

## COMMUNIQUE

# 58% accelerated revenue growth at TeraPlast in Q1 2022

- **The Group's turnover in Q1 / 2022 came very close to the historical maximum in Q3 / 2021 (only 4% below this record level) despite the specific seasonality at the beginning of the year**
- **Operating margins down from Q1 / 2021, but significantly improved from Q4 / 2021 due to increased use of production capacity and higher degree of transfer of raw material costs to sales prices**
- **In March 2022 there was an improvement in margins compared to previous months**
- **Good results in Q1 / 2022 reaffirm the Group's expectations regarding the achievement of the ambitious budget approved for the whole year 2022**
- **Sales volumes were above estimates in a difficult context where the economic climate is negatively affected by commodity price volatility**
- **The outlook remains positive for the next period, taking into account the new production capacities that started or will start the activity during 2022 based on the investments made.**

## Bistrița April 26, 2022

**TeraPlast Group reports robust revenue growth in the first quarter**, in line with recent developments. Operating margins, although down from the same period last year, are a significant improvement over the last quarter (Q4 / 2021). This proves the resilience of the group's operations in view of the radical change in the economic context in Q1 / 2022 compared to the previous year. The monthly evolution shows an acceleration of operating margins in March compared to January and February with a good outlook for the coming quarters.

**The turnover increased in the first three months of the year by 58%**, up to RON 170.5 million, determined also by the start of production in new units following the investments made. The good results reconfirm the Group's expectations regarding the achievement of the ambitious budget approved for the whole year 2022, taking into account the fact that the quarterly forecast was built on a different seasonality than in previous years, taking into account the start of production in the new water and gas systems factory in the second quarter.

**The net profit amounted to RON 6.8 million**, decreased compared to the 1st quarter of last year, nevertheless a good result in totally changed economic conditions compared to 2021. The decrease compared to the record profit of Q1 / 2021 was generated by a relative reduction to the margin in the Installations segment and a negative result of the flexible packaging division. However, the decline was partially offset by the accelerated growth in sales, close to the absolute quarterly record of Q3 / 2021 (less by only 4%) and the improvement in margins compared to Q4 / 2021. The flexible packaging division, which also includes biodegradable packaging, is one of the new segments in the Group, which still bears the costs of commissioning and streamlining the assets from mergers and acquisitions.

**EBITDA stood at RON 15.6 million, which represents a margin of 9.2%.** The level is down by 11% compared to the first quarter of the previous year. However, EBITDA increased by 54% compared to the 4th quarter of last year, and the EBITDA rate improved in the same period by 3 percentage points. The evolution was marked by two major factors. On the one hand, a base effect by comparing to an exceptional result recorded in the similar period of the previous year in which the Group consisted only of mature businesses. On the other hand, the constraints of price volatility on the raw materials market have intensified. TeraPlast managed to improve its margins compared to the last quarter, although the upward trend in commodity prices continued in 2022. Although significant progress has been made, there are still visible delays in the transfer of additional costs in the value chain, generated by the gap in adapting the publicly funded contracts to the new prices in the market, where price re-indexation mechanisms have proved insufficient.

**TeraPlast focused on increasing the volumes sold**, even if this meant a reduction in the unit margin, by internalizing some costs, with an impact on the consolidated result.

*"The accelerated growth of the group's turnover, by 58%, brought us very close to the quarterly historical turnover maximum of the third quarter of 2021 (by only 4% below this record level) and above the level of the second quarter of 2021, despite the specific seasonality at the beginning of the year. The inevitable comparison with the same period of last year requires some clarification: the group has a different structure now, with new business lines being commissioned. The consolidated result also suffered from delays in starting production of the new lines, but since March we have seen an improvement in operating margins. This improvement puts us on the right track to achieving our ambitious 2022 budget targets."* said Ioana Birta, Chief Financial Officer of TeraPlast Group. She added: *"In the last two years we have learned to navigate a difficult environment, dominated by crises. We are satisfied with the performance of the mature businesses in the group and we are confident that the investments made in the new business lines will start to catch up in time. We have learned to mitigate the impact on the Group as much as possible, to maintain good control over working capital and investment to ensure our long-term development. The current market climate is more difficult than last year, but we*

have the right approach, based on the investments made to meet our ambitious goals in 2022 ”.

<i>RON, thousand</i>	Group Total	Installations & Recycling	Compounds & Recycling	Windows & Doors	Flexible Packaging
Turnover	170.560	113.736	35.104	12.072	9.648
<i>% vs Q1 2021</i>	<i>58%</i>	<i>49%</i>	<i>55%</i>	<i>36%</i>	<i>n/a</i>
EBITDA	15.618	12.958	5.347	(115)	(2.572)
<i>% vs Q1 2021</i>	<i>-11%</i>	<i>-3%</i>	<i>55%</i>	<i>-116%</i>	<i>n/a</i>
EBITDA Margin	9,2%	11,4%	15,2%	-1,0%	-26,7%
Net profit	6.865	6.960	4.176	(656)	(3.614)

The mature businesses continued to develop, while the new product lines are in the process of accelerating and reaching their potential. The Installations and Compounds (including recycled) divisions had double-digit EBITDA margins in the first quarter (11.4% and 15.2%, respectively).

Also in the first quarter, TeraPlast put into operation new production facilities. A new product entered the Group's portfolio under the TeraDuct brand (microducts for telecommunications infrastructure and fiber optics). Also, some of the equipment for the new polyethylene plant has been installed. The NeoTer line (floor heating and cooling systems) is to be put into operation in Q2 / 2022. For the latter, there were delays, caused by lack of availability of some of the raw materials, which were resolved only at the end of April.

The impact of the new above-mentioned production facilities on the financial results is to be highlighted in the coming quarters.

### **Installations & Recycling business line (TeraPlast & TeraPlast Recycling)**

- Turnover increase by 49% compared to Q1 / 2021 (RON 113.7 million);
- Ensured 66% of the consolidated turnover at Group level;
- EBITDA: RON 12 million;
- EBITDA down by 3% due to high volatility in raw materials market, but margin EBITDA up 3.4 percentage points from last quarter of 2021.

### **Compounds business line (TeraPlast & TeraPlast Recycling)**

- Includes rigid and plasticized PVC compounds, HFFR compounds (halogen-free, fire-resistant), but also recycled compounds;

- The best performance at group level in terms of operating margins, advanced by 55% compared to Q1 / 2021. The turnover had the same growth rate, up to RON 35 million.

### **Windows & Doors business line (TeraGlass)**

- Turnover increase (RON 12 million, +36%), but negative impact on the consolidated result: EBITDA RON -0.11 million;
- The result was affected by a large lag in the implementation of price increases, which decreased gross margin on the short term. The new prices (renegotiated in Q1 / 2022) will come into force in the second half of the 2nd quarter, which will lead to an improvement in the results for the second half of the year.

### **Flexible Packaging business line (TeraBio Pack)**

- New division within the Group;
- Turnover of RON 9.6 million;
- Operating loss inherent to the beginning of activity of RON 2.57 million;
- TeraBio Pack started the production of biodegradable packaging at the end of last year, the volumes are constantly growing, but a significant increase in production is expected after the completion of the procurement tenders of large retail networks;
- The products of this division are in the process of approval by large customers, which will generate considerable orders after the completion of these necessary procedures.

### **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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