

120
ani



TeraPlast



www.teraplast.ro

FY2017 results and 2018 Outlook

19 February 2018



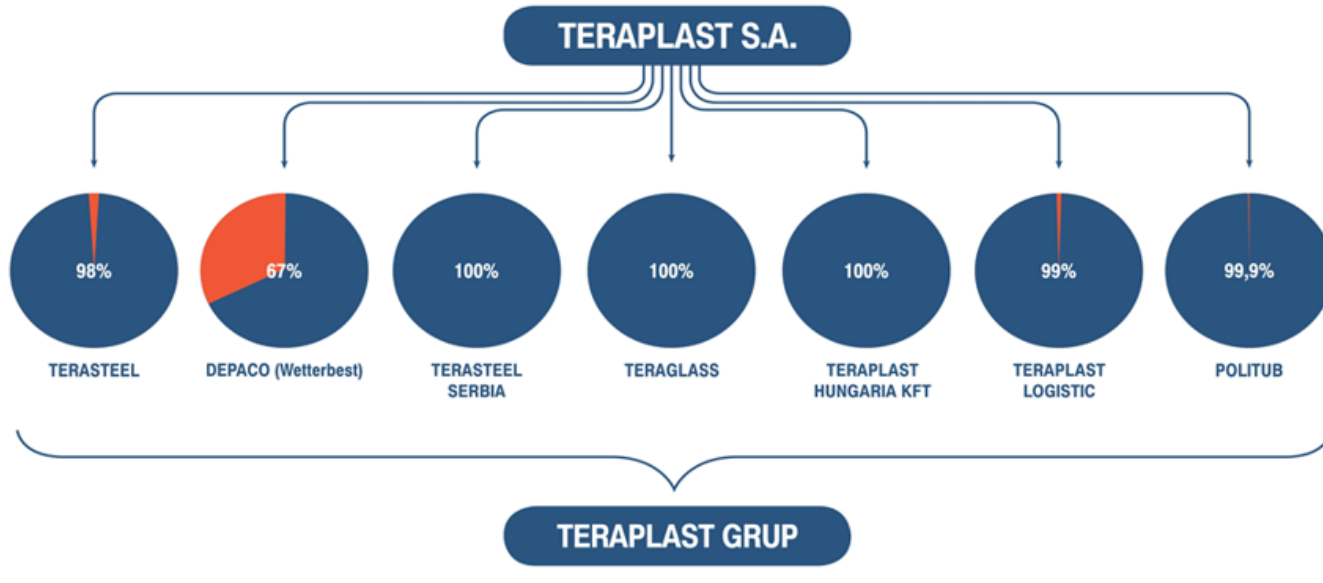
120
ani



TeraPlast

TeraPlast Group

www.teraplast.ro





Contents

Overview and key figures

Segment results and outlook

Main objectives to reach 2018 budget

Investments and net debt

Overview and key figures

2
0
1
7mRON
40.8

EBITDA

mRON
426.6

Net Sales

9.6%

EBITDA Margin

2
0
1
8mRON
101

EBITDA

mRON
970

Net Sales

10%

EBITDA Margin

The significant investments that TeraPlast made in 2017, will have a major influence to the Group's results in 2018.

Segment results and outlook

Segment	EBITDA 2017	Net Sales 2017	% EBITDA 2017	EBITDA 2018b	Net Sales 2018b	% EBITDA 2018b
Sandwich Panels	18	175	11%	37	324	11%
Roof systems	Not included in consolidation			29	277	10%
Installations & Decorations	10	115	9%	12	134	9%
Compounds	6	52	12%	6	64	10%
Window PVC Profiles	5	53	9%	7	69	10%
Polyethylene	0	7	3%	7	66	11%
PVC Windows & Doors	2	24	7%	3	37	7%
Total	41	427	10%	101	970	10%

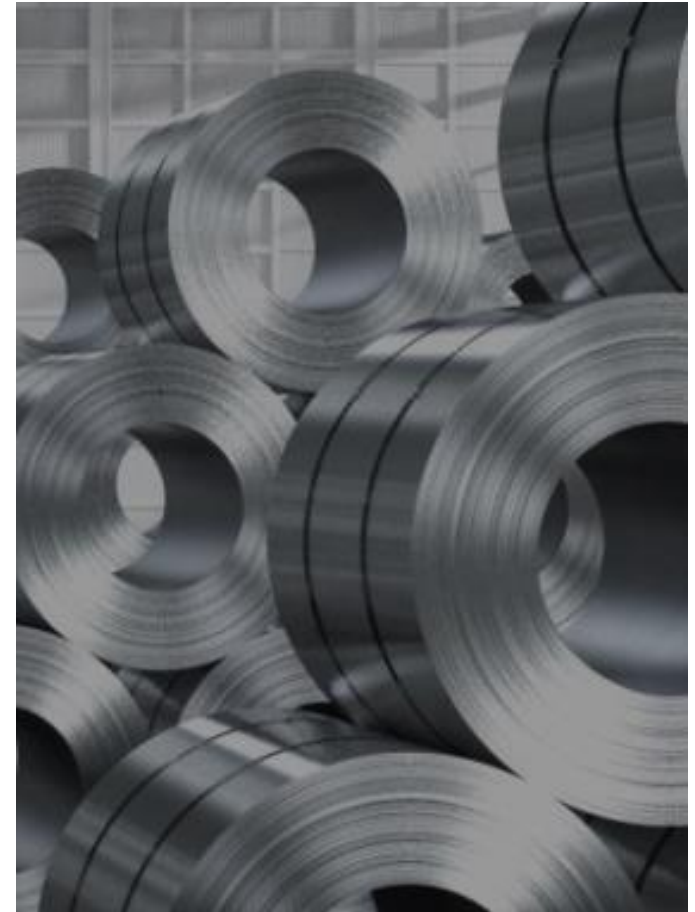
all amounts in mRON

2017 Details and strategic outlook

- General decrease of engineering projects and Poor absorptions of EU funds; Failure to start infrastructure projects generated poorer results than anticipated
- Romcab insolvency impacted the sales of the compound division
- Since 2015-2016 the Company estimated that its sales relied too heavily on infrastructure works and lack of integration with subsidiaries
- Purchase of Depaco and TeraSteel Serbia were the steps taken to dramatically reduce this dependency
- 2018 forecast is based on the estimated impact of acquisitions made last year
- In 2018 TeraPlast will reap the harvest of the intensive investments made in 2017

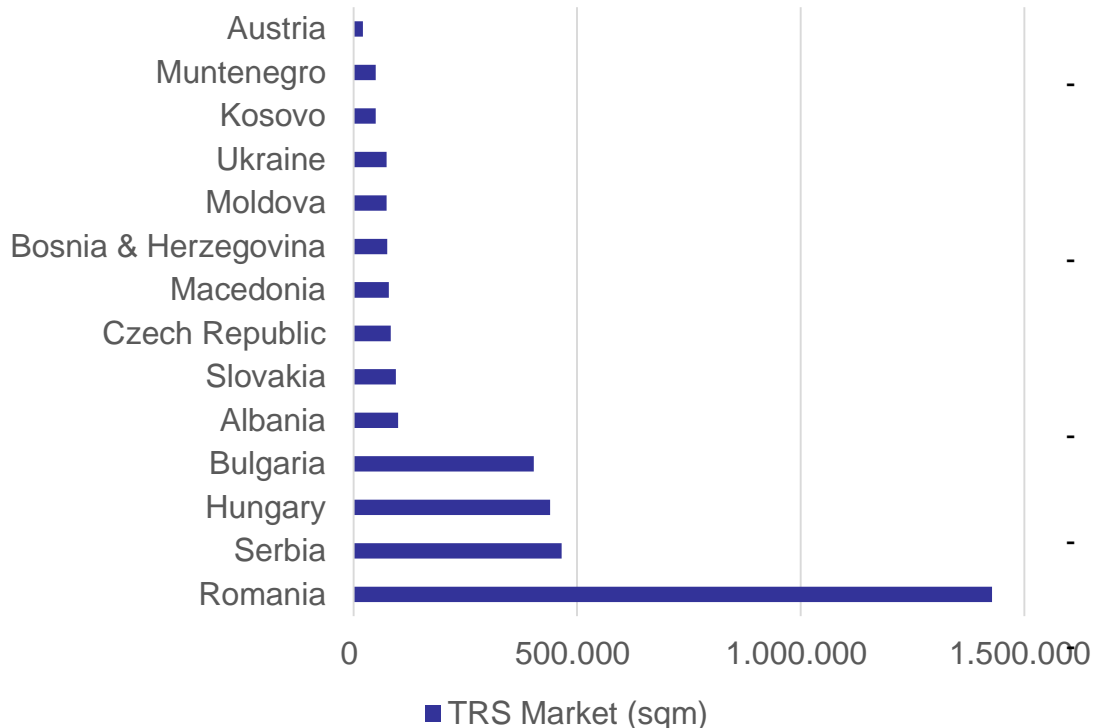
Main objectives to reach 2018 budget - Sandwich panels 1/7

- The benefits of our market development initiatives from 2017 for this segment will be visible in full during 2018 when we expect to grow this business by 1.8x;
- Increase of non residential sector by 4% in Romania and 10% in Serbia, Bulgaria, Macedonia
- Growth will come mainly from Serbian plant



Main objectives to reach 2018 budget - Sandwich panels markets 2/7

TRS Market (sqm)



- **Romanian sandwich panel market: 100 mil. EUR, TeraSteel Romania being the largest producer with 21% market share**
- **Serbian sandwich panel market is 2.3 mil sqm (35 mil. EUR), is dominated by imports (80%), and the opportunity to be a player in Balkans region could not be overseen.**
- **With the acquisition of Serbian plant, TeraSteel is able to meet the rising demand in Balkans, beside Serbian market : Bulgaria-2.7 mil. sqm, Bosnia-0.5 mil sqm, Croatia-0.5 mil. sqm, and to consolidate its position on the Romanian market.**
- **The Balkans are a net importer of sandwich panels**
- **Production for TeraSteel Serbia is planned to reach 1.6 mil sqm in 2018.**

Terasteel Serbia & Terasteel Romania are expected to reach in 2018 a turnover of EUR 70 mil EUR.

We are positioned to address the unfulfilled potential of target markets for sandwich panels

Main objectives to reach 2018 budget - Installations & Decorations 3/7

- New product development;
- Close monitoring of EU funding available for infrastructure projects: existing projects in amount of EUR 2.85 billion for POIM *Priority axis 3 – Development of environment infrastructure under efficient resource management conditions with specific objective 3.2 – increasing the level of collection and treatment of urban waste water as well as the degree of assurance of drinking water supply to the population*; (period 2014-2020 + 3 years, absorption rate up to Jul 21, 2017 for POIM was of 0.004%);
- Developing our distribution capacity;
- New listings on key accounts;
- PVC Recycling - we expect significant savings from the PVC recycling operations; we will increase the percentage of recycled PVC in the profiles (we implement a new co-extrusion technology) and the pipes for the residential sector;
- **Opportunity:** 49% of households in Romania are connected to the public sewage network.

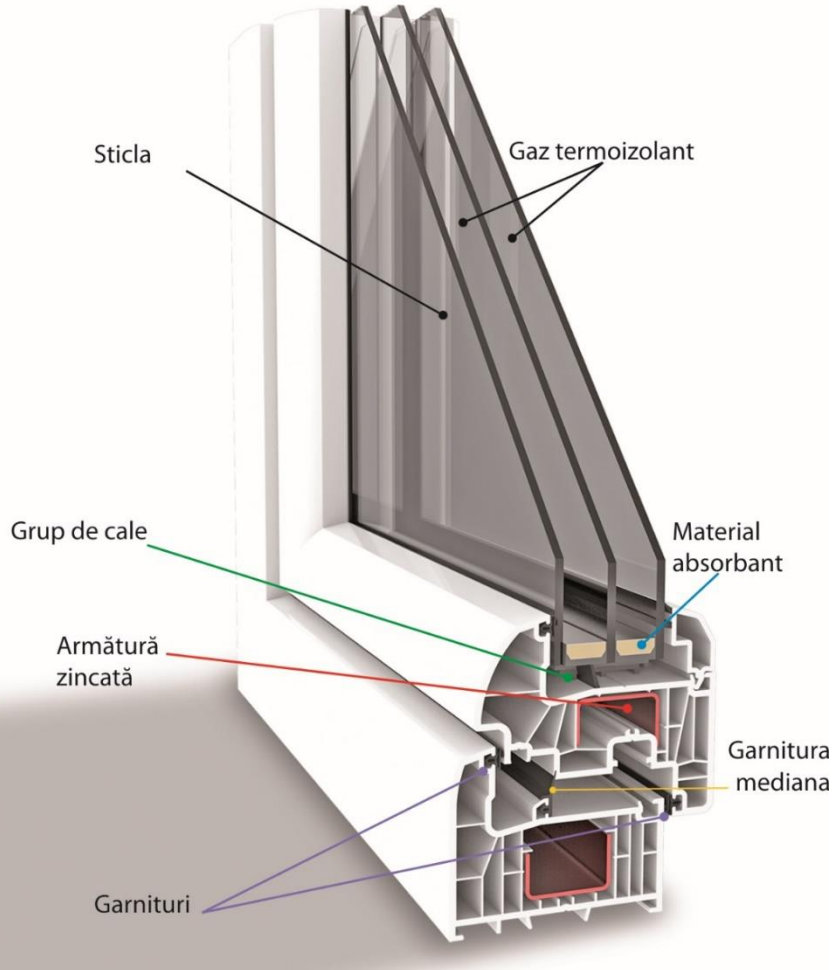


Main objectives to reach 2018 budget – Compounds 4/7

- New recipes developed to better serve existing and new customers who currently import these products from other countries;
- New customers, especially exports to Bulgaria, Serbia, Moldova, Czech Republic, Ukraine, Hungary, Slovakia, Poland, Germany, Italy;
- Inventory increase during Jan-Mar 2018 to ensure competitiveness over the entire season to come;



Main objectives to reach 2018 budget - Window PVC Profiles 5/7



- We will prepare in advance with finished products needed during the busy season; expected inventory increase during January-April 2018 of RON 4.3 mil in 2018 as compared to the same period in prior year;
- Molds for new profiles, new technology will allow us to use recycled material of up to 65%;
- Win RFQ's before and after the busy season by offering discounts to ensure lock-in of producers to Teraplast solutions;

Main objectives to reach 2018 budget – Polyethylene 6/7

- In Q4 2017, Politub business was transferred to Teraplast SA and becomes the Polyethylene segment;
- This segment manufactures tubes and pipes, of medium and high density PE for the transport and distribution networks of water, gas and telecommunications, or irrigation.
- **Opportunity:** 64% of households in Romania are connected to the public water network.
- Expected turnover of RON 65.8 mil as we will increase faster than the market from current 7% market share through synergies with TeraPlast distribution channels;

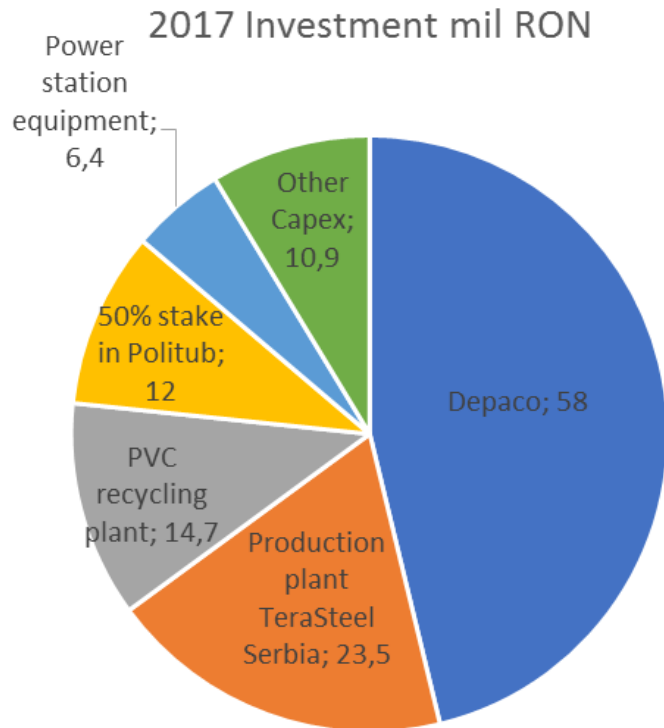


Main objectives to reach 2018 budget – Roof Systems 7/7



- In 2017, TeraPlast acquired a majority shareholding in Depaco, the second largest roof tiles producer in Romania.
- Expected synergies for sourcing of raw materials as well as parts of the distribution network;
- Increase in production capacity both by way of new investments as well as by optimizing production flows;
- Increase brand awareness;

Investments and net debt 1/5



In 2017 investments in CapEx totaled 55.5 mil RON the main developments being:

- Production plant in Serbia for RON 23.5 mil;
- PVC recycling plant for RON 14.7 mil;
- Power station equipment for RON 6.4 mil;

In addition, we purchased the 67% shareholding in Depaco for 58 mil. RON and the remaining 50% stake in Politub for 12 mil RON.

Investments and net debt 2/5

Breakdown of net debt as at Dec 31, 2017

	31-Dec-17
Net debt	122,559,653
EBITDA	40,760,537
Net debt to EBITDA	3.0
Cash	11,047,519
Total bank debt	133,607,172
Overdraft	44,486,256
Depaco	32,900,000
Capex	29,161,522
Serbia	15,663,934
Politub	9,775,000
Leasing	1,620,461

Recycling

- Commissioning of PVC recycling production line in Nov 2017 - expected cost reduction for PVC raw material with EBITDA impact of 1.5 mil EUR;
- New technologies developed to increase the % of recycled material that can be used in profiles and pipes for residential sector;
- Monthly recycling capacity is 1,000 to, which will place us in top 10 recycling facilities in Europe in 2018;

Investments and net debt 3/5

Breakdown of net debt as at Dec 31, 2017

	31-Dec-17
Net debt	122,559,653
EBITDA	40,760,537
Net debt to EBITDA	3.0
Cash	11,047,519
Total bank debt	133,607,172
Overdraft	44,486,256
Depaco	32,900,000
Capex	29,161,522
Serbia	15,663,934
Politub	9,775,000
Leasing	1,620,461

Depaco

- In 2017, we purchased 67% of Depaco for the amount of RON 58 mil and financed the acquisition partly through a loan of RON 33 mil;
- Total financial debt to EBITDA remains in 2017 at 3.1x for debt related to Depaco (debt of Depaco plus Teraplast debt to finance the acquisition); TFD to EBITDA expected for 2018 is at 2.6x
- Depaco was not consolidated as of Dec 2017. Excluding the financing of Depaco from the consolidated net debt, the leverage on the consolidated financials as of Dec 2017, would be 2,5

Investments and net debt 4/5

Breakdown of net debt as at Dec 31, 2017

	31-Dec-17
Net debt	122,559,653
EBITDA	40,760,537
Net debt to EBITDA	3.0
Cash	11,047,519
Total bank debt	133,607,172
Overdraft	44,486,256
Depaco	32,900,000
Capex	29,161,522
Serbia	15,663,934
Politub	9,775,000
Leasing	1,620,461

Terasteel Serbia

- Budgeted EBITDA for TRS Serbia of RON 13 mil;
- Acquisition financed through an intercompany loan of RON 21 mil out of which RON 15 mil were obtained from BT with a fixed interest rate;
- Total financial debt to EBITDA for 2018 is expected at 2x;
- A reference point in the development and expansion of TeraPlast activities in the last period is the opening of TeraSteel Serbia, the first foreign factory inaugurated since 1990 and fully owned by a Romanian company.

Investments and net debt 5/5

Breakdown of net debt as at Dec 31, 2017

	31-Dec-17
Net debt	122,559,653
EBITDA	40,760,537
Net debt to EBITDA	3.0
Cash	11,047,519
Total bank debt	133,607,172
Overdraft	44,486,256
Depaco	32,900,000
Capex	29,161,522
Serbia	15,663,934
Politub	9,775,000
Leasing	1,620,461

Politub

- As of Oct 2017, Politub becomes a fully owned subsidiary of Teraplast;
- Transaction value was in amount of EUR 2.5 mil and was financed through a loan of RON 9.78 mil;
- In Dec 2017, Politub business was transferred to Teraplast becoming the Polyethylene product group (Part of Installations & Decoration);



www.teraplast.ro