

Bistrita

 November 10th 2011

Teraplast (TRP) results for the period January – September 2011 reflect optimized operations, but also adverse economic environment conditions

- Ø The net turnover for Jan-Sept 2011 increased by 2.3% as compared to the same period of 2010, evolution generated mainly by the resale of purchased goods showing an increase of 6.7% versus the nine months ended in September 2010;
- Ø The unfavorable economic environment had a negative influence on the company's net profit;
- Ø Outlook 2011-2012: Teraplast will continue the operational optimization process, with stronger accent on profitability, but also on further developing the business.

Stefan D. Bucataru, CEO of Teraplast: „The third quarter of 2011 showed no significant improvements in the evolution of the economic environment. The liquidity in the constructions market remained at a low level, due to delays in payments for the public projects already finalized, the absence of financing from banks for private projects and the access with difficulty of the state's institutions in the co-financing of public projects. Furthermore, the Company's bottom line was negatively influenced by high volatility of the currency markets. Despite this economic backdrop, the sales remained on a rising trend, which certifies the fact that Teraplast is able to achieve its growth objectives and to take advantage of the domestic and foreign market opportunities. The ratio of export sales increased within the overall results of the company. The current international financial turbulences force us to be extremely cautious, especially in the cost management area, but we are ready to achieve our strategic objectives for 2011-2012”.

Key performance indicators, (RON, thousand)	1-9/11	1-9/10	▲ %
EBITDA	6,736	18,367	(63.33%)
Net profit	(6,955)	6,302	(210.36%)
Net turnover	164,367	160,634	2.32%
Average number of employees	481	537	(10.43%)

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Significant events in Jan-Sept 2011

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.

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.

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.

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).

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.

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.

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.

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.

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.

In **July** the Board of Directors decides to establish the work place "PVC joinery plant" and to introduce a new object of activity for the company Teraplast – the manufacturing of plastic articles for constructions.

Teraplast began in **September** production of PE semi-underground containers for sorted waste collection being the only producer in Romania for these products. Semi-underground containers will be made by roto-moulding technology, in the Polyolefin plant, started-up in 2009 in the Teraplast Industrial Park of Saratel. The investments for launching the mass-production of the semi-underground containers were limited to the acquisition of the molds, approximately **€40.000**.

Teraplast SA – Profit and Loss account for the Period Jan–Sept 2011

RON thousand	1-9/11	1-9/10	▲%
Net turnover	164,367	160,634	2.32%
<i>Change in inventory – Credit balance</i>	1,378	7,602	(81.87%)
<i>Capitalization of fixed assets</i>	402	1,413	(71.55%)
<i>Other operating revenues</i>	4,139	1,025	303.80%
TOTAL operating revenues	170,286	170,674	(0.23%)
<i>Raw materials and consumables expenses</i>	92,504	89,847	2.96%
<i>Other materials expenses</i>	625	671	(6.86%)
<i>Utilities expenses</i>	5,179	4,977	4.06%
<i>Goods expenses</i>	27,742	25,490	8.83%
<i>Commercial discounts</i>	(251)	(6)	(4083.33%)
<i>Personnel expenses</i>	16,413	19,860	(17.36%)
<i>Adjustments to the value of assets</i>	10,547	9,316	13.21%
<i>Adjustments to the value of current assets</i>	491	787	(37.61%)
<i>Other operating expenses</i>	20,834	10,681	95.06%
TOTAL operating expenses	174,084	161,623	7.71%
<i>Operating profit/(loss)</i>	(3,798)	9,051	(141.96%)
<i>Financial result</i>	(3,157)	(2,717)	(16.19%)
<i>Gross profit/(loss)</i>	(6,955)	6,334	(209.80%)
Net profit/(loss)	(6,955)	6,302	(210.36%)
EBITDA	6,736	18,367	(63.33%)

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The **net turnover** of Teraplast has increased by 2.3% during the first nine months of 2011, as compared to the same period of 2010. This evolution is mainly due to the increase of the goods for resale, but also of the exports, while on the domestic market, only the pipes and PVC window profile systems showed increases, the other systems recording similar or lower levels. Teraplast exports are mainly sold in the DIY networks in Austria, Germany, Slovenia, Croatia and Hungary.

Other operating revenues position increased, but a corresponding position exists in the **other operating expenses** and they mainly relate to the stocktakes performed during the third quarter; the cumulated net revenue is amounting to 0.2 mil lei.

Teraplast's profit was also negatively influenced by the 10% increase of the net interest expenses increase, but was also influenced by the foreign exchange differences that increased by approximately 20% versus 2010.

Teraplast – Balance Sheet as at Sept 2011

RON thousand	1-9/11	1-9/10
ASSETS		
A. TOTAL noncurrent assets	158,272	152,840
<i>I. Intangible assets</i>	994	1,790
<i>II. Tangible assets</i>	145,613	141,751
<i>III. Financial assets</i>	11,665	9,299
B. TOTAL current assets – TOTAL	101,921	127,735
<i>I. Inventories</i>	32,704	39,780
<i>II. Receivable</i>	67,266	83,961
<i>III. Short term investments</i>	56	728
<i>IV. Cash and bank accounts</i>	1,399	1,600
<i>C. Prepayments</i>	496	1,666
TOTAL ASSETS	260,193	280,575
SHAREHOLDERS EQUITY AND LIABILITIES		
<i>Shareholders' equity</i>	137,927	149,582
<i>Payables in more than one year</i>	21,552	13,173
<i>Provisions</i>	1,954	1,043
TOTAL current liabilities - of which:	98,760	116,777
<i>Interests bearing liabilities</i>	37,965	46,822
<i>Trading liabilities</i>	48,033	58,353
<i>Other liabilities</i>	12,762	11,602
TOTAL SHARE CAPITALS AND LIABILITIES	260,193	280,575

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The **non-current assets** increased in the first nine month of 2011 by approximately 4%, as compared September 2010, mainly due to the investments made, but also to the increasing participation in the share capital of Plastsistem, by in kind contribution (property and plant in Bistrita). Teraplast's stake in Plastsistem at September 30th 2011 reached 78.71% (2010: 72.54%).

Current assets position registered a decrease of 20% as compared to September 2010. In structure, **inventories** decreased by 18%, to 32.7 mil lei and **receivables** decreased by 19.8%, to 67.2 mil lei (2010: 83.9 mil lei). At the same date, the cash position was of approximately 1.40 mil lei (with 0.20 mil lei lower than 2010). Raw materials and other production materials increased by approximately 19% as compared to September 2010, goods for resale are at a similar level, whilst finished products decreased by approximately 35%.

The liabilities to the financial institutions record a similar level with 2010, while trade liabilities diminished by 18%. The provisions are amounting to 1.95 mil lei (1.72 mil lei representing the correction recorded at the end of June 2011, correction related to prior year).

Outlook 2011

For the next 3 months we expect the raw materials prices (PVC, PE and PP) to decline slowly, throughout Q4.

In our sector the last quarter of the year means the commencement of the low season, which translates into lower sales for the major segments of the business.

During the low domestic season the Company will focus its efforts on continuing the development of its export markets to compensate to some extent the declining sales levels. Cost reduction measure will be accelerated as the prices for raw materials continue their negative growth trend and personnel levels are adjusted downwards in line with declining sales.

During the low season period 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 and to further reduce costs.

Teraplast will discontinue/spin off collateral lines of business (i.e. the production of ceramic blocks) in order to optimize its cash flow and to accelerate its cost reduction program.

Furthermore, certain underutilized assets (after the re-location of production facilities and offices to the industrial platform in Saratel) are to be sold and the cash thus obtained utilized to support the Company's investment program and on-going operations.

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 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 September 30th 2011 are Dorel Goia (34.27%), SIF Banat-Crisana (11.00%), Emanoil Viciu (10.15%) and Others (44.58%).

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