

Teraplast – completes turnaround and resumes growth

Bistrita, 02 November 2012 – Teraplast, leading supplier of infrastructure solutions and systems for constructions, achieved in the first nine months of 2012 a **turnover of RON 197.73 mio (9% above the first nine months of last year) and an operating profit of RON 5.73 mio (with RON 9.52 mio more than 2011). The net result** was slightly negative (**RON 1.36 million**), but improved by **RON 5.59 mio**, as compared to the same period of the previous year.

During the last 18 months, Teraplast implemented a comprehensive operational and financial restructuring program aimed at developing certain business lines with growth and profitability potential (production of PVC profiles, production of windows and doors and production of PVC granules), while at the same time discontinuing, converting, or spinning off declining, or collateral business lines. During the same period, Teraplast accelerated its efforts to converted into cash real estate and other assets, less utilized after the re-location to the Teraplast Industrial Park of all production facilities and offices.

Stefan Bucataru, CEO of Teraplast: „Despite an extremely volatile economic climate, both at home and in the rest of Europe, Teraplast performed well, during the first nine months of the year. Sales increased as compared to last year and profitability improved conspicuously. At present, we can declare the turnaround program finalized and the profitable growth course resumed. Teraplast is on solid foundations and the company will perform well in the long-run and it will bring value to its shareholders.”

Key performance indicators (RON, thousand)	1-9/2012	1-9/2011	▲ vs. 2011
Turnover	179,733	164,367	9.35%
Earnings/(losses) before interest and taxes (EBIT)	5,727	(3,797)	9,524
Net result	(1,361)	(6,955)	5,594
Average number of employees	462	481	(3.74%)

The 9% increase in the overall **turnover**, registered by Teraplast during the first nine months of this year, was sustained by the substantial growth achieved in the business segments slated for development: production of windows and doors (+70%), production of PVC granules (+57%) and production of PVC profiles (+31%). The solutions for infrastructure and installations segment (which represented 35% of the company's turnover during the first nine months) increased only by 1%, due to the slowdown in infrastructure project financing, especially those projects funded by the European Union. The evolution of the company's core business segments was above the accordant markets, which registered decreases, or stagnation.

A noteworthy development in the structure of the company's revenue was the development of export sales, which increased by 52%, during the first nine months of 2012, as compared to last year and got to represent over 15% of the company's turnover, as compared to 11% last year.

EBIT was **RON 5.73 mio** in the first nine months, as compared to a loss of RON 3.79 mio recorded in the same period of 2011, representing an improvement of the profitability during the reporting period. An important contribution to the operating profit improvement had the changes in the products' portfolio and markets structure; as a result, the ones selected for development reached to a level of 49% of the 2012 nine months turnover, as compared to 35% in the same period of the last year.

The **net result** remained slightly negative (**RON 1.36 mio**), but the loss decreased by RON 5.59 mio as compared to the same period of the previous year (RON 6.95 mio). The 2012 net result was negatively influenced by the **net financial loss** of RON 6.55 mio, because of the national currency devaluation to the Euro by approximately 5% as compared to the beginning of the year, approximately half of the foreign exchange losses being unrealized.

The non-current assets decreased in the first nine months of 2012, by 7.35%, as compared to 2011, mainly due to the sales of non-current assets (land and buildings) remained unutilized after the relocation of the production capacities and head-offices from Bistrita to Teraplast Industrial Park.

Operating working capital (receivables + inventories – trading liabilities) increased by 16% as compared to September 2011, but it remains to a comparable level to the previous year of approximately 32% of the Company's turnover.

Significant events in January-September 2012

Teraplast finalized in **March** the implementation of the last of the three training programs for its employees, co-financed from the European Social Fund, through the Operational Program for Human Resources Development 2007 - 2013, "Invest in people!". The implementation of the project "Performance Management, infallible path for company's success" began in August 2010, and it continued the employees' training, by courses addressed especially to middle and top management.

In **May**, the Board of Directors of Teraplast decided to extend for another year the power of attorney of the Chief Executive Officer - Stefan D. Bucataru. Mr. Bucataru was appointed CEO of Teraplast in 02 May 2011.

The General Meeting of Shareholders elected in **June** the members of the Board of Directors and that the power of attorney of the Board of Directors members will be of 1 year, not 4 years.

The General Meeting of Shareholders approved in **September** the appointment of **Ernst & Young Assurance Services** as **financial auditor** of Teraplast. In the same General Meeting of Shareholders was approved the outsourcing of the internal audit activity and the appointment of **PricewaterhouseCoopers Audit** in this quality. The validity of financial audit and internal audit contracts will be 2 years.

Prospects for 2012

We estimate that the **main raw materials** we use (PVC, PE, PP) will register a slight price decrease, mainly due to demand recession. However, there will be not important decreases, because the raw materials producers will certainly not sacrifice the margins for volumes, so we expect measures of handling the inventories and production, in order to minimize the price decreases.

For the following months of 2012 we expect volume sales increases, mainly on the foreign markets. The other business segments, the **infrastructure segment** (sewage and water supply), **residential and non-residential** will register in the best chase a standstill, on one hand due to the low season beginning, and on the other hand because of the financing blockings, both public (European funds) and private.

Details about Teraplast:

Teraplast is the largest company of Teraplast Group, and company's product portfolio covers a wide range of installations (except for heating and ventilation systems). Teraplast's products are structured on seven systems: water supply system, exterior sewage system, interior sewage system, interior and exterior decoration and furnishing system, window PVC profiles system, PVC granules and electric system.

Starting from July 2nd, 2008 the company Teraplast is listed at The Bucharest Stock Exchange under the symbol TRP, and since 2009 the company has been included in the composition of the indexes BET-C and BET-XT. The company's main shareholders at the reference date September 30th 2012 are Dorel Goia (34.25%), SIF Banat-Crisana (11.00%), Emanoil Viciu (8.47%) and Others (46.28%).

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Appendix – investors' report

02 November 2012

Profit and loss account

RON, thousand	1-9/2012	1-9/2011	▲% vs. 2011
Net turnover	179,733	164,367	9.35
<i>Change in inventory – (Debit)/Credit balance</i>	(895)	1,378	(164.97)
<i>Fixed assets capitalized</i>	345	402	(14.19)
<i>Other operating revenues</i>	8,147	4,139	96.82
TOTAL operating revenues	187,330	170,286	10.01
<i>Raw materials and consumables expenses</i>	113,588	92,253	23.13
<i>Other materials expenses</i>	625	625	-
<i>Utilities expenses</i>	4,633	5,179	(10.53)
<i>Expenses with goods for resale</i>	14,601	27,742	(47.37)
<i>Personnel expenses</i>	16,780	16,819	(0.23)
<i>Adjustments to the value of fixed assets (depreciation)</i>	10,085	10,547	(4.38)
<i>Adjustments to the value of current assets</i>	(142)	491	(128.95)
<i>Other operating expenses</i>	21,432	20,429	4.91
TOTAL operating expenses	181,603	174,084	4.32
<i>Operating profit/(loss)</i>	5,727	(3,797)	250.80
<i>Financial result</i>	(6,549)	(3,158)	107.40
<i>Gross (loss), before tax on profit</i>	(823)	(6,955)	(88.17)
Net (loss)	(1,361)	(6,955)	(80.43)
EBITDA (earnings before interest and taxes)	15,812	6,736	134.25

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02 November 2012

Balance sheet

RON, thousand	1-9/2012	1-9/2011
ASSETS		
A. TOTAL noncurrent assets	146,636	158,272
<i>I. Intangible assets</i>	937	994
<i>II. Tangible assets</i>	134,034	145,613
<i>III. Financial assets</i>	11,665	11,665
B. TOTAL current assets – TOTAL	115,376	101,921
<i>I. Inventories</i>	33,022	32,704
<i>II. Receivable</i>	80,012	67,266
<i>III. Short term investments</i>	0	56
<i>IV. Cash and bank accounts</i>	2,342	1,399
C. Prepayments	756	496
TOTAL ASSETS	262,768	260,193
SHAREHOLDERS EQUITY AND LIABILITIES		
<i>Shareholders' equity</i>	128,713	137,927
<i>Payables in more than one year</i>	19,090	21,551
<i>Provisions</i>	3,877	1,954
TOTAL current liabilities - of which:	109,725	98,760
<i>Interests bearing liabilities</i>	45,831	37,059
<i>Trading liabilities</i>	51,568	48,033
<i>Other liabilities</i>	12,326	13,668
TOTAL SHARE CAPITALS AND LIABILITIES	262,768	260,193

