

Bistrita

 February 10th 2012

Teraplast (TRP) results for 2011 reflect optimized operations, but also adverse economic environment conditions

- The net turnover for 2011 was at a comparable level with 2010, the slight decrease of 1.74% was due to discontinued business lines (i.e. the terracotta production unit) and the decrease in the sales of merchandise, which declined by 5.38%, compared to the previous year;
- The unfavorable economic environment had a negative influence on the company's net profit;
- Outlook for 2012: Teraplast will continue its operational optimization with emphasis on profitability.

Stefan D. Bucataru, CEO: „The year 2011 was marked by the unfavorable influence of the lackluster international economic climate. In this context the liquidity was strained and we had to deal with high volatility of raw materials prices and currency exchange rates. Despite the unfavorable economic backdrop, the sales remained at a similar level and through the introduction of a conservative policy regarding the management of our financial resources and granting commercial credit we succeeded to reduce the company's level of indebtedness and its exposure to an uncertain client base. The relocation of the company's head office from Bistrita to the Teraplast Industrial Park, gave us the possibility to capitalize on a part of the underutilized real estate assets and improve the company's liquidity. These financial resources will be used to support our investment and operational optimization programs. We will continue to develop prudently, focusing on profitability and controlling costs and feel confident in our ability to achieve our strategic objectives for 2012”.

Key performance indicators, (RON, thousand)	2011	2010	▲%
EBITDA	7,578	22,418	(66.19)
Net profit	(9,484)	6,496	(246.00)
Net turnover	209,054	212,747	(1.74)
Average number of employees	449	527	(14.80)

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Significant events in 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, corresponding to a gross price per share of RON 0.4851.

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 appointed President of the Board of Directors of Teraplast, after Mr. Emanoil Viciu who 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 would be the only person mandated to represent the company, while the rest of the management team (Edith Orban, Ioan Galea, Larisa Popovici and Marius Albescu) would continue working for Teraplast on the basis individual labor agreements.

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 RON 1.6 mio, of which the grant amount is RON 1.17 mio.

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 **EUR 40,000**.

In **December** Teraplast relocated its headquarter from Bistrita to the Industrial Park, developed by Teraplast Group at Saratel.

Also in **December**, Teraplast sold its **ceramic blocks business** to Teracota Bistrita, a company owned by the businessman Constantin Arhip. The deal was concluded for **EUR 1,005,000** and the amount included the land, the production buildings and equipment belonging to the terracotta business.

In **December** Teraplast sold the former headquarters building of the company, in Bistrita, together with the land pertain to the building to the Ministry of Administration and Interior. The transaction value was **RON 3,225,000**.

Teraplast SA – Profit and Loss account for 2011

RON thousand	2011	2010	▲%
Net turnover	209,054	212,747	(1.74)
<i>Change in inventory – Credit balance</i>	2,232	4,879	(54.26)
<i>Fixed assets capitalized</i>	551	2,616	(78.92)
<i>Other operating revenues</i>	8,005	1,229	551.31
TOTAL operating revenues	219,842	221,471	(0.74)
<i>Raw materials and consumables expenses</i>	120,413	115,183	4.54
<i>Other materials expenses</i>	798	802	(0.50)
<i>Utilities expenses</i>	6,894	6,348	8.60
<i>Goods expenses</i>	32,242	33,822	(4.67)
<i>Commercial discounts</i>	(845)	(391)	116.07
<i>Personnel expenses</i>	22,236	25,877	(14.07)
<i>Adjustments to the value of fixed assets</i>	14,054	12,136	15.80
<i>Adjustments to the value of current assets</i>	1,285	803	60.07
<i>Other operating expenses</i>	29,057	16,811	72.85
TOTAL operating expenses	226,133	211,390	6.97
<i>Operating profit/(loss)</i>	(6,291)	10,082	(162.40)
<i>Financial result</i>	(3,193)	(3,522)	(9.33)
<i>Gross profit/(loss)</i>	(9,484)	6,560	(244.58)
Net profit/(loss)	(9,484)	6,496	(246.00)
EBITDA	7,578	22,418	(66.19)

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The **net turnover** of Teraplast decreased by 1.74% during 2011, as compared to 2010. The slight decrease was due to the stagnant domestic infrastructure market, but also due to the temporary impact of discontinuing some collateral business lines (i.e. the terracotta production unit) and of the decrease of sales of merchandise, especially the resale of products commercialized by other companies of Teraplast Group. This decrease will be compensated in 2012 by a growth of the core business segments of Teraplast, such as the sales of PVC profiles (which grew by more than 30%, as compared to 2010), the export sales of TeraGlass windows and doors (which grew by 20%, as compared to 2010), but also the sales of thermo- and roto- molded products, which registered important increases. Teraplast mainly exports in DIY chains in Austria, Germany, Slovenia, Croatia and Hungary.

Other operating revenues major components increased, but also the **other operating expenses**, mainly those related to the sales of non-current assets, but also to certain penalties related to the state budget registered during the financial year. The increases of raw materials and consumables expenses (4.5%) and utilities charges (8.6%) were compensated to a great extent by the decreases in personnel expenses (14.1%) and cost of merchandise expenses (4.7%).

The negative net result (RON 9.5 mio) was also influenced by the 29% increase of the net interest expenses (RON 2.2 mio), while the net foreign exchange expenses decreased by approximately 42% versus 2010 (to RON 1 mio). Still, the operational restructuring implemented during 2011, together with the strategic investment program for developing the core business lines creates the premises to returning to positive values in the next period.

Teraplast – Balance Sheet 2011

RON thousand	2011	2010
ASSETS		
A. TOTAL noncurrent assets	153,051	166,771
<i>I. Intangible assets</i>	918	1,300
<i>II. Tangible assets</i>	140,468	153,722
<i>III. Financial assets</i>	11,665	11,749
B. TOTAL current assets – TOTAL	86,499	100,165
<i>I. Inventories</i>	34,920	29,404
<i>II. Receivable</i>	48,805	67,420
<i>III. Short term investments</i>	0	445
<i>IV. Cash and bank accounts</i>	2,458	2,897
<i>C. Prepayments</i>	316	207
TOTAL ASSETS	239,550	267,144
SHAREHOLDERS EQUITY AND LIABILITIES		
<i>Shareholders' equity</i>	136,489	156,251
<i>Payables in more than one year</i>	35,712	11,619
<i>Provisions</i>	761	764
TOTAL current liabilities - of which:	66,588	98,510
<i>Interests bearing liabilities</i>	31,140	45,872
<i>Trading liabilities</i>	31,071	43,298
<i>Other liabilities</i>	4,377	9,340
TOTAL SHARE CAPITALS AND LIABILITIES	239,550	267,144

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The non-current assets decreased in 2011, by approximately 8%, as compared to 2010, 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. The final financial statements of the company as at 31 December 2011 will be influenced by the non-current assets reevaluation.

Current assets position registered a decrease of 14% as compared to December 2010.

In structure, **inventories** increased by 19%, to RON 34.9 mio (2010: RON 29.4 mio), temporary increase grounded by a production peak in the following period, in order to replenish the distribution channels (DIY), affected by the year end promotions. There are no inventory provisions included in these preliminary financial statements.

Receivables decreased by over 28%, to RON 48.8 mio (2010: RON 67.4 mio), by introducing a conservative policy regarding the commercial credit terms; concurrently some provisions for uncertain clients were registered, which corrected the previous financial exercise by approximately RON 8 mio. At the same date, the cash position was of approximately RON 2.5 mio (with RON 0.40 mio lower than 2010).

The total liabilities of the company diminished by approximately RON 7.8 mio, mainly as a result of the decrease in trade liabilities (by over 29%) and due to the decrease of the state budget liabilities. The liabilities to the financial institutions increased by 15%, compared to December 2010, as a result of refinancing some investments projects, increasing the long term liabilities rate of total liabilities structure.

Outlook 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. The rises have been visible since January, and in February the increasing trend was even more obvious.

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

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 December 31st 2011 are Dorel Goia (34.25%), SIF Banat-Crisana (11.00%), Emanoil Viciu (8.47%) and Others (46.28%).

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