

## PRESS RELEASE

# The results of TeraPlast Group highlight the resilience of the business: +37% growth in turnover and exports higher by 79%

- The EBITDA margin was close to 10% in a challenging economic climate.
- The Installation division, the largest of the Group, had a 4% increase in EBITDA, above the record results in H1/2021.
- The exports rose by almost 80% compared to H1/2021 and represent 17% of the consolidated turnover.
- The budgeted targets of this year were revised to reflect the macroeconomic degradation. The new estimates aim to a 15% increase in turnover 2022/2021 (RON 708 million) and an EBITDA of RON 83 million (+12%).

**Bistrița, July 25, 2022**

**TeraPlast Group's turnover increased in the first half of 2022**, but at a lower pace than previous intervals, as an effect of a radically changed economic environment, which affected the performances. The deterioration of the climate, visible since the beginning of the year, intensified in the 2nd quarter.

The turnover in the first half of 2022 increased by 37%, to RON 373.6 million. EBITDA stood at RON 35.7 million, down by 16% compared to the same period of last year. The EBITDA margin remained at the targeted levels for the Installation and Compounds business lines, but the Group margin was affected by the TeraGlass and TeraBio Pack results. The net profit experienced a contraction, reaching RON 16.4 million (H1/2021: RON 28.7 million), on a strong base effect and as a result of the commissioning of new investments, which are still in the ramp up phase.

**Export sales evolved excellently in H1/2022, reaching RON 63.8 million, a 79% increase compared to H1/2021.**

The advance is double than the 40% year/year growth target aimed by the Group. The share of exports in the total turnover rose from 13% in H1/2021 to 17% in H1/2022.

Even in a complex context, the **Installation division**, the largest of the Group, had a **growth in EBITDA, a solid turnover increase of 37%** compared to the same period last year, and maintained a double-digit EBITDA margin: 12.4%. An essential factor that determined the good development was the intensive use of recycled material. This represents a competitive advantage in the current market conditions and contributes significantly to optimal cost management.

## H1 Results

2022

RON thousand

	<b>Group total</b>	Installation & Micronized recycled	Compounds, including recycled	Windows & doors	Flexible packaging
Turnover	<b>373,691</b>	249,703	76,749	27,889	19,349
<i>% vs H1 2021</i>	<b>37%</b>	37%	19%	40%	n/a
EBITDA	<b>35,762</b>	30,912	10,818	-530	-5,438
<i>% vs H1 2021</i>	<b>-16%</b>	4%	-8%	n/a	n/a
EBITDA margin	<b>9.6%</b>	12.4%	14.1%	-1.9%	-28.1%

The consolidated result of the Group was affected by below-estimated developments in the Windows & Doors and Flexible Packaging divisions. The latter has not reached its break-even point yet due to the standard market penetration process: customers ask for samples for testing, and between testing and the actual order there is an considerable time interval, extended by the general market context. This process involves production of small batches, generating additional production costs and a longer period to optimize this business line. Nonetheless this is a market with high potential that will contribute to future results. A boost for the production of biodegradable packaging is expected following the winning of tenders with large retail chains, which will become effective in the latter part of this year.

TeraGlass' negative EBITDA came from slow price updates based on new costs. The situation improved significantly in June when, based on renegotiated contracts reflecting current costs, the division had a positive EBITDA margin of 5.5%, which improved the evolution of the previous months and at the same time gives an upward direction to profitability in semester 2.

Overall, TeraPlast Group's results were weighed down by a below-expected evolution of the construction sector in Romania. The sector grew overall by just 1.3% between January and May 2022 compared to the first 5 months of 2021, but the engineering works segment (where public investment in infrastructure is found) saw a contraction of more than 10% over the same period. The sector faced long delays, both in launching new tenders and in indexing old contracts to the new costs. Blockages appeared, and activity on the construction sites stagnated.

The group has timed the increase in production capacities according to the factors that determine the market. At the same time, planned investments such as the new stretch film plant are progressing, and started projects such as the water and gas pipe unit (with diameters up to 1200 mm) became operational in Q2.

*"The Group's results remained in a territory that shows the resilience of the business. The main and traditional divisions in the Group had good developments even though the economic environment became incomparably more challenging compared to last year.*

*Difficulties in new segments caused by longer than expected maturing periods of new investments or some delays in renegotiating contracts will be overcome."* said Ioana Birta, CFO of TeraPlast Group. *"We remain as determined to increase the Group's profitability through various measures and levers, despite some adverse phenomena, such as those we encountered: expensive raw materials or blockages in the field of construction. We are still aiming for double-digit growth, but adapted to the new economic reality."*

## 2022 Reforecast

The market conditions, heavily influenced by external factors with geopolitical implications, led to a negative revision of most of this year's projections by public authorities and/or international institutions. Recent developments also compelled TeraPlast Group to review the targets for this year, through a reset of expectations to reflect the adverse context that has developed since the initial setting of the objectives.

## 2022 reforecast

*RON thousand*

	<b>Group total</b>	Installation & Recycling	Compounds & Recycling	Windows & Doors	Flexible Packaging
Turnover	<b>708,361</b>	455,987	148,010	62,224	42,140
<i>% vs 2021</i>	<b>15%</b>	12%	0%	43%	150%
EBITDA	<b>83,281</b>	66,694	20,343	1,467	-5,223
<i>% vs 2021</i>	<b>12%</b>	33%	-24%	47%	40%
EBITDA margin	<b>11.8%</b>	14.6%	13.7%	2.4%	-12.4%

*"The budget considered a much more favourable macroeconomic scenario, on a different trajectory than the one that materialized. Unfortunately, we still do not have any of the announced infrastructure programs (PNRR, Anghel Saligny) running. In addition, we see delays in implementation even in the projects on the POIM, especially due to the increase in the prices of construction materials, not sufficiently adjusted"* said Mr. Vlad Neacșu, member of the Board of Directors. Compared to the original targets, the revised figures are reduced by 10% in turnover and by 26% in EBITDA.

The new projection for 2022 envisages a 15% increase in turnover, 12% in EBITDA compared to 2021 and maintaining a double-digit Group EBITDA margin of 11.8%. The main sources of growth remain Installations and Recycling, and a positive effect is expected from a potential revitalization of infrastructure works in the second part of Q3. For the Compounds line, the Group aims an EBITDA of over RON 20 million and a margin of 13.7%. The net profit will be similar to last year, when the Group recorded a net profit from the operational activity of RON 42.3 million.

### **Installation & Recycling business line (TeraPlast and TeraPlast Recycling)**

- Turnover increased by 37% compared to H1/2021 (RON 249.7 million);
- EBITDA of RON 30.9 million, an increase compared to the same period last year;
- The recycling business had doubled in margins compared to last year, which lifted the division's performance
- The prices of raw materials are slightly decreasing, but their transfer to the market takes some time.

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

- Includes rigid and plasticized PVC compounds, HFFR (halogen-free, fire-resistant) compounds, but also recycled compounds;
- The highest EBITDA margin within the Group: 14.1%, even though sales compared to the same period of the previous year decreased in volume.
- The turnover increased, in the same period, by 19%, and the EBITDA is slightly below the record level of H1/2021 (RON 10.8 million compared to RON 11.7 million in H1/2021).

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

- Turnover increased by 40% (RON 27.9 million), but with a negative EBITDA result of RON -0.53 million;
- The profitability margin was affected by the slow renegotiation of contracts. The new prices (renegotiated in Q1/2022) have been felt since June when the operating profit entered positive territory and will have a continued effect on H2 results;
- For this business line it is expected the continuation of the positive trend started in June, when the recorded EBITDA margin was 5.5%, and at the end of the year it is expected an EBITDA 47% above last year.

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

- Turnover of RON 19.3 million;
- Operating losses of RON 5.4 million generated by a further low degree of loading of production capacities, but which is to improve in the next period;
- The objective for the 2nd half of the year is to break even with the forecasted increase in volumes;
- The result of this business line was the main reason for the reduction in consolidated EBITDA in H1/2022, which will improve, but which requires more time than originally estimated to reach the critical mass of sales.

## **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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