

PRESS RELEASE

Teraplast Group: financial results for the first half of 2016

Net profit of over LEI 19 million and a turnover increasing by 18% as compared to the similar period of 2015

Bistrita, August 11, 2016 - Teraplast Group, the largest PVC processor in Romania and one of the leading manufacturers of materials for construction and installation market, continues on the good path which started two years ago and achieves in the first half of 2016 significant increases of all financial indicators.

Teraplast Group includes the company Teraplast, the subsidiary Plastsistem, the subsidiary Teraglass (starting with April 2015; initially Teraglass activity was organized as a business line of Teraplast), the subsidiary Teraplast Moldova, the subsidiary Teraplast Logistic (starting with June 2016) and Politub (joint-venture).

Thousand, lei	H1 - 2016	H1 - 2015	▲ %
Turnover	192,760	164,112	17.46
Operating profit/(loss)	23,087	14,436	59.93
Net Profit/(Loss) for the period	19,066	12,525	52.22
EBITDA	28,363	22,280	27.3
Basic earnings/(loss) per share (RON)	0.05	0.04	25.00
Interest-bearing debts	51,141	49,714	2.87
Cash and cash equivalents	11,935	5,828	104.81

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

***The variation sign % indicates the effect on the Group's activity;*

**** The consolidation includes 100% of revenues and expenses for the companies Teraplast, Plastsistem, Teraplast Moldova, Teraplast Logistic and Teraglass and excludes Politub. Being a joint venture company, Politub is consolidated only at the profit level, by 50%.*

Alexandru Stănean, Chief Executive Officer of Teraplast: *"The evolution in the first half of the year is in line with our expectations, and the market evolution helped us with the achieved increases. On the other hand, for the second half of the year there is the risk to have a turnaround trend for the market evolution. The infrastructure segment becomes almost non-existent given the fact that for the projects started on the previous EU budget are ended most of them, and on the residential works we have a deadlock of the market due to credit default. It is impossible for us to understand why, after two years and a half since the opening of the budgetary exercise, the project invitations for POIM are not opened yet. The beneficiaries (the water-sewer companies) have the projects prepared according to the*

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master-plan, but they can't lay them. The projects of water and sewage have over EUR 6 billion available financing, but the slow start of the projects will have this year a negative impact over the construction market because only the private investments cannot sustain the future evolution of the sector”.

In the first half of the year Teraplast Group have obtained a **consolidated turnover** of **LEI 192.76 million**, increasing by **17.46%** as compared to the same period of 2015, evolution sustained both by the domestic market context and the increase of the foreign market deliveries. In the first six months of 2016, Teraplast Group's **exports** have increased by **28%** 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, compound and paneling and on the second position in interior sewage. The subsidiary, Plastsistem, is among the three players on sandwich panels market and, starting last year, is the leader of the galvanized steel structures market.

During the analyzed period, Teraplast Group's **net profit** amounted to **LEI 19.06 million**, as compared to LEI 12.52 million, value obtained in the first half of 2015. Net profit evolution at consolidated level, was primarily supported by the significant improvement of the **operating performance**, Teraplast Group achieving in the first half of 2016 an **operating profit** of **LEI 23.08 million**, as compared to LEI 14.43 million in the similar period of 2015. In the first six months of the year, 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, was also increasing, this indicator amounting over **LEI 28.36 million**, increasing by **27%** as compared to the similar period of 2015.

In the first six months of 2016, **the cash available in the accounts** increased up to **LEI 11.93 million**, as compared to LEI 5.82 million in the similar period of 2015.

Despite the turnover evolution, the Teraplast Group's **receivables** have only increase by **4.31%**, as a result of the decrease of the medium term of cash-in from clients.

As concerns the **inventories**, their increase in this period by over **49%** was generated by the necessity of securing us from the fluctuation of the raw materials prices, strategy which, sustained also by the sales increase, have contributed to the operating efficiency registered in the first half of the year.

Investments during January – June 2016

Teraplast Group realized in the first six months of 2016 a total **investments** of over **LEI 6 million**. For the entire year, the Group has proposed an **investment budget worth over LEI 22.95 million** (EUR 5.1 million). These investmets are devided on five categories: Equipment, IT, SDVs, Constructions and Auto.

Significant events during January-June 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 will be 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 will not modify the shareholders percentage and will be distributed for free to all company’s shareholders, registered in the Shareholders’ Registry, at the registration date June 24th 2016. The capital increase is made in order to support the current activity of the company. Every shareholder registered in the Shareholders’ Registry at the registration date shall receive 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 Plastsistem. 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.

Subsequent events:

- ✓ 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.

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 200 million lei in the development and the modernization of the production capacities, but also in the products portfolio extension.

Beginning with July 2nd 2008 the biggest company in the Group – Teraplast is listed at Bucharest Stock Exchange, symbol TRP.

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Appendix:

- 1. Consolidated income statement, as of June 30th 2016 (Teraplast Group)**
- 2. Consolidated statement of financial position, as of June 30th 2016 (Teraplast Group)**
- 3. Stand-alone income statement, as of June 30th 2016 (Teraplast SA)**
- 4. Stand-alone statement of financial position, as of June 30th 2016 (Teraplast SA)**

Consolidated income statement, as of June 30th 2016 (Teraplast Group)

Thousand, lei	H1 - 2016	H1 - 2015	▲ %
Consolidated revenue	192,759	164,112	17.46
Other operating income	319	363	(12.29)
Changes in inventories of finished goods and work in progress	7,442	1,848	302.72
Raw materials, consumables used and merchandise	(132,497)	(112,783)	17.48
Employee benefits expenses	(17,890)	(15,089)	18.56
Provisions, depreciation and amortization expenses	(5,209)	(8,526)	(38.9)
Gains/ (Losses) from the outflow of tangible and intangible assets	(233)	36	(752.47)
Gains/(Losses) from the fair value measurement of investment property			
Other expenses	(21,604)	(15,525)	39.16
Financial costs	(3,169)	(3,132)	1.18
Financial incomes	1,893	1,721	10.04
Share of the profit or loss of the joint venture accounted for using the equity method	935	1,769	(47.16)
Profit/(Loss) before tax	22,746	14,793	53.76
Taxes on income	(3,680)	(2,268)	62.26
Consolidated Profit/(Loss) for the period	19,066	12,525	52.22
Total comprehensive income	19,066	12,525	52.22
Consolidated result for the period	19,066	12,525	52.22
thereof attributable to stockholders of Teraplast SA	19,016	12,457	52.65
thereof attributable to non-controlling interests	50	68	(26.46)
Number of shares	377,621,770	288,875,880	
Comprehensive earnings/(loss) per share (RON)	0.05	0.04	

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Consolidated statement of financial position, as of June 30th 2016 (Teraplast Group)

Thousand, lei	H1 - 2016	H1 - 2015	▲%
Assets			
Non-current assets			
Tangible assets	127,772	133,440	(4.25)
Investment property	12,115	13,358	(9.3)
Intangible assets	1,513	1,010	49.86
Investment in the joint venture accounted for using the equity method	12,870	14,039	(8.33)
Other financial investments	16	16	0
Deferred tax assets	-	86	
Total non-current assets	154,287	161,948	(4.73)
Current assets			
Inventories	74,494	49,860	49.41
Trade receivables	89,537	85,836	4.31
Prepayments	960	662	44.98
Cash and cash equivalents	11,935	5,828	104.81
Total current assets	176,926	142,186	24.43
Assets held for sale			
Total assets	331,213	304,134	8.90
Equity and liabilities			
Equity			
Subscribed share capital	37,762	28,888	30.72
Other elements of equity	951	0	-
Share premium	27,385	27,385	0
Revaluation reserves	18,566	21,331	(12.96)
Legal reserves	9,853	8,068	22.13
Retained earnings	99,560	73,977	34.6
Stockholders' equity	194,087	159,648	21.57
Non-controlling interests	250	3,389	(92.61)
Total equity	194,337	163,038	19.20
Long-term liabilities			
Loans and finance lease liabilities	8,327	13,533	(38.47)
Other long-term liabilities			
Liabilities for employee benefits	295	389	(24.1)
Investment subsidies	3,140	3,634	(13.58)
Deferred tax liabilities	3,686	4,447	(17.12)
Total long-term liabilities	15,448	22,002	(29.79)
Current liabilities			
Trade and other payables	72,736	76,736	(5.16)

Loans and finance lease liabilities	42,814	36,181	18.33
Income tax payable	2,081	1,476	40.98
Investment subsidies – current portion	467	441	5.88
Provisions	3,290	4,259	(22.76)
Total current liabilities	121,429	119,093	1.96
Total liabilities	136,876	141,096	(2.99)
Total equity and liabilities	331,213	304,134	8.90

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Stand-alone income statement, as of June 30th 2016 (Teraplast SA)

Thousand, lei	H1 - 2016	H1 - 2015	▲ %
Stand-alone revenue	131,828	117,930	11.78
Changes in inventories of finished goods and work in progress	6,327	1,225	416.63
Other operating income	61	8,610	(99.29)
Raw materials, consumables used and merchandise	(90,089)	(77,267)	16.59
Employee benefits expenses	(11,826)	(10,823)	9.27
Provisions, depreciation and amortization expenses	(2,982)	(6,805)	(56.18)
Gains/ (Losses) from the outflow of tangible and intangible assets	(233)	32	(831.68)
Other expenses	(15,983)	(19,972)	(20.42)
Financial result	11,450	312	3,573.13
Profit/(Loss) before tax	28,643	13,242	116.30
Net profit/(loss)	26,129	11,193	133.44
EBITDA	31,937	20,350	56.94

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*H1 2015 sales include sales of doors and windows, while in 2016 these sales are shown on Teraglass financial statements.

The company calculated EBITDA as follows:

	H1 – 2016	H1 - 2015
Net profit	26,129	11,193
Interest expense	(428)	(570)
Amortization expense	(6,141)	(6,279)
Depreciation of the non-current and current assets	3,274	(259)
Expense/income with tax current and deferred	(2,514)	(2,049)
EBITDA	31,937	20,350

Stand-alone statement of financial position, as of June 30th 2016 (Teraplast SA)

mii lei	S1 - 2016	S1 - 2015	▲%
Assets			
Non-current assets			
Tangible assets	89,523	100,824	(11.21)
Investment property	19,643	13,358	47.05
Intangible assets	960	482	99.18
Investment in the joint venture	11,257	9,427	19.41
Other financial investments	15	15	-
Non-current trade liabilities	6,102	6,837	(10.74)
Deferred tax assets	0	0	-
Total non-current assets	127,500	130,943	(2.63)
Current assets			
Inventories	49,428	30,719	60.90
Trade receivables	78,409	76,853	2.02
Prepayments	815	571	42.68
Cash and cash equivalents	9,693	4,047	139.55
Total current assets	138,345	112,190	20.31
Assets held for sale			
Total assets	265,845	243,133	9.34
Equity and liabilities			
Equity	37,762	37,762	-
Subscribed share capital	37,762	37,762	-
Other elements of equity	951	0	-
Share premium	27,385	27,385	-
Revaluation reserves	17,046	18,708	(8.88)
Legal reserves	5,444	4,101	32.73
Retained earnings	80,781	55,567	45.38
Total equity	169,368	134,648	25.79

Long-term liabilities			
Loans and finance lease liabilities	6,390	10,660	40.05
Other long-term liabilities	0	0	-
Liabilities for employee benefits	236	346	(31.77)
Investment subsidies	0	0	-
Deferred tax liabilities	2,652	3,432	(22.74)
Total long-term liabilities	9,278	14,438	(35.74)
Current liabilities			
Trade and other payables	49,393	58,808	(16.01)
Loans and finance lease liabilities	33,216	29,734	11.71
Income tax payable	1,300	1,246	4.34
Investment subsidies – current portion	0	0	-
Provisions	3,290	4,259	(22.76)
Total current liabilities	87,199	94,046	(7.28)
Total liabilities	96,478	108,484	(11.07)
Total equity and liabilities	265,845	243,133	9.34

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