

PRESS RELEASE

TeraPlast Group's growth prospects were not affected by the challenges of 2022

- **The turnover increased by 16% compared to 2021, reaching 711 million lei.**
- **EBITDA at Group level stood at 52.7 million lei, down 29% compared to the 2021 record.**
- **The 2023 budget targets a turnover of 848 million lei and EBITDA of 75 million lei, increasing by 19% and 42%, respectively.**
- **The Group continues with major investments in 2023, in the amount of 102 million lei, to increase the Group's long term results and to consolidate its market share.**

Bistrița, February 1st, 2023

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 Central and Eastern Europe.

TeraPlast Group has managed to consolidate its market share in 2022; its leading position will allow it to reap business opportunities once the markets it operates on recover in the coming years. The major investments completed during 2021-2022, in the amount of 219 million lei, are added to those made in recent years with the aim of diversifying the lines of work, the geographical footprint of the Group, increasing the energy independence and to substitute virgin raw materials with recycled material.

At the same time, it is natural that in the first years from commissioning the investments, namely of 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, the Group constantly looks at a long-time horizon of more than 5 years to maximize the added value for its shareholders. Therefore, the representatives of the Group 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 markets as a side effect of the war in Ukraine. Another impact was the slower start of the Flexible Packaging segment and an underperformance of the Windows & Doors segment, generated by delays in passing costs to the market. The immediate challenges, although they eroded the margins in 2022, did not affect the medium and long-term development of the Group, a development with a growing sustainability component.

For the current year, TeraPlast Group is targeting significant increases in financial performance, estimating an acceleration of infrastructure works, expected at the beginning of Q3/2023 at the latest.

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. It generated about 97% of the consolidated EBITDA against the background of the increased time needed to reach the "breakeven" of new investments, aimed at diversifying the Group's business portfolio.

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.

2022 Results

Lei, thousands

	Group total	Installation & Recycling	Compounds & Recycling	Windows & Doors	Flexible Packaging
Turnover	711,126	488,214	126,073	56,500	40,340
% vs 2021	16%	20%	-15%	30%	139%
EBITDA	52,718	50,948	12,681	346	-11,257
% vs 2021	-29%	1%	-53%	-65%	n/a
EBITDA margin	7.4%	10.4%	10.1%	0.6%	-27.9%

The Installations and Recycling segment maintained a positive trend compared to the record result of 2021: **EBITDA improved significantly in absolute amount 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, respectively 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 picks-up.

The Compounds and Recycling segment faced an atypical situation in the market, with the occurrence 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 upheld at 10.1%, above the TeraPlast average.**

The Windows & Doors business line, managed by TeraGlass, had a turnover increasing by 30%, determined inclusively by the increase in sales volumes. The segment faced rapidly increasing raw material prices, the biggest influences being felt in PVC window 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 production lines. The quantities produced in 2022 are half of the production capacity. Product approval expenses, 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 became effective, including on foreign markets, which indicates an increasing trend.

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.

"We draw the line after a difficult year, full of challenges that tested our skills in managing complex situations. Although some segments performed at a record level, the consolidated result bears the imprint of the period we went through. We kept our focus on growth, despite the challenging

environment, to continue delivering growth to our shareholders. Even though profitability was below expectations, we have the basis to deliver results as the general landscape begins to mend." said Ioana Birta, financial director of TeraPlast Group. "At this point we consider that the hard part is behind us, and the current year will bring a revival, a resettlement, a better context in terms of price volatility, things that prepare the next period of growth. We aim for growth in all segments, and we know that the effort will be sustained by the TeraPlast Group team, so in the current conditions of predictability we are confident of reaching the budget." Mrs. Birta continued.

2023 Budget

<i>Lei, thousands</i>	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%

"We learned from the lessons of 2022 regarding forecasting in conditions of economic unpredictability, constantly aiming to excel in results compared to 2021 which was the absolute record at Group level. Therefore, the 2023 budget remains challenging and we aim to slightly exceed the record EBITDA achieved in 2021, relying also on the normalization of business segments aimed at diversifying our businesses. We expect an improvement in our lines of work in the second part of 2023." concluded Ioana Birta.

The consolidated results in 2023 will improve considering reduced price volatility. Turnover will increase driven by growth in volumes.

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 foreseen in terms 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 the PNRR projects on the energy efficiency of buildings, with a market-wide potential of 2 billion lei. For this segment, the Group anticipates a decrease in the average price and an increase in volumes. Profitability will improve as the pressure on raw material prices increase fades. On the other hand, there will be an adverse impact due to the increase in the minimum wage in the construction sector.

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

TeraPlast Group continues its investments in 2023. The total amount is of 102 million lei, of which the most important projects aim at a new factory to produce stretch films and a new photovoltaic plant. Thus, the Group continues its diversification of its businesses and the geographical regions in which it operates, in conjunction with green investments aimed at sustainably improving the energy independence of the Group, also based on governmental economic support programs.

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

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 12 criteria for investor relations communication, conducted by ARIR, TeraPlast obtained the maximum score, 10, for the fourth time in a row.

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The report containing the consolidated preliminary unaudited financial results for 2022 is available on the website <https://investors.teraplast.ro/reports-and-information/financial-reports/> and on the BSE website, TRP symbol.