

**PRESS RELEASE**

**Teraplast Group: financial results in the first half of 2017**

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

**Bistrita, July 31<sup>st</sup> 2017** – Teraplast Group, the largest PVC processor in Romania and one of the leading manufacturers of materials for construction and installation market, continues to be profitable, 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.

The Teraplast Group includes Teraplast SA (producer of pipes, compounds and PVC profile) its subsidiaries subsidiaries TeraSteel and TeraSteel Serbia (producer of sandwich panels and galvanized structures), Teraglass (producer of PVC windows and doors), Teraplast Logistic (starting with June 2016 it includes the logistic activities of Teraplast Group) and Teraplast Hungary (distribution company) and jointly-controlled companies Politub (producer of polyethylene pipes) and Depaco (producer of metallic tiles).

The 60% share in Depaco, the second producer of metallic tiles in Romania, and the sandwich panels' plant in Serbia, with a production capacity similar to the one of TeraSteel, were bought in the half of this year.

Key indicators, thousand lei	H1 - 2017	H1 - 2016	▲ %
<b>Turnover</b>	<b>171,671</b>	<b>192,760</b>	<b>(11)</b>
<b>Net profit</b>	<b>7,890</b>	<b>19,066</b>	<b>(59)</b>
<b>EBITDA</b>	<b>18,318</b>	<b>28,363</b>	<b>(35)</b>
<b>Net cash (used in) investing activities (does not include the payments for social parts acquisition)</b>	<b>(29,177)</b>	<b>(5,110)</b>	<b>471</b>

  

	30 iunie 2017	31 dec 2016
<b>Degree of indebtedness ***</b>	<b>37%</b>	<b>5%</b>

\* 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 Hungary, Teraplast Logistic and TeraGlass and excludes Politub. Being a jointly-controlled unit, Politub is consolidated by equity method.

\*\*\* Degree of indebtedness = Net debt/ Equity \*100; were Net debt = interest bearing debts minus cash and cash equivalents.

Teraplast Group realized in the first half of 2017 a **turnover of 171.671 thousand lei**, as compared to 192.760 thousand lei in the similar period of 2016. Depaco and the panels' plant in Serbia have no contribution in these consolidated revenues, the investment in the two companies being finalized in June 2017.

The decrease of Teraplast's turnover is caused by the sales decline in the infrastructure field. In the first half of 2016 we had sales of 43 million lei, as compared to 2017 first half when we had sales of only 23 million lei on this segment.

A positive contribution to the consolidated revenues evolution had the company TeraSteel, which in the first half of the year obtained a **turnover of 64.860 thousand lei, increasing by 22%** as compared to the income obtained in the similar period of last year.

**Cosmin Patroiu, Chief Executive Officer TeraSteel:** *“TeraSteel consolidated its position on Romanian market and it is present on European markets, being recognized as a trusted partner. In this context the increase of the presence on the markets in the Balkans is a natural evolution. For 2018 TeraSteel Romania and Serbia estimate a turnover of 250 million lei”.*

In the next half of the year we hope that by the consolidation of Depaco/Wetterbest to compensate the decreases of infrastructure market in the consolidated financial statement of Teraplast Group. In the first half of the year, Depaco obtained a turnover of **71.179 thousand lei**, a net profit of 5.540 thousand lei and EBITDA of 7.420 thousand lei.

**Valeriu Irimescu, Chief Executive Officer Depaco:** *„This spectacular evolution of Depaco is the consequence of an efficient strategy of increasing the market share in Romania and of beginning the sales in seven European countries. The launching of new products also represents an important tactic in the development strategy of the company. The increasing rhythm of Depaco’s activity will maintain in the second half of the year, when additionally to the existing competitive advantage, will be exploited the supplying and commercial synergies with Teraplast Group. After this maturity phase, there will be a new one, in which we want to dare more. I am grateful and eager for what’s next for Wetterbest, a strong brand which is imposing on the market through superior quality, but also by uniqueness”.*

**Mirela Pop, Chief Executive Officer of Teraplast:** *“The deadlock in infrastructure continues to negatively influence Teraplast’s business, and according to the information we have at the moment there will not be significant improvements in the next half of the year. In the first five months of 2017, Romania received from de EU funds amounting 1 million euro for the financial exercise 2014-2020, which corresponds to an absorption degree of 0.004% of the total amount allocated for the current financial exercise. Given the fact that the main management authorities, by which are made the reimbursement from EU funds, are not authorized, Romania will not receive money in the following period. In this context, 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.*

*The solution that we found in order to compensate the infrastructure decreases is to increase the input of the new businesses purchased in the first half of the year. We anticipate that the panels plat TeraSteel Serbia will bring this year a plus of approximately 4 million euro in the consolidated turnover, and Depaco will also have an important contribution. That’s why we are confident that we will manage to be close of the sales and profitability targets aimed for this year.*

*Teraplast’s Group strategy to use the facilities towards diversifying activities on market segments which are not dependent of public investments will prove to be correct and will contribute to creating value for our shareholders”.*

In the first six months of 2017, Teraplast’s Group **net profit** was of **7.890 thousand lei**, and realized **EBITDA** of **18.318 thousand lei**, profitability indicators at Group’s level being influenced by the sales decrease and by the fact that some expenses remained fixe. For example the salaries expenses were at a similar level with the one in 2016, although the production level was not similar. We decided to keep the production employees because in our domain the training of an employ can take a few months, and the labor market in the area is extremely competitive.

The investment in the plant in Serbia and the 60% acquisition in Depaco were financed by bank loans. We also made important investments in improving the existent production facilities, an example being the PVC waste recycling line, which will have a significant influence both in reducing the costs with the raw materials and also in increasing the quality and the sustainability of the products, starting with the end of the year. Teraplast will follow the European trend of the big plastic articles producers which use on a large scale the recycled material, in accordance with the company’s vision to deliver efficient solution for people and environment.

As compared to last year we made significant investments in the development and the improvement of the production capacities, investments which will continue in the second half of 2017.

At June 30<sup>th</sup> 2017, the degree of indebtedness increased at 37%, but still keeping the prudent approach regarding this indicator. We consider that the current degree of indebtedness is an ideal one for Group's shareholders, highlighting the fact that all the made investments will generate cash from operating activity starting with this year.

Teraplast Group realized in the first six months of 2017 total investments of **31 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.

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.

### **Significand events in H1 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.
- ✓ Subsidiary Plastsistem changed its name in **January** and became TeraSteel.
- ✓ 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.
- ✓ In **May** the Board of Directors appointed Mirela Pop, as Chief Executive Officer of Teraplast.
- ✓ In **June** Teraplast bought a sandwich panels plant in Serbia. The new factory will double the panels' production capacity of Teraplast Group.
- ✓ In **June** Ioana Birta was appointed Chief Financial Officer of Teraplast Group.
- ✓ Teraplast bought in **June** an additional 10% of Depaco.

**The 2017 H1 report** will be available on the website [www.teraplast.ro](http://www.teraplast.ro), Investors, section Financial Reports and can be accessed in the link below: