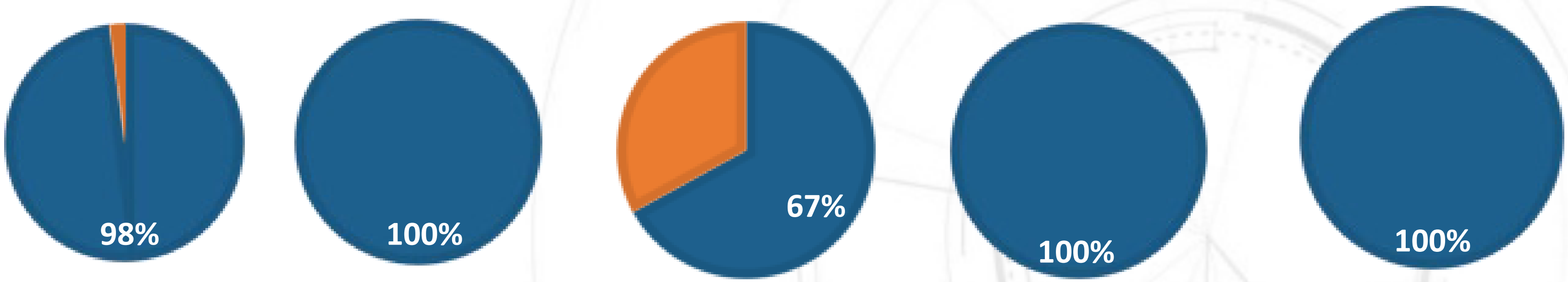
February 26th, 2019

2018 results

TERAPLAST GROUP

TERAPLAST SA



TERASTEEL | TERAGLASS | DEPACO | TERAPLAST HUNGARIA KFT | TERASTEEL DOO LESKOVAC

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OVERVIEW & KEY FIGURES

TeraPlast

FY 2017

EBITDA	REVENUE	EBITDA MARGIN
42.1 mil. RON	422.2 mil. RON	9.9 %

FY 2018

EBITDA	REVENUE	EBITDA MARGIN
65.1 mil. RON	804.9 mil. RON	8.1%

SEGMENT RESULTS

all amounts in million RON

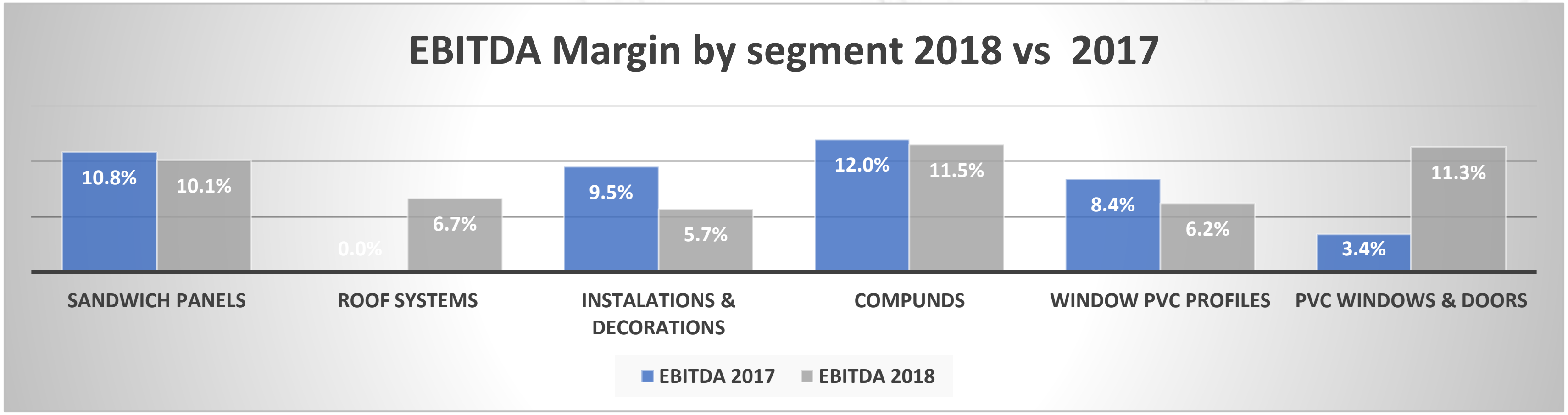
Segment	EBITDA 2017	Operating income 2017	% EBITDA 2017	EBITDA 2018	Operating income 2018	% EBITDA 2018
Sandwich Panels	18.8	173.1	10.8%	26.6	263.2	10.1%
Roof systems	-	-	-	14.7	221.3	6.7%
Installations & Decorations	11.5	120.5	9.5%	9.9	173.8	5.7%
Compunds	6.5	54.2	12.0%	7.3	63.2	11.5%
Window PVC Profiles	4.6	55.3	8.4%	3.5	56.3	6.2%
PVC Windows & Doors	0.8	23.0	3.4%	3.3	28.9	11.3%
Total	**42.1**	**426.0**	**9.9%**	**65.1**	**806.7**	**8.1%**

2018 PROGRESS REVIEW – EBITDA MARGIN

TeraPlast

Main drivers of EBITDA decrease in 2018 compared to 2017 are related to:

- despite the continuous efforts, Politub's has not achieved targeted results – 2018 EBITDA was only 3.7%;
- recycling activity – we have reached optimal productivity in Sept-18, thus recycling costs being slightly above market prices for the period Jan-Sept 18;
- small margins in the residential sector for sewage systems; increased competitive price pressure from other producers;
- acquisition costs for raw materials: the focus on the main raw materials (PVC) resulted in a better acquisition strategy compared to FY2017, however the uncontrolled increase in acquisition prices in secondary raw materials (e.g. additives) had a negative impact by decreasing the raw material margin from 32.8% in FY2017 to 31.5% in FY2018;
- carefully integrating the businesses purchased in 2017;



Steel processing

- **60%** of TeraPlast Group's operating income in 2018 is generated by steel processing operations (Terasteel - Sandwich Panels and Depaco - Roofing Systems);
- with acquisitions of 90 thousand tons of metal tile per year, the Steel Group has achieved economies of scale by obtaining significant volume discounts;

Steel processing - Sandwich Panels

(Terasteel Serbia & Romania)

- strong performance for the Sandwich Panels segment with a 52% increase in operating income and 42% increase in EBITDA;
- Terasteel Serbia has reached Terasteel Romania's EBITDA margin 10.7% in 2018, compared to 2017 (start-up year when a negative EBITDA was recorded;
- winning new markets by developing fire resistant mineral wool panels in Serbia factory;
- top CEE supplier of sandwich panels in CEE with a market share of 17.4%, continuously targeting new clients – important contracts signed in FY2018 in Balkan market;
- continuous development of value-added products and of the "turn-key" halls concept.

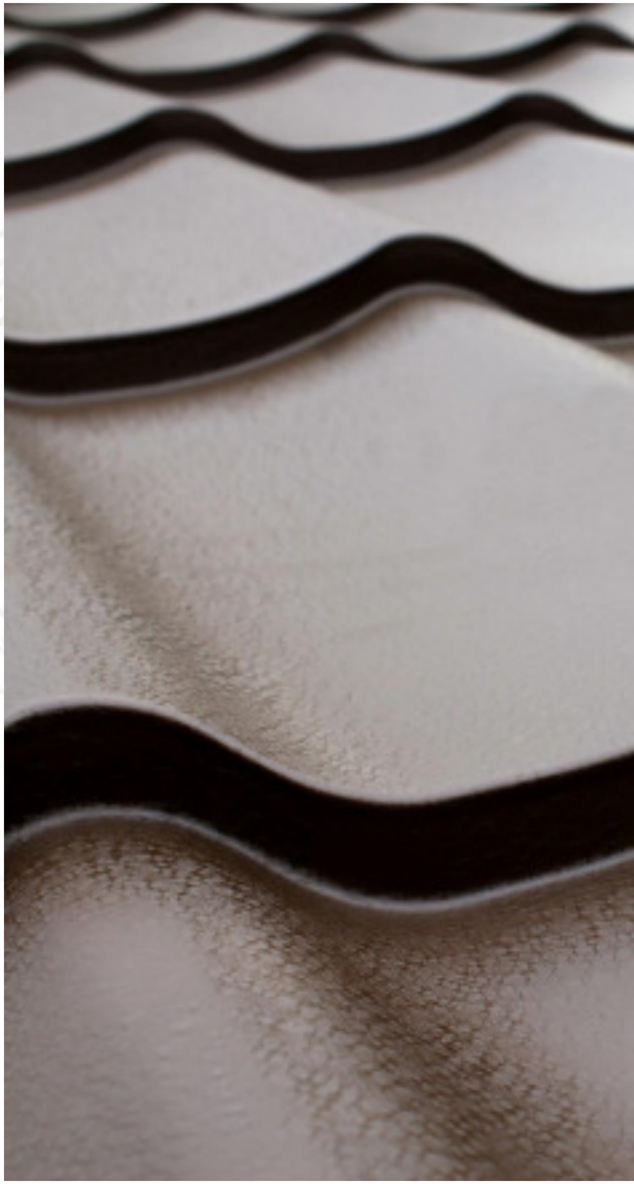
Steel processing – Roof systems *(Depaco - Wetterbest)*

Turnover increased by approx. 16% in 2018 compared to 2017, however the decrease in EBITDA from 7.1% in 2017 to 6.7% 2018 is based on the followings:

- strong investments in marketing, enhancing WTB brand - TV campaign, sponsorship of events;
- higher transportation expenses aimed to increase market share: targeting market share of small competitors within RO and growing the export network (Hungary, Bulgaria, Poland, Serbia);
- higher salary expenses as a result of alignment to group scales;

Achievements

- production units: Prahova, Craiova, Bistrita – the Baicoi (Prahova) plant is expected to be relocated during 2019 to the new factory financed with 50% state aid;
- State aid: investment project is 18.2 million RON, with an approved state grant worth RON 8.9 million; the project involves the setting up of a new production unit for the production of metal tiles in order to achieve the production efficiencies and turnover growth;
- new business line started in 2018 – steel trading, as a result of economies of scale obtained within Steel Group;
- commercial partnership with small manufacturers, Depaco sells accessories that they do not produce -accessories (rain systems and curbs) being the most profitable product group;



HIGHLIGHTS
PLASTIC PIPES SEGMENT

TeraPlast

- Revenue of RON 174 million, out of the RON 38 million, increase in operating income came from the **Polyethylene operations** (**Politub** brand);
- We achieved a 13% organic growth through the widening of our distribution network and a better positioning on the residential sector;

<u>Development areas:</u>

1. PE & PP pipe systems: coextruded and multi-layer pipes for interior sewage including soundproof pipes (investment through state aid)

2. Increase capacity for external sewage systems: PP pipes and injected components for exterior sewage (e.g. base form manholes)

3. As we are the market leader in external sewage by a large margin, we will increase sales from related applications: pressure drainage and related products

3. We closed down the wall profiles groups (out of fashin products with low margin). Production capacities that become available will be used in other business areas

HIGHLIGHTS
COMPOUNDS

A very strong performance was obtained by the **Compounds** segment where the operating income increased by 17%, while maintaining a 12% EBITDA margin;

The core competencies developed in this market enables us to **deliver on our value proposition** – based on customer specification, we develop tailored recipes and deliver cable products to customers.

Development areas:

1. introduction in the market of new products (HFFR compounds)

1. Export increase, especially in neighboring markets with a focus for rigid & soft PVC as the entry ticket for HFFR compunds as well

HIGHLIGHTS
PVC PROFILES

Sales were flat compared to 2017, with a slight deterioration in EBITDA

<u>Development areas:</u>

1. increase in the use of recycled PVC

2. launch of 2nd generation of profiles with: increase smoothness, new gaskets and layer technology for main profiles

3. increase distribution network

4. increase sales in Hungary through TRP Hungaria kft

WINDOWS & DOORS

The 26% increase in turnover, with a 11% EBITDA margin was the result of a strategic sales mix through DYI and residential buildings developers;

<u>Development areas:</u>

We will double the production capacity through an investment of EUR 3,8 million, 50% financed through state aid

HIGHLIGHTS
RECYCLING

In the last 6 months (Sep 2018 – Feb 2019) we produced on average, 600 tons/ month of recycled PVC, which we used internally

Developing Recycling as an independent, self sustaind business line

1. expanding the collection network for the post industrial waste in Romania and CEE

2. start of sales to third parties - not having just TRP as sole customer

OTHER NON-FINANCIAL INFORMATION

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Tax and regulatory environment

- OUG 114/2018 – Teraglass

Environmental and social aspects

- Wetterbest school - certified trainer provider for roof set up operator – training courses started in 2019;

- E.ON partnership - E.ON will install solar power systems on the roof of 13 production halls and TeraPlast buildings that will enable us to generate our own electricity from renewable sources - we will reduce CO2 emissions to 600,000 tonnes per year in the long run;

- Top 10 recycling Companies within EU

TeraPlast

since 1896

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