



TeraPlast[®]

**H1/2023 results
Investors & analysts conference call**

July 26, 2023



Installations
Compounds  **555**

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



Rigid PVC recycling
 **76**

Micronized recycled PVC
Recgranulated recycled PVC



Flexible Packaging
 **124**

Biodegradable and
compostable packaging
Polyethylene packaging



PVC & Aluminum
windows & doors
 **174**

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

Businesses with tradition in the Group, that generate more than 85% of the consolidated revenues at present.

Business that fine-tuned its product portfolio to better meet the market requirements, and also optimized the management of internal costs. Thus, it increased revenues by 14% compared to Q1/2022, and the overall evolution is favorable leading to a positive EBITDA in June.

Business that recognized a negative impact due to decreased external market demand. Increased sales volumes on the internal market partially compensated the negative effect on the external market.



Business line



Employees as of 30.06.2023

Product categories

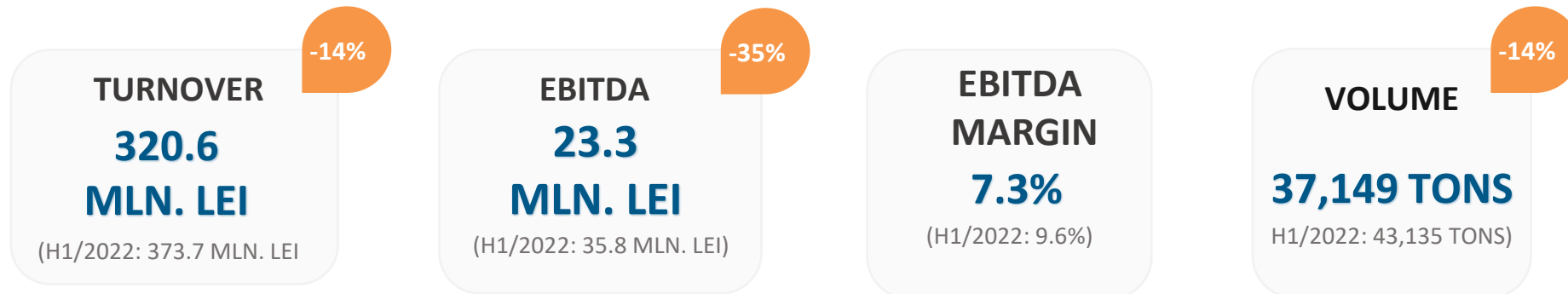
- The evolution of the engineering works of the constructions sector (+30,8% Jan-May 2023 vs Jan-May 2022 according to INS) is still mostly determined by road infrastructure works and less by the entry into execution phase of public works that accelerated based on seasonality but insufficiently.
- The Large Infrastructure Operational Program (POIM) will reach its end this year, and an acceleration of absorption is required. The dynamics of tenders in the public procurement platform indicates a faster pace of assigning contracts for the execution of water and sewer works.
- The residential segment underperformed in the first 5 months of 2023 (-1.9% Jan-May 2023 vs Jan-May 2022 according to INS).
- The compounds and recycling segment faced intense competition from extra-EU raw material imports, which put major pressure on operating margins since the end of last year.
- The Group's customers claim a decrease in demand both domestically and at European level.



- The budget was built on the premise of smaller quantities in the first semester, but for the Installations division **a more visible revitalization is expected from the 3rd quarter**, as progress will be made in the running of tenders from public funds, especially through POIM.
- The market conditions were unsatisfactory since the end of last year but were in line with the expectations. For this reason, we have implemented **an aggressive operational efficiency policy** which enabled us to reconstruct the bottom line, with good perspectives for the following quarters.
- Margins improved compared to the first quarter, with the Group margin going from 6.1% in Q1/23 to 7.3% in H1/23, and **EBITDA increasing by 58% quarter-on-quarter**.
- Turnover is down from H1/2022, but improving quarter/quarter (+18% Q2/Q1), influenced by seasonality. The decline was accentuated by a year-on-year **price deflation in the first part of the year due to lower raw material prices**.
- The dilution of the base effect is obvious in the quantitative sales as well. The sold quantities (tons) increased in the second quarter of last year by only 5% over the first quarter of 2022, however, this year the quantity rose by 21%, from 16.800 tons in the first quarter to 20.300 tons in the second quarter, leading to total quantities of 37.000 tons for the first half of the year. This evolution points to a **trend that is favourable to reaching the forecast for the whole year**.
- The stretch film factory is under construction and production tests will begin in the 4th quarter of this year.



- TeraPlast managed to return to a positive bottom line, which stood at RON 1,6 million for the second quarter and which partially compensates the negative results of the first quarter. For the whole semester, the negative result was reduced to below RON 1 mn (RON 998 th).



We had an improvement in financial performance at the end of the 1st half compared to the 1st quarter, under the influence of seasonal factors in the construction sector, predictable influence.

A strong effect came from the cost control measures we introduced in the Group, particularly in divisions where performance was suboptimal, including due to market conditions and influences independent of us.

The Group's expectations are for a substantial increase in demand in the second half of this year, leading to a strong return in comparison with the previous year.

<i>Lei, thousands</i>	Group Total	Installations & micronized recycled	Compounds, including recycled	Windows & Doors	Flexible Packaging
Turnover	320,580	231,647	42,324	24,565	22,044
% vs H1 2022	-14%	-7%	-45%	-12%	14%
EBITDA	23,280	23,672	4,022	(967)	(3,448)
% vs H1 2022	-35%	-28%	-54%	n/a	n/a
EBITDA margin	7.3%	10.2%	9.5%	-3.9%	-15.6%

Over the last five years we have successfully transformed into a group with a diversified portfolio, much more balanced and much more cost effective. The ongoing investments allowed us to expand our customer base, reduce our dependence on some markets and lay the foundations for solid long-term developments. There are many unknowns that make it difficult for us to anticipate what will come next, but the visibility we have for the immediate next period gives us confidence in achieving profitability for the entire year 2023.

INSTALLATIONS & MICRONIZED RECYCLED

- 72% contribution to the turnover of the Group
- Turnover decreased by 7%, but increasing from Q1 results
- The highest margin of the Group: 10.2%

WINDOWS & DOORS

- Turnover decreased by 12% due to the decrease in external demand
- Significant contraction in demand from the retail area, DIY segment
- The increase in sales volumes in the domestic market partially offset the negative effect in the foreign market

COMPOUNDS, INCLUDING RECYCLED

- Intense competition generated by extra-EU imports of raw materials
- Significant impact felt on recycled materials, which lost competitiveness
- EBITDA margin still above the Group average: 9.5%

FLEXIBLE PACKAGING

- Turnover increased by 14% thanks to increased volumes and reduced losses
- The reduction of the fixed cost base resulted in the achievement of a positive EBITDA level in June
- New management structure – new CEO and new CCO

-14,2% decrease in turnover H1 2023 vs H1 2022

- Decreases in volume due to the decrease in public works of water, sewerage and gas installation. Decreases recorded in recycled PVC, windows and doors.
- Price deflation in the first half of the year compared to the same period of the previous year is due to the decrease in raw material prices and in the cost of production.
- The share of raw material cost in turnover decreased to 63% in H1 2023 from 68% in H1 2022. Against the backdrop of lower volumes and higher other operating expenses, especially utilities, the additional margin was not sufficient to preserve EBITDA.

amounts in mil RON



RON '000	FY'2022	FY'23B	Var %	6m'2022	6m'2023	Var %
Net Sales	711.126	847.759	19%	373.691	320.580	-14%
Other operating income	655	704	8%	243	898	270%
Total Operating Income	711.781	848.463	19%	373.934	321.477	-14%
Raw materials, consumables & merch	(486.499)	(560.627)	15%	(255.723)	(203.533)	-20%
Salaries and employee benefits	(83.556)	(97.196)	16%	(41.328)	(45.151)	9%
Amortization, impairments, provisions ;	(26.285)	(30.880)	17%	(12.769)	(16.250)	27%
Other operating expenses	(89.008)	(115.634)	30%	(41.121)	(49.514)	20%
Total Operating Costs	(685.349)	(804.337)	17%	(350.941)	(314.448)	-10%
EBIT	26.433	44.126	67%	22.993	7.030	-69%
EBITDA	52.718	75.006	42%	35.762	23.280	-35%
EBITDA %	7,4%	8,8%		9,6%	7,3%	
Financial result, net	(2.344)	(20.196)	762%	(3.036)	(6.476)	113%
Profit before tax	24.089	23.930	-1%	19.957	554	-97%
Income tax expense	(8.684)	(4.544)	-48%	(3.555)	(1.551)	-56%
Net Profit	15.405	19.385	26%	16.402	(998)	-106%
Net Profit %	2,2%	2,3%		4,4%	-0,3%	

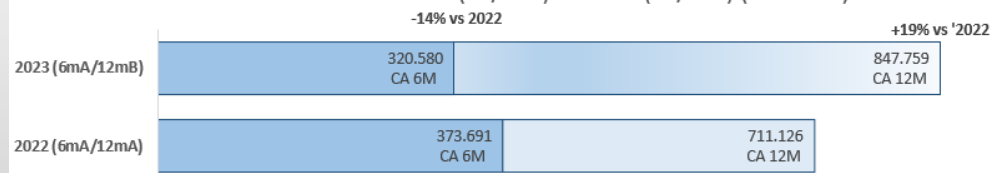
Turnover

- Consolidated turnover in H1 decreased by 14%.
- Quarter-on-quarter improvement of 18% in Q2/2023.
- The decline was accentuated by a price deflation in the first part of the year.

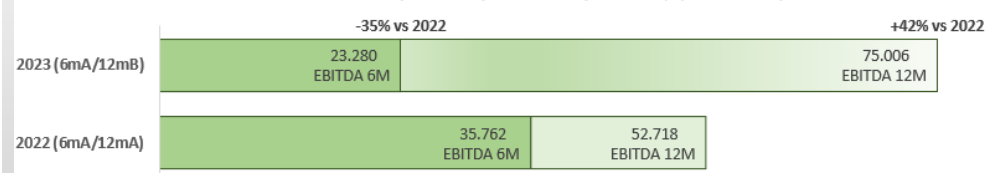
EBITDA

- The Group recorded an EBITDA decrease of 35%, but with an improvement in the second quarter.
- EBITDA margin of the Installation & Recycling business line reached a double-digit percentage of 10.2% in H1 2023;
- Compounds & Recycling had EBITDA margin at a level of 9.5%;

Net sales evolution 2023 (6a/12B) vs 2022 (6a/12a) (RON'000)



EBITDA 2023 (6a/12B) vs 2022 (6a/12a) (RON'000)



FINANCIAL PERFORMANCE



RON '000	Teraplast Group			Installations and recycling			Compounds and recycling			Windows&Doors			Flexible Packaging		
	6m'2022	6m'2023	Var %	6m'2022	6m'2023	Var %	6m'2022	6m'2023	Var %	6m'2022	6m'2023	Var %	6m'2022	6m'2023	Var %
Net Sales	373.691	320.580	-14%	249.703	231.647	-7%	76.749	42.324	-45%	27.889	24.565	-12%	19.349	22.044	14%
Other operating income	243	898	270%	157	884	465%	53	-	-100%	14	10	-30%	20	4	-80%
Total Operating Income	373.934	321.477	-14%	249.860	232.531	-7%	76.802	42.324	-45%	27.903	24.574	-12%	19.369	22.048	14%
Raw materials, consumables & me	(255.723)	(203.533)	-20%	(164.988)	(141.200)	-14%	(57.366)	(32.160)	-44%	(18.023)	(14.674)	-19%	(15.346)	(15.499)	1%
Salaries and employee benefits	(41.328)	(45.151)	9%	(25.376)	(30.178)	19%	(4.350)	(2.872)	-34%	(5.754)	(5.876)	2%	(5.848)	(6.224)	6%
Amortization, impairments, provision	(12.769)	(16.250)	27%	(8.329)	(12.473)	50%	(1.512)	(1.340)	-11%	(763)	(631)	-17%	(2.164)	(1.805)	-17%
Other operating expenses	(41.121)	(49.514)	20%	(26.550)	(37.481)	41%	(6.301)	(3.269)	-48%	(4.656)	(4.992)	7%	(3.614)	(3.772)	4%
Total Operating Costs	(350.941)	(314.448)	-10%	(225.244)	(221.333)	-2%	(69.529)	(39.642)	-43%	(29.196)	(26.173)	-10%	(26.971)	(27.301)	1%
EBIT	22.993	7.030	-69%	24.616	11.199	-55%	7.273	2.682	-63%	(1.293)	(1.598)	24%	(7.603)	(5.253)	-31%
EBITDA	35.762	23.280	-35%	32.945	23.672	-28%	8.785	4.022	-54%	(530)	(967)	83%	(5.438)	(3.448)	-37%
EBITDA %	9,6%	7,3%		13,2%	10,2%		11,4%	9,5%		-1,9%	-3,9%		-28,1%	-15,6%	

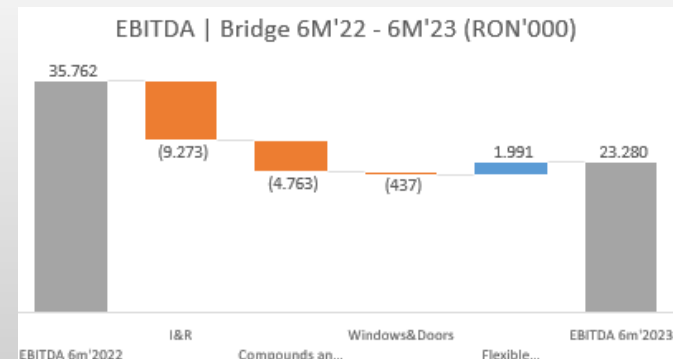
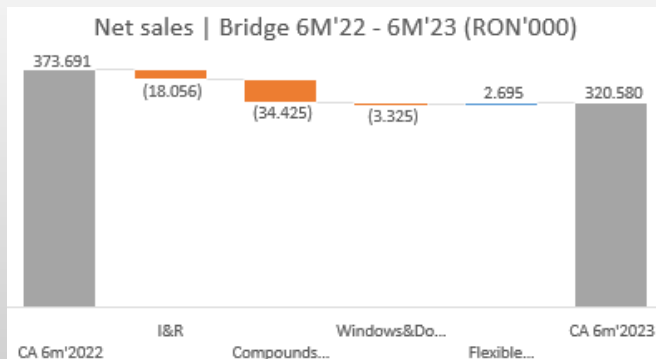
The first half of 2023 was a transition period in view of a new growth cycle.

A positive effect as a result of the implementation of the PNRR projects and the "Anghel Saligny" Programme is expected from the 3rd quarter of 2023.

Intense competition from extra-EU imports of raw materials, which has put major pressure on prices.

Negative impact of the decline in external demand, retail, DIY segment and contraction in demand from abroad.

Segment performance improved compared to H1 2022.



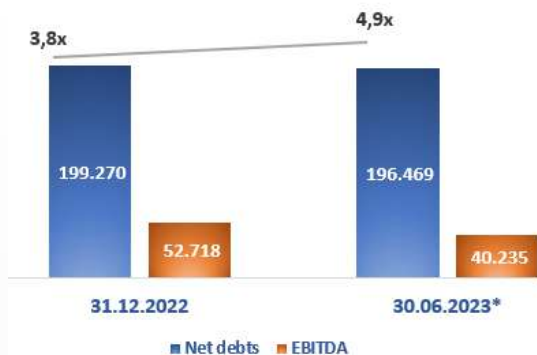
FINANCIAL PERFORMANCE

H1 2023 | Balance-sheet summary

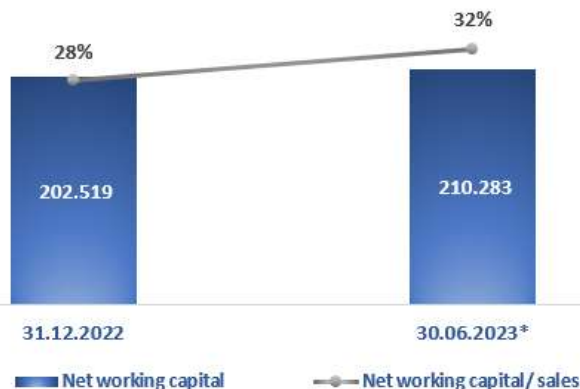
RON '000	TRP Grup	
	31.12.2022	30.06.2023
Intangibles assets	3.772	4.156
Tangible assets	355.953	354.068
Investment Property	4.915	4.915
Other non-current assets	2.158	1.902
Total fixed assets	366.797	365.041
Inventories	129.120	132.474
Trade receivables	146.302	179.585
Trade debts	(79.523)	(111.225)
Trade working capital	195.899	200.834
Other payables	(2.002)	(2.002)
Other receivables	8.622	11.452
Working capital - other	6.620	9.449
Net working capital	202.519	210.283
Cash and cash equivalents	10.713	31.859
Finance lease loans and debts	(200.659)	(219.747)
Other long-term debts	(8.372)	(7.628)
Provisions	(953)	(953)
Net (debt) / cash	(199.270)	(196.469)
Investments grants	(60.566)	(68.644)
Net assets	309.479	310.212
Share capital	217.405	217.900
Reserves	52.516	52.283
Retained earnings	36.296	36.807
Non-controlling interest	3.262	3.221
Equity	309.479	310.212

Key aspects

Net debts / EBITDA ('000 RON, x)



Net working capital and % in sales



- TeraPlast Group plans to invest 120 million lei this year. The stretch film plant is under construction and production tests will start in the 4th quarter of this year. The total investment amounts to 84 million lei.
- In H1 2023 we collected subsidies in the amount of 11.5 million lei, and the last installment of state aid of 12.4 million lei will be collected in Q3.
- Net working capital increased from the previous period due to an increase in receivables and advances to suppliers of fixed assets.

*Turnover and EBITDA from the last 12 months

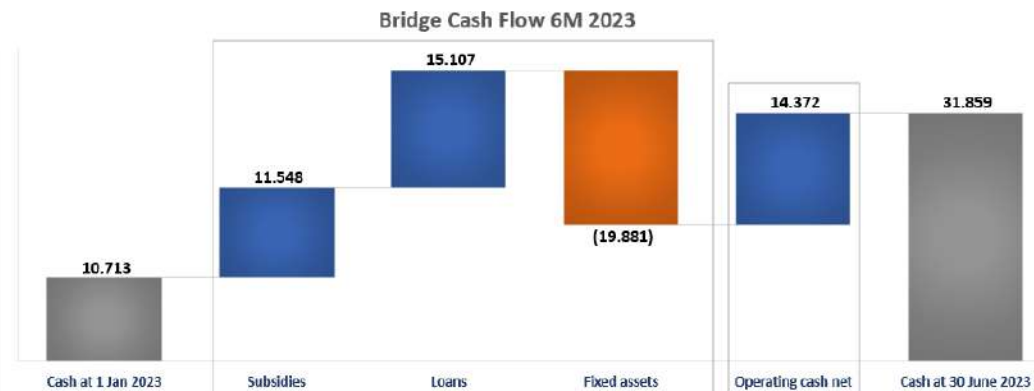
FINANCIAL PERFORMANCE

H1 2023 | Cash Flow summary

RON '000

Cash flow summary	6 M 2022	6 M 2023
Net profit before tax	19.957	554
Net profit adjustments	18.157	27.020
(+) Operating profit before changes in working capital	38.114	27.574
Net impact working capital	(46.411)	(3.356)
Income tax paid	(735)	(336)
Interest paid	(2.844)	(6.040)
Income from subsidiaries	(1.591)	(3.471)
(-) Subtotal changes in working capital and other	(51.580)	(13.202)
=> Cash from operating activities	(13.466)	14.372
Payments for fixed assets acquisitions	(44.314)	(20.582)
Receipts from sales of fixed assets	145	701
Receipts from subsidiaries	-	11.548
(+) Net cash used for investments	(44.170)	(8.333)
Net repayments of loans and leasing	52.847	15.098
Share repurchased	-	9
(-) Net cash from finance activities	52.847	15.107
Net variance	(4.789)	21.146
Cash & Equiv at Jan 1, 2022/ 2023	7.712	10.713
Cash & Equiv at June 31, 2022/ 2023	2.923	31.859

Bridge 30 June 2023



- The improvement in operating cash in H1 2023 vs H1 2022 is due to better performance in working capital management.
- The main outflows were for the financing of ongoing investments (stretch film project).

- EBITDA growth of 58% in Q2 compared to the previous quarter, compared to an increase of only 29% in Q2 2022 compared to Q1 2022, indicates a diluting base effect as well as an acceleration of activity, in line with this year's estimates.
- We implemented a sustained operational efficiency policy that allowed us to start the reconstitution of net profitability, with the prospect of further progress in the following intervals. Our expectations are for a sharp increase in demand in the second half of this year.
- The quantitative evolution of sales indicates a favorable trend for an evolution in line with the forecasts made in the budget for this year.
- In terms of value, a much more accelerated deflation of raw material prices is observable, above the budgeted level, and in these conditions we focus on quantitative sales and the effect on profitability in nominal value.
- The Large Infrastructure Operational Program will reach its end this year and an acceleration of absorption is required. The dynamics of tenders in the public procurement platform indicate a faster pace of awarding contracts for the execution of water and sewer works.
- We continue the implementation of investments that in 2023 amount to a total of 120 million lei for the stretch film factory and the new photovoltaic plant.
- We have a solid business that can adapt to the momentary discontinuities and a seasoned management team that has successfully gone through difficult periods before, so it knows what it has to do.



Q&A



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