

## Teraplast – the evolution of the financial indicators during the first quarter of 2012

**Bistrita, 11 May 2012 - Teraplast, leading supplier of infrastructure solutions and systems for constructions, realized in the first quarter of 2012 a turnover of RON 37.57 mio and earnings before interest, taxes, depreciation and amortization (EBITDA) of RON 2.34 mio.**

The net turnover was negatively influenced by the extreme weather conditions in the first two months of the year, which delayed the construction season. Under the circumstances, the sales of the infrastructure systems (which represent the largest segment) did not reach the budgeted level. However, the decrease in the sales to the domestic market was compensated for by exports, which reached nearly a quarter of total sales, as compared to 11% in 2011.

The EBITDA value for Q1 2012 was RON 2.34 mio, increasing by 82.96% as compared to the same period of the previous year and 8.45% over the budget. This evolution was achieved despite the high volatility of the local currency and due to a significant increase of raw materials price.

The net result remained negative (RON 2.95 mio), slightly under budget (RON 2.08 mio), due mainly to higher unrealised foreign exchange losses, during reporting period, as compared to the budget.

Key performance indicators, (RON, thousand)	Q1-2012 actual	Q1-2012 budget	Q1-2011 actual	▲% vs. budget	▲% vs. 2011
<b>EBITDA</b>	2,344	2,161	1,281	8.45%	82.96%
<b>Net profit</b>	(2,949)	(2,077)	1,059	(41.94%)	(378.43%)
<b>Net turnover</b>	37,572	36,762	38,101	2.20%	(1.39%)
<b>Average number of employees</b>	405	415	455	(2.41%)	(7.25%)

**Stefan D. Bucataru, CEO:** „The Company’s evolution during the first three months of 2012 was influenced by the low season extreme weather conditions, by the high volatility of the national currency and by the aggressive increase of raw materials prices. However, in the following period of 2012 we expect to be able to achieve our profitability objectives for the year and to continue the development of the business and our focus on core business, strict cost control and conservative commercial credit policy. As we do not expect a significant improvement of the domestic constructions market, we shall focus on extending our presence in foreign markets and on reducing company’s dependency on the domestic economic challenges. The first quarter results already show an increased contribution of exports sales to the total turnover (from 11% in Q1-2011 to 22% in Q1-2012). Furthermore, the operational restructuring program implemented during 2011, together with the strategic investment program for developing the core business segments, have generated an improved EBITDA and have created the prospects for the Company to return to positive net profits during the following months.”

<b>PROFIT AND LOSS ACCOUNT, RON THOUSAND</b>	<b>Q1-2012 actual</b>	<b>Q1-2011 actual</b>	<b>▲% vs. 2011</b>
<b>Net turnover</b>	<b>37,572</b>	<b>38,101</b>	<b>(1.39%)</b>
<i>Change in inventory – Credit balance</i>	3,404	7,860	(56.69%)
<i>Fixed assets capitalized</i>	45	38	18.64%
<i>Other operating revenues</i>	5,038	713	606.61%
<b>TOTAL operating revenues</b>	<b>46,059</b>	<b>46,712</b>	<b>(1.40%)</b>
<i>Raw materials and consumables expenses</i>	24,327	28,438	(14.46%)
<i>Other materials expenses</i>	104	190	(45.49%)
<i>Utilities expenses</i>	1,574	1,558	1.01%
<i>Goods expenses</i>	3,143	5,179	(39.32%)
<i>Personnel expenses</i>	4,803	5,637	(14.79%)
<i>Adjustments to the value of fixed assets</i>	3,433	2,838	20.97%
<i>Adjustments to the value of current assets</i>	1,139	0	N/A
<i>Other operating expenses</i>	8,626	4,430	94.72%
<b>TOTAL operating expenses</b>	<b>47,149</b>	<b>48,270</b>	<b>(2.32%)</b>
<i>Operating profit/(loss)</i>	(1,089)	(1,558)	(30.08%)
<i>Financial result</i>	(1,859)	2,617	(171.04%)
<i>Gross profit/(loss)</i>	(2,949)	1,059	(378.43%)
<b>Net profit/(loss)</b>	<b>(2,949)</b>	<b>1,059</b>	<b>(378.43%)</b>
<b>EBITDA</b>	<b>2,344</b>	<b>1,281</b>	<b>82.96%</b>

*\*\*The financial numbers are calculated according to the Romanian accounting standards and are not audited; all indices refer to Teraplast SA, except for the situations when it is mentioned otherwise*

**The net turnover** of Teraplast for the first three months of 2012 was comparable to the same period of prior year (lower by 1.39%). However, the reduction in raw materials, consumables and goods costs (which decreased by 18.44% as compared to the same period of the last year) and the lower personnel expenses (which were 14.79% lower as compared to 2011) are encouraging.

**Other operating revenues** major components increased, but also the **other operating expenses**, mainly those related to the sales of non-current assets (assets related to the collateral business lines and underutilized assets).

**Earnings before interest, tax, depreciation and amortization (EBITDA)** was 82.96% higher in Q1 2012, as compared to the value registered in the same period of 2011, considering that Teraplast recorded net provisions of RON 1.14 mio (3.03% of the turnover) and a bonuses provision for personnel (of RON 0.18 mio, included in the personnel expenses position), as a result of recording results over the Q1 budget, and beginning with 2012 personnel salaries are correlated to the financial performance of the company; by default, if the evolution will remain the same during entire year, there are premises of exceeding the annual EBITDA budget.

**The negative net result** of RON 2.95 mio was influenced in the first quarter of 2012 by the increase of the net foreign exchange expenses, due to the 6.85% RON devaluation to EUR, as compared to the same period of 2011, and also by the increase of the net interest expenses.

<b>BALANCE SHEET, RON THOUSAND</b>	<b>Q1-2012 actual</b>	<b>Q1-2011 actual</b>
<b>ASSETS</b>		
<b>A. TOTAL noncurrent assets</b>	<b>149,263</b>	<b>164,134</b>
<i>I. Intangible assets</i>	917	1,178
<i>II. Tangible assets</i>	136,681	151.146
<i>III. Financial assets</i>	11,665	11,810
<b>B. TOTAL current assets – TOTAL</b>	<b>83,057</b>	<b>107,667</b>
<i>I. Inventories</i>	33,592	45,714
<i>II. Receivable</i>	46,795	60,430
<i>III. Short term investments</i>	0	283
<i>IV. Cash and bank accounts</i>	2,670	1,240
<i>C. Prepayments</i>	1,231	440
<b>TOTAL ASSETS</b>	<b>233,551</b>	<b>272,241</b>
<b>SHAREHOLDERS EQUITY AND LIABILITIES</b>		
<i>Shareholders' equity</i>	127,125	156,265
<i>Payables in more than one year</i>	22,644	9,465
<i>Provisions</i>	3,777	764
<b>TOTAL current liabilities - of which:</b>	<b>80,005</b>	<b>105,746</b>
<i>Interests bearing liabilities</i>	44,309	45,984
<i>Trading liabilities</i>	27,602	47,886
<i>Other liabilities</i>	8,093	11,876
<b>TOTAL SHARE CAPITALS AND LIABILITIES</b>	<b>233,551</b>	<b>272,241</b>

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**The non-current assets** decreased in the first quarter of 2012, by 9.06%, 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.

**Current assets** position registered a decrease of 22.86% as compared to March 2011.

In structure, **inventories** decreased by 26.52%, to RON 33.59 mio (Q1 2010: RON 45.71 mio); 10% of this evolution is due to the provisions registered at the end of 2011.

**Receivables** decreased by 22.56%, to RON 46.79 mio (Q1 2011: RON 60.43 mio), as a result of the conservative policy regarding the management of company's financial resources and granting commercial credit. The company has also a strict policy regarding the monthly registration of the provisions; at 31 March 2012 the provisions recorded were RON 11.38 mio higher than the ones recorded as at 31 March 2011. At the same date, the cash position increased until RON 2.67 mio (with RON 1.43 mio more than in 2011).

**The total liabilities** of the company diminished by approximately RON 12.56 mio, mainly as a result of the decrease in trade liabilities (by over 42.36%) and due to the decrease of the state budget liabilities. Provisions are at the same level as at December 2011 and represent risks and expenses provisions recorded for liabilities related to the environment protection activities.

## Significant events in Q1 2012

In **February**, Alexandru Sîrbu was appointed Chief Operating Officer of Teraplast Group. Alexandru Sîrbu has an experience of over 15 years in the operational-logistic field, and inside of Teraplast Group he will coordinate the following activities: investments, logistic, production scheduling, research and development, quality, repairs-maintenance, technical and labor security.

Teraplast ended 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 project, "Performance Management, infallible path for company's success" of which implementation began in August 2010, continued the employees training, by courses addressed especially to middle and top management.

## Prospects for 2012

For 2012 we expect the raw materials prices (PVC, PE and PP) to increase, as a result of the expected oil and oil derived products price evolution in the international markets. Price advance was significant even starting with the first quarter and we estimate that dependent on the level of market demand, in the following months the increase trend will continue.

Teraplast will continue in 2012 its **operational optimization process**, with stronger emphasis on profitability, but also on further developing the business. In this context the Company will make investments aimed to convert the production lines, associated with declining business lines, into increased production capacities to support the growing segments. Teraplast will also discontinue/spin off collateral business lines in order to optimize its cash flow and to accelerate its costs reduction program.

Teraplast management will also focus on converting into cash its underutilized assets, released after the re-location of the production facilities and offices to the Teraplast Industrial Park, in order to partially support the Company's investment program. Teraplast finalized until now purchase-sale contracts for real estate assets valued at approximately **EUR 2.3 mio.**

In 2012 we estimate an increase for the **infrastructure segment**, generated by the availability of the European funds for this sector. On the **residential segment** we expect an insignificant increase, while on the **nonresidential segment** we evaluate a constant increase for the next months.

Teraplast will also focus on the development of the **foreign markets** and on widening the collaboration with the domestic and foreign **DIY networks**.

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## 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 2<sup>nd</sup>, 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 March 31<sup>th</sup> 2012 are Dorel Goia (34.25%), SIF Banat-Crisana (11.00%), Emanoil Viciu (8.47%) and Others (46.28%).*

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