

PRESS RELEASE

TeraPlast Group in 2023: results relatively similar to the previous year and budgeted increases of 29% in turnover and 39% in EBITDA in 2024

- **The consolidated turnover contracted slightly by 5% compared to 2022 reaching RON 672 million, while the gross margin increased by 10%.**
- **Consolidated EBITDA margin was at 7.6%, while for the Installations segment stood at above 10%.**
- **Improvements in the activity during the last quarter of 2023 led to a 52% increase in quarterly EBITDA compared to the same quarter of the previous year.**
- **The budget for 2024 anticipates significant growth both through organic expansion and as a result of M&A operations and investments made over the past two years.**
- **Quantities will grow by 33% in 2024, reaching 100 thousand tonnes, including the contribution from recent acquisitions.**
- **The consolidation of the newly acquired businesses will generate around 15% of the turnover and EBITDA of the Group in 2024.**

Bistrița, February 12, 2024

The financial results of TeraPlast Group in 2023 bear the imprint of a macroeconomic environment filled with challenges. Nevertheless, the overall performance was relatively similar to that of 2022.

The Group's performance accelerated in the second part of 2023, compared to 2022, taking into account the business seasonality. **Consolidated EBITDA is 52% higher in Q4 2023 compared to Q4 2022**, due mainly to the Installations segment.

For the whole year 2023, **EBITDA stands at RON 51.3 million**, a 3% decrease versus 2022, mainly due to the decrease in the Compounds segment. **EBITDA margin, Group level, slightly increased to 7.6%**, while for the Installations segment remains in the double-digit range.

The Group's **gross margin increased from 32% to 37%**, representing a **10% increase in absolute terms**. However, this increase was burdened by salary increases and utility prices. In this regard, a good cost management brings potential improvements in the bottom line.

The Group has paid special attention to the increase in efficiency of loss generating operations on multiple fronts. At the same time, the M&A activity will offer solid base for future growth, considering that the economic environment may not be devoid of challenges and external influences beyond the Group's control in the coming quarters.

The consolidated turnover contracted with 5% in 2023, to RON 672 million, under the significant influence of the decrease in the Compounds segment. **Exports reached 16% of the turnover and the Group's products reached 22 European markets.** In terms of quantities, total volumes are close to the 2022 levels – 75,346 tonnes in 2023 versus 76,931 tonnes in 2022 (-2% yoy). The quantities sold in the second half of the year, especially the 27% increase in volumes in Q4 2023 vs. Q4 2022 show positive market dynamics, well above that of 2022.

The net result of 2023 remained in positive range of RON 1.1 million despite business seasonality of the last quarter of the year. The Installations segment generated a net profit of RON 17.3 million. Two divisions had a net loss, Windows (RON 1.9 million lei) and Packaging (RON 15.7 million lei).

“These results reflect the challenging economic context, with a decrease of demand for some of our markets, which led to us directing our efforts to preserving volumes, market shares and margins. We had to undergo a different environment than the one we anticipated in the beginning of 2023, especially with regards to a slower pace of infrastructure works and residential renovations, as well as a weak demand for Compounds.” stated Mrs. Ioana Birta, CFO of TeraPlast Group.

“2023 was a full year in terms of events and business expansion. We commissioned a major investment, the stretch film factory, and concluded the negotiations for the acquisition of Palplast and Freiler Group. These M&A operations brought one off costs which amounted to RON 1.2 million. We embark on 2024 strengthened by these acquisitions and with excellent perspectives on Western European markets” added Mrs. Birta.

<i>RON thousand</i>	2024	2023	Variance '24vs'23	2022	Variance '23 vs '22	Q4/2023	Q4/2022	Variance Q4/'23 vs Q4/'22
Turnover,								
of which	864,518	672,331	29%	711,126	-5%	154,947	147,449	5%
Installations*	638,537	501,000	27%	488,214	3%	113,511	103,792	9%
Compounds*	92,809	76,074	22%	126,073	-40%	16,298	18,577	-12%
Packaging*	83,663	46,410	80%	40,340	15%	13,406	12,188	10%
Windows*	49,508	48,846	1%	56,500	-14%	11,732	12,892	-9%
Gross Margin	319,408	247,389	29%	224,627	10%	59,393	51,194	16%
EBITDA, of which	71,657	51,372	39%	52,718	-3%	6,361	4,187	52%
EBITDA margin	8.3%	7.6%		7.4%		4.1%	2.8%	
Installation	67,885	52,449	29%	50,948	3%	7,909	6,728	18%
EBITDA margin	10.6%	10.5%		10.4%		7.0%	6.5%	
Compounds	6,635	6,014	10%	12,681	-53%	501	535	-6%
EBITDA margin	7.1%	7.9%		10.1%		3.1%	2.9%	
Packaging	-6,146	-7,511	-18%	-11,257	-33%	268	-3,188	n/a
EBITDA margin	-7.3%	-16.2%		-27.9%		2.0%	-26.2%	
Windows	3,282	419	n/a	346	21%	-2,317	113	n/a
EBITDA margin	6.6%	0.9%		0.6%		-19.8%	0.9%	
Net result	10,649	1,138	836%	15,374	-93%	-5,659	-1,012	459%

* Installation segment includes complete systems for installations in TeraPlast and micronized recycled PVC in TeraPlast Recycling.
 Compounds segment includes compounds manufactured in TeraPlast as well as recycled compounds in TeraPlast Recycling.
 Packaging segment includes products manufactured in TeraBio Pack and Opal stretch film.
 Windows segment includes the doors & windows manufactured in TeraGlass.

Installations segment, the largest and best performing in the Group had positive results even though the growth was moderate compared to the previous years, under the influence of deflation brought about by a sharp decrease in raw material prices. This activity profited from the increase in public works, which accelerated sharply in the second part of last year. EBITDA margin of the Installations segment stood at over 10% while the **net profit of RON 17.3 million** covered the negative results of other business lines.

Compounds segment had a sharp contraction of the turnover (-40%) because of sales decrease of its customers. Despite this contraction, which affected its whole market, TeraPlast remains the main supplier for its customers in this market. Due to an increase in costs, EBITDA dropped to RON 6 million (-51% vs 2022), but EBITDA margin was above the average, at 7.9%. On the other hand, this division had a positive **contribution of RON 1.6 million to the net profit**.

The **Windows segment** suffered as a result of decrease in orders from the retail segment, which had a 40% contraction of sales volumes. To counterbalance this effect, the Group's strategy, since 2023 and for 2024 is to focus on the domestic renovations and new buildings market in order to reduce

the dependence on DIY stores. Non-DIY sales reached 28% of the sales in the previous year. This market segment has a higher margin, reflected in an increase from 39% to 44% of the sales (2022 vs 2023) of the gross margin. This increase however, failed to be fully felt in the EBITDA which stood at RON 0.4 million as the segment faced sharp cost increases. The average salary increased in this division by 46% versus 2022, mostly due to the increase in minimum wage in the construction and related sectors.

The packaging segment was the only one with a negative EBITDA in the Group but the activity improved throughout the year, which gives good perspectives for 2024. This segment reached **optimum volumes of orders** in the last months, an essential step towards being profitable. In the next stage, the focus will be to increase profitability, which means discontinuing production on inefficient lines in Nasaud. **TeraBio Pack** went through an adjustment of headcount for the new market conditions.

Sustainable development, integral part of TeraPlast Group's vision

The focus on the integration of sustainable solutions, especially the integration of more recycled material and the identification of environmentally friendly, alternative materials is growing in Europe. This vision is aligned to TeraPlast's sustainable development vision.

"We remain fully committed to being at the forefront of the use of recycled material in our products throughout the region. This commitment translates into our business operations: we own a top 5 European rigid PVC recycler, our portfolio includes products made from recycled and biodegradable materials, and we expand the use of renewable energy. These generate revenues and operational efficiencies. The acquisition of Freiler Group is in line with this commitment by gaining presence on Western markets as a strong and competitive player which champions the use of recycled materials." stated Mr. Dorel Goia, Chairman of the Board of TeraPlast.

TeraPlast Group's sustainable development initiatives also include the reduction of power consumption from the national grid. The most recent project is the construction of a new photovoltaic powerplant in the vicinity of Saratel Industrial Park, a project co-financed through the National Recovery and Resilience Plan (PNRR) and which will become operational this year.

Furthermore, the Group will increase its R&D activity towards identifying additional applications for the use of recycled and biodegradable materials, as stated by Group representatives: *"We see what's going on in Austria, where the Government is genuinely concerned to expand the use of recycled and alternative materials. Freiler Group already has a long history in developing such solutions and so do we. This trend will surely reach Romania in the near future, so we need to be ready to supply this demand in the market"* added Mr. Dorel Goia.

The Group employed 923 people at the end of last year, compared to 963 people in 2022. In the Installations segment more people were employed in 2023 while in the other segments the number of people was scaled down.

2024 Budget

For this year, TeraPlast Group presents a budget with **moderated organic growth**. The slightly conservative approach results from past years' experience in which, the premises from the start of the year materialised only in part throughout the year. The macroeconomic context imposes such an approach, with expectations that several market segments will face contractions on various levels while public works, with governmental or European financing will be on the upswing. Main expenses, as percentage of the turnover, will be in line with last year. In order for this to happen, the Group planned for several optimisations and fixed costs reduction in segments that underperformed in 2023. Additionally, at the consolidated level, a preservation of business lines' weight in revenues is forecasted.

As a whole, the turnover as well as the EBITDA will increase consistently. The M&A operations conducted within the Installations segment will make a significant contribution, while the new stretch film business will drive revenue growth in the Packaging segment.

For the Installation segment, domestic infrastructure projects are expected to grow in 2024 as well.

Sales volumes for the current activity of the Group are forecasted to grow by 16% to 80 thousand tonnes. These will be topped by the sales volumes of the newly acquired subsidiaries. Thus, for the whole year, TeraPlast Group will reach sales volumes of 100 thousand tonnes, amounting to 33% increase in sales volumes compared to 2023.

TeraGlass will continue the strategy of 2023 to switch to non-DIY customers. This switch will be boosted by the newly recruited, experienced sales team, focused on the renovations and new buildings market.

For the Packaging segment, radical transformations are to be expected in 2024. The turnover will grow by 80% due to the commissioning of Opal (stretch film). TeraBio Pack will reach break-even this year, however as a whole, the Packaging segment will generate a loss, as until Opal reaches critical mass, it will have a negative impact on the EBITDA.

Romania is a net importer of stretch film, which gives competitive advantage for domestic production, reflected in lower lead-times and costs. Opal products target both domestic market and existing export markets of the Group, as well as new markets that will be assimilated following the integration of the newly purchased companies.

Impact of M&A operations

TeraPlast acquired Palplast, a producer of pipes for water, gas and cable protection in the Republic of Moldova at the end of last year for EUR 1.8 million. At the beginning of February an SPA was signed for the acquisition of Austria's Freiler Group for EUR 16.53 million. This transaction is pending

approval from TeraPlast's Extraordinary General Assembly on March 11th, 2024. This geographical expansion strategy will allow the Group to reduce dependency on a single market. **The newly acquired subsidiaries are expected to bring sales of 8,000 tonnes for this year. They will constitute about 15% of the Group's sales and EBITDA for 2024 and will be consolidated in the Installations segment.**

"Moldavian and Hungarian markets are important for our Group, therefore production delocalisation to those markets was natural. This expansion brings several advantages. Firstly, we cut logistic costs and therefore product costs. It is a major problem for Romanian businesses which face high waiting times in the border crossings and customs as we are still outside Schengen area. Secondly, the synergies in raw materials, product mix and production capacities make us more agile in the market, and all these economies of scale are converted into profits for the Group and its shareholders. Moreover, the efficiencies in logistics and product mix will lower our carbon footprint. The integration of these new businesses in TeraPlast Group's structure will bring efficiency at all levels and will increase the competitive position of our business. We also take part in strengthening the European industry which can service the demand in the common market with quality products and competitive prices, superior to those from the outside of EU, even in turbulent times like these marked by conflicts." stated Mr. Goia.

About TeraPlast Group

TeraPlast Group is the largest polymer processor in South-Eastern Europe. The group is comprised of the following companies: TeraPlast, TeraGlass, TeraPlast Recycling, TeraBio Pack, Palplast Moldova 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 MSCI Frontier IMI (Investable Market Index), and ROTX EUR index 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 fifth year in a row.

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The report containing the consolidated preliminary unaudited financial results for 2023 is available on the website <https://investors.teraplast.ro/reports-and-information/financial-reports/> and can also be seen on the BSE website – TRP symbol.