The TeraPlast share has been included by the Vienna Stock Exchange in the ROTX EUR index since March 20, 2023.

In the VEKTOR assessment based on 12 criteria on corporate governance and communication with investors, carried out by ARIR, TeraPlast achieved the maximum score, 10, for the fourth year in a row.

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The report containing the consolidated financial results for the first quarter of 2023 is available on the website <https://investors.teraplast.ro/reports-and-information/financial-reports/> and on the BSE website, TRP symbol.