

PRESS RELEASE

Teraplast Group: financial results in the first quarter of 2017

Positive profitability indicators despite the unfavorable context of the markets the Group is present

Bistrita, April 27th 2017 – Teraplast Group, the largest PVC processor in Romania and one of the leading manufacturers of materials for construction and installation market, managed to stay profitable in the first three months of 2017, despite the unfavorable context, generated by the deadlock of the environment infrastructure segment, by the insolvency of some clients and by the extent of the low-season period.

Teraplast Group includes the company Teraplast, the subsidiary TeraSteel (the new name of Plastsistem starting January 2017), the subsidiary TeraGlass (starting with April 2015; initially TeraGlass activity was organized as a business line of Teraplast), the subsidiary the subsidiary Teraplast Logistic (starting with June 2016) and Politub (jointly-controlled unit).

Key indicators, thousand lei	Q1 - 2017	Q1 - 2016	▲%
Incomes	66,578	86,909	(23.39)
Net Profit/(Loss)	1,653	7,058	(76.58)
EBITDA	6,592	13,410	(50.84)
Interest-bearing debts	34,229	38,715	(11.59)
Cash and cash equivalents	19,507	9,121	113.88

*The financials are unaudited and represent Teraplast's Group consolidated results prepared according to International Financial Reporting Standards (IFRS);

**The consolidation includes 100% of revenues and expenses for the companies Teraplast, TeraSteel, Teraplast Moldova, Teraplast Logistic and TeraGlass and excludes Politub. Being a jointly-controlled unit, Politub is consolidated by equity method.

Mircea Hotoleanu, Chief Executive Officer Teraplast: "The evolution in the three months of the year is in accordance with the construction market context, mainly the infrastructure segment, which significantly slowed-down in this period. In comparison, in the similar period of last year the demand from infrastructure exceeded expectations because of the fact that European funds had to be utilized otherwise they would be lost. The infrastructure segment entered deadlock in July 2016, because after 2 years since the launch of the new financing exercise (2014-2010) for none of the 43 new environment infrastructure projects it was not passed in the phase of signing the works contracts, the majority being, at the best, in the projecting phase.

Sediul central:

Parc Industrial Teraplast,
DN 15A, km 45+500
Cod. 427298, Jud. Bistrita-Nasaud
Tel. 0263-238202, Fax. 0263-231221
www.teraplast.ro

Other factors which influenced the evolution in the first three months of the year were the insolvency of Romcab, but also the extent of the cold season. Despite all that we managed to remain profitable and financially stable, the cash available in the accounts being increasing, and the interest bearing debts decreasing.

For 2017 we aim positive evolutions of all financial indicators, the increase of exports share in the turnover and the improvement of the products quality. In the second part of the year, we expect positive evolution of the infrastructure segment. That's why, we are confident that we will achieve the sales and profitability targets set for this year".

Teraplast Group realized in the first three months of 2017 a **turnover** of 66.5 million lei, decreasing by 23% as compared to the similar period of 2016, based on the sales decrease on the infrastructure market, because of the delay in the launch of water and sewage projects, but also based on the decrease of compounds sales, as a result of Romcab insolvency. In the analyzed period, Teraplast's **exports** increased by approximately **9%** as compared to the first quarter of 2016. Also, the subsidiary **TeraSteel** registered a sales increase of **18%** in the first quarter of 2017.

Teraplast Group estimates for 2017 a **consolidated turnover of 434.6 million lei** and a **net profit of 38.1 million lei**. The estimated **EBITDA** value in 2017 is of **63.3 million lei**.

Teraplast Group is present on the markets of installations and decoration, window profiles, sandwich panels and galvanized structures, PVC windows and doors and compounds and is on top positions on most of the markets on which is present. The parent company Teraplast is market leader in exterior sewage drains and compound and on the second position in interior sewage. The subsidiary, TeraSteel, is the second player on sandwich panels market and the leader of the galvanized steel structures market.

In the first three months of 2017, the **net profit** of Teraplast Group amounted 1.6 million lei, and the obtained **EBITDA** had the value of **6.6 million lei**, the consolidated profitability indicators being influenced by the sales decrease. At stand-alone level, an important contribution to the net profit evolution had the financial incomes. In the similar period of 2016 Teraplast cashed in dividends from subsidies in total amount of approximately 4 million lei. This year we also expect positive EBITDA contribution from our subsidiaries TeraSteel, TeraGlass, but also Depaco/Wetterbest, year 2017 being the first one in which we will consolidate the 50% share in Depaco.

On the other hand in the first months of 2017 **the cash available in the accounts** increased up to **LEI 19.5 million**, as compared to LEI 9.1 million in the similar period of 2016, and the **interest-bearing debts** decreased by almost 12% as compared to 2016.

Investments in Q1 2017

Teraplast Group realized in the first three months of 2017 total investments of 2.6 million lei. Teraplast programmed for 2017 investments amounting a total 84 million lei. These investments will be directed towards: development/increase of capacity – acquisition of new production facilities, maintenance, heavy construction repair, heavy equipment repair, heavy mold repair, current repair, financial investments, quality improvement, research and laboratory.

Significant events in Q1 2017

- ✓ The Board of Directors decided in **January** to establish a company in Serbia, the purpose of this action being the development Teraplast Group's presence on the Serbian market.
- ✓ In **January** Mircea Hotoleanu was nominated as Chief Executive Officer of Teraplast.
- ✓ Subsidiary Plastsistem changed its name in **January** and became TeraSteel.
- ✓ General Meeting of Shareholders approved in February an investment budget of 72 million lei for 2017.
- ✓ In **February** Cosmin Patroiu was appointed as Chief Executive Officer of TeraSteel.
- ✓ In **March** Teraplast decided to purchase 50% of the company Depaco, the second player on the metallic tiles market, by the Wetterbest brand.

Teraplast Group details:

With a tradition of 120 years, Teraplast Group is currently the largest PVC processor in Romania and one of the leading manufacturers of materials for construction and installation market. The products portfolio of the Group is structured in six business lines: Installations & Decorations, Windows profiles, Compounds, Sandwich panels, Galvanized profiles and PVC windows and doors.

The production facilities of the companies in the Group are located in the Teraplast Industrial Park, developed outside Bistrita, on a surface of over 200.000 sqm. During 2007-2014 Teraplast Group invested over 260 million lei in the development and the modernization of the production capacities, but also in the products portfolio extension.

Beginning July 2nd 2008 the biggest company in the Group – Teraplast is listed at Bucharest Stock Exchange, symbol TRP. TRP symbol is part of the following Bucharest Stock Exchange indices: BET-BK, BET-XT, BET-XT-TR and BETPlus.

For further information, please contact the Communications Department of Teraplast: Anca Rif – Communications & Investor Relations Manager; Tel: +40-752-101.639; Email: anca.rif@teraplast.ro

Appendix:

- 1. Consolidated income statement, as of March 31st 2017 (Teraplast Group)**
- 2. Consolidated statement of financial position, as of March 31st 2017 (Teraplast Group)**
- 3. Stand-alone income statement, as of March 31st 2017 (Teraplast SA)**
- 4. Stand-alone statement of financial position, as of March 31st 2017 (Teraplast SA)**
- 5. Appendix 30B (Teraplast SA)**

1) Consolidated income statement, as of March 31st 2017 (Teraplast Group)

thousand lei	Q1 - 2017	Q1 - 2016	▲%
Consolidated revenue	66,578	86,909	(23.39)
Other operating income	207	163	27.4
Changes in inventories of finished goods and work in progress	3,814	5,639	(32.36)
Raw materials, consumables used and merchandise	(48,637)	(62,404)	(22.06)
Employee benefits expenses	(8,326)	(8,709)	(3.98)
Depreciation and amortization expenses	(3,972)	(4,187)	(5.12)
Provision expenses	148	-	-
Gains/ (Losses) from the outflow of tangible and intangible assets	49	(2)	2,226.37
Gains/(Losses) from the fair value measurement of investment property	0,3	-	-
Other expenses	(7,695)	(8,805)	(12.61)
Financial costs	(838)	(1,554)	(46.11)
Financial incomes	553	1,483	(62.68)
Share of the profit or loss of the joint venture accounted for using the equity method	234	425	(45.08)
Profit/(Loss) before tax	2,081	8,958	(76.77)
Taxes on income	(428)	(1,900)	(77.47)
Consolidated Profit/(Loss) for the period	1,653	7,058	(76.58)
Total comprehensive income	1,653	7,058	(76.58)
Consolidated result for the period	1,653	7,058	(76.58)
thereof attributable to stockholders of Teraplast SA	1,578	7,038	(77.58)
thereof attributable to non-controlling interests	75	20	276.47

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2) Consolidated statement of financial position, as of March 31st 2017 (Teraplast Group)

thousand lei	Q1 - 2017	Q1 - 2016	▲%
Assets			
Non-current assets			
Tangible assets	132,414	127,053	4.22
Investment property	9,792	12,135	(19.31)
Intangible assets	1,340	1,159	15.61
Investment in the joint venture accounted for using the equity method	12,168	12,361	(1.57)
Other financial investments	107	18	511.98
Deferred tax receivables	-	-	-
Total non-current assets	155,821	152,726	2.03

Current assets			
Inventories	66,544	65,162	2.12
Trade receivables	66,249	86,915	(23.78)
Prepayments	1,143	592	93.16
Cash and cash equivalents	19,507	9,121	113.88
Total current assets	153,443	161,790	(5.16)
Assets held for sale	-	-	-
Total assets	309,264	314,516	(1.67)
Equity and liabilities			
Equity			
Subscribed share capital	56,643	37,762	50.00
Other elements of equity	-	951	(100.00)
Share premium	27,385	27,385	-
Revaluation reserves	21,742	18,566	17.10
Legal reserves	12,407	9,853	25.92
Retained earnings	100,093	95,277	5.05
Stockholders' equity	218,270	189,794	15.00
Non-controlling interests	410	220	86.15
Total equity	218,680	190,014	15.09
Long-term liabilities			
Loans and finance lease liabilities	11,437	9,477	20.68
Liabilities for employee benefits	352	295	19.21
Investment subsidies	3,274	3,724	(12.08)
Deferred tax liabilities	3,528	3,982	(11.40)
Total long-term liabilities	18,591	17,478	6.37
Current liabilities			
Trade and other payables	46,423	72,708	(36.15)
Loans and finance lease liabilities	22,792	29,238	(22.05)
Income tax payable	268	1,905	(85.91)
Provisions	2,509	3,173	(20.94)
Total current liabilities	71,993	107,024	(32.73)
Total liabilities	90,584	124,502	(27.24)
Total equity and liabilities	309,264	314,516	(1.67)

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3) Stand-alone income statement, as of March 31st 2017 (Teraplast SA)

Thousand, lei	Q1 - 2017	Q1 - 2016	▲%
Revenue	37,562	60,703	(38.12)
Other operating income	18	28	(37.22)
Changes in inventories of finished goods and work in progress	2,776	5,094	(45.51)
Raw materials, consumables used and merchandise	(26,912)	(44,008)	(38.85)
Employee benefits expenses	(4,748)	(5,991)	(20.75)
Provisions, depreciation and amortization expenses	(2,980)	(3,019)	(1.30)
Gains/ (Losses) from the outflow of tangible and intangible assets	38	(2)	1,745.40
Gains/(Losses) from the fair value measurement of investment property	-	-	-
Other expenses	(5,804)	(5,994)	(3.17)
Financial costs	(365)	(897)	(59.35)
Financial incomes	1,056	5,090	(79.26)
Profit/(Loss) before tax	641	11,004	(94.18)
Taxes on income	(44)	(1,510)	(97.09)
Profit/(Loss) for the period	597	9,493	(93.72)
Total comprehensive income	597	9,493,321	(93.72)
Number of shares	566,432,663	377,621,773	50.00
Comprehensive earnings/(loss) per share (RON)	0,001	0,025	(95.81)

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**Variation sign % indicates the effect of the company's activity;

4) Stand-alone statement of financial position, as of March 31st 2017 (Teraplast SA)

Thousand, lei	Q1 - 2017	Q1 - 2016	▲%
Assets			
Non-current assets			
Tangible assets	92,720	88,616	4.63
Investment property	19,074	19,643	(2.90)
Intangible assets	849	646	31.48
Investments in subsidiaries	11,346	11,257	0.79
Other financial investments	15	15	0.00
Non-current trade liabilities	5,269	6,530	(19.31)
Total non-current assets	129,273	126,706	2.03
Current assets			
Inventories	39,971	45,742	(12.62)
Trade receivables	52,518	72,210	(27.27)
Prepayments	959	259	270.18

Income tax payable	73	-	-
Cash and cash equivalents	15,436	6,280	145.79
Total current assets	108,957	124,492	(12.48)
Total assets	238,230	251,198	(5.16)
Equity and liabilities			
Equity			
Subscribed share capital	56,643	37,762	50.00
Other elements of equity	-	950	(100.00)
Prime de capital	27,385	27,385	0.00
Revaluation reserves	17,547	17,046	2.94
Legal reserves	7,738	5,444	42.15
Retained earnings	75,606	71,659	5.51
Total equity	184,919	160,246	15.40
Long-term liabilities			
Loans and finance lease liabilities	10,393	7,377	40.87
Liabilities for employee benefits	239	236	1.01
Deferred tax liabilities	2,696	2,948	(8.58)
Total long-term liabilities	13,327	10,562	26.18
Current liabilities			
Trade and other payables	24,154	51,575	(53.17)
Loans and finance lease liabilities	13,614	24,131	(43.58)
Income tax payable	-	1,510	(100.00)
Provisions	2,215	3,174	(30.22)
Total current liabilities	39,983	80,390	(50.26)
Total liabilities	53,310	90,952	(41.39)
Total equity and liabilities	238,230	251,198	(5.16)

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5) Appendix 30B According to NSC regulation no. 1/2006 (Teraplast SA)

- Presentation of the important events which happened in the period and their impact on the financial position statement of the company and its subsidiaries.
- General presentation of the financial position statement and of the performances of the company and its subsidiaries in the period.

B. Economic-financial indicators

	31.03.2017	31.03.2016
a) Current ratio = Current assets / Current liabilities (recommended value is around 2)	2.73	1.55

Current ration registered at 31.03.2017 is of 2.73 and represents the coverage of current liabilities by the company's current assets.

	31.03.2017	31.03.2016
a) Degree of indebtedness = Borrowed capital / Capital employed	5.62	4.60

The company's degree of indebtedness increased to 5.62% and it represents the share of the capital employed – debts over 1 year, in the equity.

	31.03.2017	31.03.2016
a) Non-current assets turnover = turnover / non-current assets	0.29	0.48
d) Days sales outstanding = average client balance / turnover x 365 days = days	92.81	89.02
e) Days payable outstanding = average supplier balance / Total purchases x 365 days = days	67.95	77.44