

## PRESS RELEASE

### TeraPlast's activity picks up in the second quarter

- **The negative bottom line from first quarter reduces to less than RON 1 million as a result of the doubling of profits from Installations and Recycling division.**
- **EBITDA rises by 58% in the second quarter compared to the previous quarter, compared to a just 29% rise in Q2/2022 vs Q1/2022, which indicates a dilution of the base effect as well as the activity picking up, in line with this year's estimates.**
- **Installation & Recycling EBITDA margin returned to double digits at 10,2%, which indicates a trend towards what the management considers the normal levels for this activity.**
- **The Group implemented cost control measures to improve financial performances, focused on the packaging and window and doors businesses.**
- **The Group continues its RON 120 mn investments for 2023 in order to consolidate the sustainability of its businesses on the medium and long term.**

**Bistrita, July 25, 2023**

**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). The market conditions were unsatisfactory since the end of last year but were in line with the expectations. For this reason, the Group has implemented an aggressive operational efficiency policy which enabled it to reconstruct the bottom line, with good perspectives for the following quarters. The Group's forecasts entail a sharp increase in demand for the second half of the year.

**The consolidated turnover for the first half of the year was RON 320,5 million**, a 14% decrease year-on-year. There is, however, an improvement in sequential terms, with an 18% increase from the first quarter, driven by the seasonality of the Installation & Recycling segment. The decrease was also generated by deflation of the prices in the first part of the year compared to the same period of last year driven by a slump in raw material prices.

**Group's EBITDA stood at RON 23,2 million**, a 35% decrease compared to the first half of 2022 against limited demand, but at an increased level compared to the first quarter. A dilution of the base effect becomes obvious as well as an acceleration of the activity that exceeds last year's levels. EBITDA for the

second quarter of 2023 increased by 58% compared to the first quarter, while last year the same increase was only 29%.

The dilution of the base effect is obvious in the quantitative sales as well. The sold quantities (tonnes) 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 tonnes in the first quarter to 20.300 tonnes in the second quarter, leading to total quantities of 37.000 tonnes for the first half of the year. This evolution points to a trend that is favourable to reaching the forecast for the whole year.

Cost controls and a thorough production management led to an improvement of the quarterly performances, **EBITDA margin reaching 7,3% at the end of the first semester**. In the consolidated results, the performances of Installations & Recycling as well as Compounds, including recycled, which represent the core activities of the group stand out in terms of sales and profitability. **EBITDA margin of Installations & Recycling reached double digits at 10,2** in H1/2023 while **Compounds & Recycled had an EBITDA margin of 9,5%**. Flexible packaging and Doors & Windows evolve slower than expected due to the challenging context that is translated in a slow demand for the domestic market as well as exports.

## H1 Results 2023

*RON Thousands*

	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%

Sales (to)	Jan. – Mar.	Apr. – Jun.	Total
2023	16.810	20.338	37.148
2022	21.055	22.080	43.135

**Installations & Recycling** generates 72% of the Group's turnover and its substantial EBITDA levels exceeded the consolidated EBITDA, as more time is needed for the smaller businesses to reach financial neutrality. The price decrease of the first half is above budgeted levels for raw materials and so the Group focuses on the sold quantities as well as profitability in absolute terms.

In order to maximise the impact in the consolidated results as well as to respond to current challenges, The Group reorganised, in the first half of the year, its sales team to better suit the current market trends as well as to better service the customers. An increased attention is directed to exports, to implement the growth of the geographical footprint as per the company's strategy.

The budget took into account a slow start of the year, however it relays on increased dynamics starting with the third quarter for the Installation division as public tenders will progress, especially through Large Infrastructure Operational Programme. This programme will conclude at the end of 2023 and an increase in absorption is necessary. Public tenders' dynamic, as presented on the dedicated online platform shows an accelerated pace of finalised tenders for water and sewerage works.

**Compounds and recycled** faced heavy competition from non-EU imports, which put significant pressure on the price, impacting operations margins since the end of last year. Furthermore, The Group's customers see a decrease in demand from the domestic and European market alike. The difficult context is visible in the decrease of 45% of the turnover compared to the first semester of last year. A significant impact was noticeable in the recycled material, which lost competitiveness due to virgin raw materials price decreases.

Considering this, the priority of this segment is the conservation of the market share and expectations for an improved economic climate that would find The Group on a solid base for future increases.

**Flexible packaging** was central in The Group's effort to reduce costs and improve performances. The turnover saw a 14% increase compared to the same period of last year as volumes increased and the loss was reduced. The evolution was boosted by a decrease of the fixed costs which led to the reaching of the break even in the month of June.

The product portfolio was reshuffled as to better service the market's needs and to streamline cost structures. The business has new top management, consisting of a new managing director as well as a new sales manager whose main task is the optimisation of the activity.

**Windows and Doors division (TeraGlass)** is impacted by the decrease of external demand as the purchasing power is eroded by the high inflation. Retail demand has shrunk while domestic sales increase partially offset the negative impact of external DIY sales decrease.

*"We had a predictable increase in performances at the end of the second quarter, compared to the first quarter, driven by the seasonality of the construction market. Cost control measures introduced at Group Level had a powerful effect, especially in underperforming divisions, even though the sub-par performance was due to market conditions, most of which were independent of our control"* stated Ioana Birta, the Group's CFO.

*"In the last five years we've morphed in a successful Group, with a diverse business portfolio, much more balanced and efficient from the cost perspective. The investments we've made allowed us to expand our customer base, to reduce dependency on some markets and to lay the foundation for solid, long-term evolution. There are a lot of unknowns which makes it difficult to anticipate the future, but based on our visibility for the next period we are confident we will reach the budgeted profitability for 2023."* concluded Ms. Birta.

## Ongoing Investments

TeraPlast Group will invest RON 120 million this year. The stretch film factory is under construction and the production test will start in the fourth quarter of this year. The total investment for this factory is RON 84 million.

For the new photovoltaic powerplant, for which TeraPlast has co-financing through PNRR, the company is finalising details regarding the project and estimates that, in case of a positive final answer to sign the financing contract in the third quarter. The new investment will allow an increase in the production and use of renewable energy of up to 20% of the electrical energy consumption on long term.

## About TeraPlast Group

*TeraPlast Group is the largest polymer processor in Central and South-Eastern Europe. The group is composed of the following companies: TeraPlast, TeraGlass, TeraPlast Recycling, TeraBio Pack and Somplast. Since July 2, 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, in the Small Cap and Global All Cap indices of FTSE Russell, in the MSCI Frontier IMI (Investable Market Index) indices and in the CECE MidCap and ROTX EUR indices of the Vienna Stock Exchange.*

*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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