

Bistrita
 August 11th 2011

Results of Teraplast (TRP) supported by the net turnover increase

(Stand-alone financial results obtained by Teraplast during the first half of 2011)

- ü The net turnover of Teraplast for the first half of 2011 increased by 5,5% compared to the same period of 2010;
- ü The net profit was negatively influenced by the necessity of registering certain provisions and adjustments, but also by the cost increase of raw materials, partly transferred in the selling price due to the unfavorable economic environment.

Stefan D. Bucataru, CEO of Teraplast: „The first six months of 2011 were strongly influenced by the increase in raw material prices, and also by adjustments and provisions recorded. We consider that during the next six months of 2011, with strict cost controls, we will manage to achieve our objectives and to continue the development of the company. Internal market opportunities are considered, and also external ones, Teraplast exports registering an increase compared to previous year.

Key performance indicators, (RON, thousand)	H1/11	H1/10	▲%
EBITDA	1,281	11,767	(89%)
Net profit	(4,998)	5,837	(186%)
Net turnover	99,033	93,909	5.5%
Average number of employees	421	521	(19%)

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

Significant events in the first half (H1) 2011

- Ü In **January**, the Board of Directors decided to spin-off the PVC window production and to create a distinct company – TeraGlass. Teraplast is the sole shareholder of the new company TeraGlass SRL.
- Ü The General Meeting of Shareholders decided in **February** to spin-off the molding activity and to create a separate company – Tera Tools. Teraplast remains with a minority stake in Tera Tools SRL.
- Ü In **April**, Teraplast finished the buy-back process of 4,500,000 shares, as approved by the General Shareholders Assembly from the 21st of January 2011. The total gross value paid by the company for acquiring the 4,500,000 shares is RON 2,183,090.
- Ü On the **28th of April** the Board of Directors approved the resignation of the Chief Executive Officer - Florin Urîte, for personal reasons. The Board of Directors replaced him with Stefan D. Bucataru (Chief Executive Officer).
- Ü In **May** Mr. Stefan D. Bucataru was also appointed President of the Board of Directors of Teraplast, after Mr. Emanoil Viciu renounced this position and remained a Member of the Board.
- Ü In **May** Alexandru Stanean also renounced his position of Nonexecutive Director, following his nomination (in April), as Chief Executive Officer of the subsidiary Plastsistem SRL.
- Ü The Board of Directors decided in **May** that Mr. Stefan Bucataru will be the only employee of Teraplast with a power assignment contract, and the rest of the employees who had this kind of contract (Edit Orban, Ioan Galea, Larisa Popovici and Marius Albescu) will henceforth continue work for Teraplast on the strength of an individual labor contract.
- Ü Teraplast ended in **May** the implementation of the second 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 total eligible value of the three projects is over 1,6 million lei, of which the grant amount is 1,17 million lei.
- Ü In **June** Mrs. Cristina Stoian was appointed Chief Financial Officer. Mrs. Stoian will coordinate the financial activities of Teraplast and of the companies Plastsistem, TeraGlass si TeraTools.

TeraPlast SA – Financial Statements for H1 2011

Profit and loss account, in RON thousand	H1 2011	H1 2010	▲%
Net turnover	99,033	93,909	5.5%
<i>Change in inventory – Credit balance</i>	4,630	4,870	(4.9)%
<i>Capitalization of fixed assets</i>	151	1,200	(87.4)%
<i>Other operating revenues</i>	1,838	536	243%
TOTAL operating revenues	105,652	100,515	5.1%
<i>Raw materials and consumables expenses</i>	57,028	51,548	10.6%
<i>Other materials expenses</i>	380	392	(3.1)%
<i>Utilities expenses</i>	3,130	2,807	11.5%
<i>Goods expenses</i>	20,248	14,793	36.9%
<i>Commercial discounts</i>	(247)	-	100%
<i>Personnel expenses</i>	10,654	11,790	(9.6)%
<i>Adjustments to the value of assets</i>	6,183	4,880	26.7%
<i>Adjustments to the value of current assets</i>	1,502	-	100%
<i>Other operating expenses</i>	11,675	8,504	37.3%
TOTAL operating expenses	110,554	94,714	16.7%
<i>Operating profit/(loss)</i>	(4,902)	5,801	(185.1)%
<i>Financial result</i>	(96)	260	(137.2)%
<i>Gross profit/(loss)</i>	(4,998)	6,061	(182.4)%
Net profit/(loss)	(4,998)	5,837	(185.6%)
EBITDA	1,281	11,767	(89.1%)

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The **net turnover** of TeraPlast has increased by 5.5% during the first six months of 2011, as compared to the same period of 2010. The turnover is structured as follows: 76.8% represent sales of finished production (in 2010 it was 81.2%) and 23.2% represent sales of goods (in 2010: 18.8%).

At the end of 2010, the market of oil-based raw materials started to increase considerably, trend maintained also in the first half of 2011. The average prices for main raw materials (PVC, PP, PE and plasticizers), which represent approximately 50% of acquisition value, increased between 12-60%. Given that the raw materials market has not recovered as expected, the increase in raw materials prices have been only partially transferred to the finished goods prices, affecting the Company's profitability.

The net profit of Teraplast was also negatively influenced by the provisions for current assets, which increased by 2.5 million lei as compared to 2010, based on management estimation. Moreover, the operational expenses include as much as 1 million lei comprised of penalties and late payment charges. We estimate these expenses are one-off, non-recurring and they will not reach to similar levels in the second half of 2011.

Teraplast – Balance Sheet June 30th 2011

Balance sheet, in RON thousand	Jun 2011	Jun 2010
ASSETS		
A. TOTAL noncurrent assets	161,786	153,959
I. Intangible assets	968	1,907
II. Tangible assets	149,009	142,573
III. Financial assets	11,809	9,479
B. TOTAL current assets - TOTAL	101,896	111,884
I. Inventories	32,944	35,847
II. Receivable	65,703	71,815
III. Short term investments	330	732
IV. Cash and bank accounts	2,722	1,726
C. Prepayments	197	1,764
TOTAL ASSETS	263,682	265,843
SHAREHOLDERS EQUITY AND LIABILITIES		
Shareholders' equity	139,884	149,340
Payables in more than one year	23,568	14,798
Provisions	1,723	2,783
TOTAL current liabilities - of which:	98,507	98,922
Interests bearing liabilities	35,803	45,255
Trading liabilities	51,786	45,973
Other liabilities	10,918	7,694
TOTAL SHARE CAPITALS AND LIABILITIES	263,682	265,843

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The movement in **financial assets** (increase of 2,33 million lei) was mainly determined by Teraplast's increasing participation in the share capital of Plastsistem, by in kind contribution (property and plant in Bistrita). Teraplast's stake in Plastsistem in June 30th 2011 reached 78.71% (2010: 72.54%).

Current assets position remained at a comparable level with June 2010; in structure, inventories decreased by 8.1%, to 32.94 million lei (2010: 35.84 million lei), and receivables decreased by 8.5%, to 65.7 million lei (2010: 71.8 million). At the same time, the cash position increased by 57% by approximately 1 million lei. In the period July 2010 – June 2011, Teraplast made repayments for long-term interest-bearing loans, and attracted additional medium-term working capital facilities.

Shareholders' equity includes 11.13 million lei, representing adjustments related to the previous financial year; these records affected receivables (8.41 million lei), inventories (1.33 million lei), and liabilities (1.39 million lei). All these adjustments were included in the consolidated financial statements for the year ended December 31st, 2010, approved by the General Meeting of Shareholders, from July 29th 2011.

Outlook 2011

- ü For the next six months of 2011 we expect the raw materials prices (PVC, PE and PP) to register on increase starting with the autumn season.
- ü The Company estimates an increase of the infrastructure market for the second part of the year and 2012, grounded on European funds available for this sector. We expect a slight increase in the residential segment, whilst the growth in the nonresidential segment will be higher for the next 18 months.
- ü The resilience of the local macro-economic climate will be defeated through increase in exports in total sales, and through an enhanced usage of distributions channels and DIY networks; both strategies will lead to better market coverage, quality customers, increase in sales, and to cash collection improvement.

Details about Teraplast:

Teraplast company is the largest entity 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 eight systems: water supply system, exterior sewage system, interior sewage system, interior and exterior decoration and furnishing system, window PVC profiles system, PVC granules, terracotta tiles system 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 June 30th 2011 are Dorel Goia (34,27%), SIF Banat-Crisana (10,83%), Emanoil Viciu (10,15%) and Others (44,75%).

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