

PRESS RELEASE

Teraplast Group: preliminary financial results for 2016*Net profit of more LEI 40 million and a higher turnover as compared to 2015*

Bistrita, February 15th, 2017 - Teraplast Group, the largest PVC processor in Romania and one of the leading manufacturers of materials for construction and installation market, improved all its main financial indicators in 2016, although the infrastructure segment entered a deadlock starting with third quarter.

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).

Thousand, lei	2016	2015	▲ %
Turnover	398,862	393,542	1.35
Operating profit/(loss)	48,334	40,003	20.83
Net Profit/(Loss) for the period	40,320	35,247	14.39
EBITDA	63,239	58,994	7.2
Interest-bearing debts	26,424	49,068	(46.15)
Cash and cash equivalents	16,032	12,556	27.69

**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 of Teraplast: *"Despite the difficult market conditions, Teraplast Group had a good evolution in 2016. Both the turnover and the profitability indicators are increasing. Besides that, we managed to decrease interest-bearing debts value, in line with the increase of cash in the accounts. We are a financially stable Group, grounded on solid bases, with an extremely complex products portfolio.*

The evolution in 2016 could have been much better if the infrastructure segment did not have a deadlock starting July. In the new budgetary exercise 2014-2020 the environment infrastructure (water and sewage) has over 6.32 billion EUR available non-returnable financing. However, after 2 years since the launch of the new financing axis none of the

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43 new environment infrastructure projects is in the working contracts signing phase, most of them being at the most in the projecting phase.

We managed to counteract the decreases in infrastructure by increasing the exports deliveries, strategy that we will also approach in the next period. For 2017 we want the exports to evolve as share of the Teraplast Group's turnover. We will also focus on improving the quality of our product, in order to approach a larger scale of foreign partners".

In 2016 Teraplast Group have obtained a **consolidated turnover** of **LEI 398.86 million**, increasing by **1.35%** as compared to 2015, evolution sustained by the increase of the foreign market deliveries. In 2016, Teraplast Group's **exports** have increased by **38%** as compared to the similar period of 2015. Teraplast Group exports in Germany, Austria, Hungary, Slovenia, Czech Republic, Slovakia, Italy, Bulgaria, Serbia or Belgium.

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.

During the analyzed period, Teraplast Group's **net profit** amounted to **LEI 40.32 million**, increasing by 14.39% as compared to the value obtained in 2015. Net profit evolution at consolidated level, was primarily supported by the significant improvement of the **operating performance**, Teraplast Group achieving in 2016 an **operating profit** of **LEI 48.33 million**, increasing by 20.83% as compared to 2015. In 2016, as a result of the increasing volumes, the occupancy rate of the production capacities was much more efficient than in the similar period of the last year.

EBITDA of Teraplast Group, amounting **LEI 63.23 million**, increased by **7.2%** as compared to 2015.

In 2016, **the cash available in the accounts** increased up to **LEI 16.03 million**, as compared to LEI 12.55 million in 2015, and the **interest-bearing debts** decreased by 46.15% as compared to 2015.

The Teraplast Group's **receivables** decreased by **24%** in 2016, because of the decrease of the medium term of cash-in from clients and as a result of a better money collection from the market.

As concerns the **inventories**, their increase in 2016 by over **25%** was generated by the necessity of securing from the fluctuation of the raw materials prices, strategy which, sustained also by the sales increase, have contributed to the operating efficiency registered in 2016.

Investments during 2016

Teraplast Group realized in 2016 total **investments** of over **LEI 13.77 million**. These investments were divided on five categories: Equipment, IT, SDVs, Constructions and Auto.

Significant events during 2016

- ✓ In **January** the Board of Directors nominated the financial services company BT Securities to represent Teraplast in the share buyback process of maximum 2,000,000 own shares. The General Meeting of Shareholders approved, in the session dated December 7th 2015, the repurchase by Teraplast SA of its own shares.

- ✓ The Board of Directors approved in **February** a „stock option plan” by which a number of Group employees will receive Teraplast SA (symbol TRP) shares, which will be purchased in the buy-back program approved by EGMS decision no. 1/07.12.2015. The shares of the „stock option plan” will be given to the beneficiaries for free. The minimum period after which the beneficiaries of the „stock option plan” can choose to receive free shares, cannot be less than 1 (one) year.
- ✓ The Board of Directors approved in **February** the beginning of the share buyback process, according and in the conditions approved by the decision no. 1 of the EGMS, dated December 7th 2015.
- ✓ The Central Depository registered in **February** in the register of shareholders of the company the share capital increase with 8.874.589 lei, by issuing 88,745,890 new shares, with nominal value of 0.10 lei/share. Following the capital increase, the new share capital of Teraplast SA will be 37,762,177 lei, divided into 377,621,770 shares, with nominal value of 0.10 lei each. The share capital increase was made into the account of all shareholders registered in the register of shareholders on January 29th 2016, to which there were allocated for free 30.72111455 new shares for each 100 owned shares.
- ✓ The General Meeting of Shareholders approved in **April** the share capital increase with 18,881,089 lei by releasing of 188,810,890 new shares, with a reference value of 0.10 lei/share. The share capital increase was made by incorporating the reserves in amount of 18,881,089.00 lei, constituted from the 2015 net profit and by releasing of 188,810,890 new shares with a reference value of 0.10 lei/share. The new released shares did not modify the shareholders percentage and they were distributed for free to all company’s shareholders, registered in the Shareholders’ Registry, at the registration date June 24th 2016. The capital increase was made to support the current activity of the company. Every shareholder registered in the Shareholders’ Registry at the registration date received a number of 50 new shares for every 100 owed shares.
- ✓ The General Meeting of Shareholders also decided in **April** the distribution of dividends in total value of 7,930,057 lei, the proposed gross dividend/share being of 0.021 lei.
- ✓ At the end of **May** had finished the transfer of the Teraplast Group’s logistic activities to the company Teraplast Logistic, the new company taking over all logistic activities (warehousing and transport). The shareholders of the new created company are Teraplast with 99% of share capital and subsidiary TeraSteel. The outsourcing of the logistic activities is made in the context of which Teraplast Group intends to focus on core business activities, while the related activities are to be run to separate entities.
- ✓ In **June** Teraplast began the dividends payment from the 2015 profit, the payment agent being Banca Transilvania.
- ✓ In **July** the Central Depository registered in the register of shareholders the company’s share capital increase with 18,881,089 lei, by issuing 188,810,890 new shares, with nominal value of 0.10 lei/share. Following the capital increase, the new share capital of Teraplast SA will be 56,643,266 lei, divided into 566,432,660 shares, with nominal value of 0.10 lei each. The share capital increase was made into the account of all shareholders registered in the register of shareholders on June 24th 2016, which were allocated 50 bonus share for each 100 held shares.

- ✓ In **July** the General Meeting of Shareholders elected KPMG Audit, as Teraplast's financial auditor and the company General Consulting MGI as internal auditor.
- ✓ In **august** Teraplast filed for a government assistance in order to develop an investment project in amount of LEI 65.63 million, according to the government decision no. 807/2014. The project was not selected for financing.
- ✓ In **September** the Board of Directors decided for Teraplast to establish, as sole associate, a limited liability company in Hungary.
- ✓ The General Meeting of Shareholders elected in **October** the members of the Board of Directors, the decided structure being as follows: Dorel Goia, Magda-Eugenia Palfi-Țîrău, Teofil-Ovidiu Muresan, Razvan Stefan Lefter and Petru-Raul Ciurtin.
- ✓ In **October** The Board of Directors elected Mr. Dorel Goia as Chairman of the Board and accepted the resignation of Mr. Teofil-Ovidiu Muresan from the function of Non-executive Director. In the context of Mr. Muresan's resignation, the Board of Directors of Teraplast decided the nomination of Mr. Mircea Hotoleanu as interim Non-Executive Director, starting with October 27th 2016 until the assembly of the Ordinary General Meeting of Shareholders.
- ✓ Teraplast ended in **October** the share buyback program, which went off in the conditions approved by the decision no. 1 of the EGMS, dated December 7th 2015.
- ✓ In **Decembrie** the General Meeting of Shareholders elected Mircea Hotoleanu as Non-Executive Director, his mandate being available until October 2017.

Subsequent events:

- ✓ 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.
- ✓ In **February** Cosmin Patroiu was appointed as Chief Executive Officer of TeraSteel.

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.

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Appendix:

1. **Consolidated income statement, as of December 31st 2016 (Teraplast Group)**
2. **Consolidated statement of financial position, as of December 31st 2016 (Teraplast Group)**

Consolidated income statement, as of December 31st 2016 (Teraplast Group)

Thousand, lei	2016	2015	▲ %
Consolidated revenue	398,862	393,542	1.35
Other operating income	677	1,253	(46)
Changes in inventories of finished goods and work in progress	3,980	3,851	3.35
Raw materials, consumables used and merchandise	(267,833)	(272,566)	(1.74)
Employee benefits expenses	(34,044)	(32,555)	4.57
Provisions, depreciation and amortization expenses	(15,397)	(15,826)	(2.71)
Gains/ (Losses) from the outflow of tangible and intangible assets	(52)	(195)	(73.52)
Gains/(Losses) from the fair value measurement of investment property	1,930	(1,242)	(255.32)
Other expenses	(39,789)	(36,258)	9.74
Financial costs	(5,979)	(7,434)	(19.57)
Financial incomes	3,769	4,168	(9.59)
Share of the profit or loss of the joint venture accounted for using the equity method	742	4,119	(81.99)
Profit/(Loss) before tax	46,866	40,857	14.71
Taxes on income	(6,546)	(5,609)	16.69
Consolidated Profit/(Loss) for the period	40,320	35,247	14.39

Total comprehensive income	41,536	33,840	22,74
Consolidated result for the period	40,320	35,247	14,39
thereof attributable to stockholders of Teraplast SA	40,178	34,474	16,55
thereof attributable to non-controlling interests	141	774	
Number of shares	566,432,660	288,875,880	
Comprehensive earnings/(loss) per share (RON)	0.071	0.119	

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Consolidated statement of financial position, as of December 31st 2016 (Teraplast Group)

Thousand, lei	2016	2015	▲%
Assets			
Non-current assets			
Tangible assets	131,836	130,065	1.36
Investment property	11,493	12,115	(5.14)
Intangible assets	1,367	1,080	26.64
Investment in the joint venture accounted for using the equity method	12,677	15,935	(20.45)
Other financial investments	16	16	0
Total non-current assets	157,389	159,211	(1.14)
Current assets			
Inventories	67,059	53,356	25.68
Trade receivables	65,357	86,616	(24.54)
Prepayments	326	388	(16.01)
Cash and cash equivalents	16,032	12,556	27.69
Total current assets	148,774	152,916	(2.71)
Assets held for sale		-	
Total assets	306,164	312,127	(1.91)
Equity and liabilities			
Equity	56,643	28,888	96.08
Subscribed share capital	56,643	28,888	96.08
Other elements of equity	317	951	(66.62)
Share premium	27,385	27,385	0
Revaluation reserves	19,782	18,566	6.55
Legal reserves	12,327	9,864	24.97
Retained earnings	98,342	97,580	0.78

Stockholders' equity	214,796	183,233	17.23
Non-controlling interests	341	200	70.63
Total equity	215,138	183,433	17.28
Long-term liabilities			
Loans and finance lease liabilities	10,505	10,535	(0.29)
Other long-term liabilities	487	0	
Liabilities for employee benefits	352	295	(19.21)
Investment subsidies	2,929	3,373	(13.19)
Deferred tax liabilities	4,140	3,982	3.97
Total long-term liabilities	18,412	18,186	1.24
Current liabilities			
Trade and other payables	52,632	66,888	(21.31)
Loans and finance lease liabilities	15,919	38,533	(58.69)
Income tax payable	542	1,446	(62.5)
Investment subsidies – current portion	463	467	(0.82)
Provisions	3,057	3,174	(3.68)
Total current liabilities	72,614	110,508	(34.29)
Total liabilities	91,026	128,694	(29.27)
Total equity and liabilities	306,164	312,127	(1.91)

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