

Bistrita
August 14th 2009

The results for January - June 2009 prove that Teraplast is a solid company

- ✓ **The results for the 6m/09 reflect the lower price for the products based on PVC and the low demand of systems for installations and constructions;**
- ✓ **The net profit has been sustained by the efficient measures to reduce costs;**
- ✓ **The investments in amount of 13,8 million lei were focused on the development of the Industrial Park Teraplast from Saratel (Bistrita-Nasaud county);**
- ✓ **Perspectives for 2009: we expect a difficult economic environment, which will affect the main markets on which the company acts; our aim is to continue the investment program in relocation and development, under the conditions of a severe control of costs;**

***Florin Urîte, CEO of Teraplast:** “Although the economic context hasn’t improved during the second quarter of 2009 either, and our results have been affected by the decline of the construction market, we have managed to remain a tough company, with a very good financial situation and a high level of competitiveness, following the investment programs run during the last two years, but also as a result of the measures to reduce costs, started in the last quarter of 2008. At present, in the Industrial Park Teraplast from Saratel we have brand new fabrication technologies and our goal is to continue the development of this location, under the conditions of a strict control of costs. The greenfield project of the Industrial Park from Saratel is an important point in our development strategy, as it will generate multiple operational advantages for Teraplast. Also, we intend to develop the Teraplast systems by assimilating new points of interest so that we can offer complete solutions to our customers and collaborators.”*

Key performance indicators, (RON, thousand)	6m/08	6m/09	▲%
EBITDA	14.972	12.467	(27)
Net profit	9.085	6.375	(30)
Net turnover	92.111	79.115	(14)
Investments	21.356	13.814	(35)
Average number of employees	528	520	(1,5)

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Significant events in 6m/09

- ✓ **In January**, Teraplast has finalized the relocation to Saratel of the PVC profile plant for joinery and constructions, the amount of the investment in this plant being 2 million euro.
- ✓ **In March** Teraplast has ended the rebranding process of the Window Division Orizont. The new thermoinsulating joinery brand produced by Teraplast is called TeraGlass, and during the first six months of the year 12 sales showrooms have been opened in Bistrita (2), Cluj-Napoca, Baia Mare, Oradea, Targu-Mures, Timisoara, Suceava, Vatra Dornei, Nasaud, Deva and Sibiu.
- ✓ On **April 23rd** the General Meeting of Shareholders has approved the investment budget for 2009, the amount of which is 15,75 million lei, as well as the proposal of the Council of Administration not to distribute dividends from the profit of 2008.
- ✓ **In May** the construction and technological use of the polyolefin plant was finalized, which includes the sections of corrugated pipes and manholes. The new plant from the Industrial Park from Saratel has 3.500 mp and an open warehouse in surface of one ha. The amount of the total investment, which is the construction and use of the plant and warehouse was approximately 6 million euro, and currently **Teraplast is the only producer of PP corrugated pipes in Romania.**
- ✓ On **June 30th** the Council of Administration has decided to set up inside Teraplast a **Department of Research and Strategic Development**, run by **Marius Albescu**. Before being appointed Manager of Research and Strategic Development, Marius Albescu was Sales Executive Manager.

Outlook 2009

- ✓ During the second half of the year we expect the main influence factors (the price of raw materials PVC, PP and the exchange rate) to fluctuate from now on, too. Even if at the end of last year the price of the PVC and PP has registered pronounced falls, we expect that by the beginning of the IVth quarter, the values of these materials to rise, even over the level from 2008. For the end of 2009 we expect a price dynamic similar to that of the last year.
- ✓ The average exchange rate leu/euro is forecast to fluctuate from now on, too;
- ✓ We propose that during the second semester to continue the development of the Teraplast systems, by introducing new points of interest. We also target the rise of the turnover, both on the existing systems and on those introduced in the first part of 2009;
- ✓ With a stable financial structure and a wise policy of indebtedness, Teraplast can face the current challenges of the market, therefore it shall continue to develop in the second part of the year, too. The investments planned have been carefully prioritized and shall target mainly the commercial extension of the joinery profile division, as well as continuing the development of the work facilities from the Industrial Park Teraplast in Saratel.
- ✓ The economic contraction from the first months of the year has been stronger than it was initially estimated, but we maintain the estimates regarding the evolution of the company's financial indices in 2009. Our stakes are especially on the infrastructure sector of sewage and water supply, while, when it comes to the residential and nonresidential part we do not expect better evolutions than in the first part of the year.

Teraplast SA – Financial results 6m/09

Profit and loss account, in RON thousand	6m/08	6m/09	▲ %
Net turnover	92.111	79.115	(14)
<i>Variation of stocks of finished products and of the production in course of execution –balance C</i>	4.845	4.650	(4)
<i>Immobilized production</i>	695	1.283	85
<i>Other revenues of exploitation</i>	426,24	1.842	332
Revenues of exploitation- TOTAL	98.167	86.907	(11)
<i>Expenses with raw materials and consumption materials</i>	50.276	40.354	(20)
<i>Other material expenses</i>	392	642	64
<i>Expenses with utilities</i>	2.857	2.823	(1)
<i>Expenses with goods</i>	12.355	10.463	(15)
Personnel expenses	10.497	11.369	8
<i>Value adjustments on tangible and intangible assets</i>	3.775	4.771	26
<i>Other expenses of exploitation</i>	7.218	9.199	27
Expenses of exploitation - TOTAL	87.219	79.620	(9)
<i>Profit from exploitation</i>	10.949	7.286	(33)
<i>Financial result</i>	-328	64	120
<i>Gross profit</i>	10.621	7.350	(31)
<i>Tax on profit</i>	1.535	974	(37)
Net profit	9.085	6.376	(30)

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The net turnover of Teraplast has dropped during 6m/09 by 14%, as a consequence of the fall of demand inside the economic crisis, but also due to the fall of average sales prices. During the first half of 2009 the physical sales of products in the case of Teraplast have dropped by approximately 8,6%, while according to INSSE, at a national level, the indices of the industrial production on the fabrication of rubber products and plastics have dropped by 10,3% compared to the same period of last year. Another factor which had a negative impact during 6m/09 on the turnover at a value level was the average price of PVC. If in 6m/08 the average sales price/ton of PVC was 835 euro, in 6m/09 the average sales price was 576 euro/ton. In this context the price of products which contain PVC fell by approximately 13% during the first six months of 2009, fall determined both by the market pressure and by the fluctuations of the price of the basic raw material. Should this influence be eliminated (the average prices of the raw material), the turnover, calculated on the basis of physical sales from 6m/09, at an average price afferent for 6m/08, it would be approximately 6% higher than the same period from 2008.

The net profit of Teraplast has dropped by 30% in January-June 2009, being influenced by the rise of expenses with depreciation afferent to the investments put into function during July 2008 – July 2009, by the rise of expenses with wages and expenses with external supply, afferent to the Window Division TeraGlass, as well as by the fall of revenues. The PVC pipes, PP pipes and fittings have registered high yield, while the TeraGlass Division has registered losses. Under such circumstances, Teraplast decided to reconfigure the thermoinsulating joinery business by stopping the commercial extension until the 12 showrooms TeraGlass are consolidated.

The financial revenues and expenses of the company have generated a profit of 63.536 lei from the financial activity, while last year the financial activity has registered a loss in the amount of 327.876 lei. The profit from the financial activity was possible due to the reduction of financial expenses.

Balance sheet, in RON thousand	6m/08	6m/09
ASSETS		
A. Fixed assets- Total	106.481	141.119
I. Intangible assets	1.662	1.622
II. Tangible assets	97.968	130.130
III. Financial assets	6.851	9.368
B. Current assets - TOTAL	94.242	94.141
I. Stocks	24.424	38.225
II. Liabilities	42.319	52.626
III. Short term financial investments	11.946	202
IV. House and bank accounts	15.554	3.088
C. Expenses in advance	182	264
TOTAL ASSETS	200.905	235.524
CAPITALS AND DEBTS		
Own capitals	129.135	143.984
Debts to be paid in more than a year	18.077	18.298
Other debts to be paid in more than a year	2.151	1.542
Provisions	2.594	2.443
Current debts -TOTAL, of which:	48.948	69.358
Amounts due to credit institutions	8.601	22.896
Commercial debts	36.888	40.692
Other debts	3.459	5.770
TOTAL CAPITALS AND DEBTS	200.905	235.625

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The fixed assets in S1/09 register a rise of 33% compared to the level registered in 6m/08 thanks to the investments made during this period.

The amount of the investments made by Teraplast in 6m/09 is 13,8 mil. lei, being 35% lower than the same period of last year, due to the re-dimensioning of the budget, by cancelling several investments without a major impact on the company's technical-economical parameters. During the first six months of 2009 Teraplast has finalized the construction and equipment of the plant and polyolefin warehouse from Saratel, which includes the manhole and PP corrugated pipes sections.

During the first part of this year the relocation of the profile plant (constructions and joinery) from Bistrita to Saratel finished and the production of four chamber, ecologic profiles began. The development of the commercial segment of the Window Division TeraGlass was another important point in the investment budget of Teraplast, during the first six months of 2009 the rebranding process of the thermoinsulating joinery brand being finalized and 12 sales showrooms with the new brand have been opened.

The Stocks have registered a significant growth in 6m/09, up to the value of 38,2 million lei, compared to 24,4 mil. lei in 6m/08. In June 2009 Teraplast decided to stock raw material (PVC) due to the growth of the demand on the market, under the conditions of a deficit of raw material. Given these market circumstances, the advantageous prices negotiated by Teraplast ensure a freeze of the price of raw material until August, ensuring thus an important competitive advantage. At the same time, due to the start of the development of the PVC joinery profile sales division, the stocks of finished product on this range have grown in order to offer a wide range of products.

The company's liabilities have grown by 24% as a consequence of the market pressures. Taking into consideration these aspects, the company's available money has dropped, both compared to the same period of last year and compared to the beginning of this year, the financing of the investments and work capital generating at the same time a growth of the short-time debts.

The company's long-term debts have registered a short decline, while the company's capital elements didn't suffer major modifications. Thus, under the conditions of making a profit situated at 70% from the value of last year, the company's own capitals have grown a little compared to the beginning of the year (+2%), being 11% higher than the value registered in 6m/08.

Teraplast – financial consolidated results 6m/09

Profit and loss account, in RON thousand	6m/08	6m/09	▲%
Net turnover	121.822	101.793	(16)
<i>Variation of stocks of finished products and of the production in course of execution –balance C</i>	5.350	5.752	8
<i>Immobilized production</i>	878	1.405	60
<i>Other revenues of exploitation</i>	768	1.957	154
Revenues of exploitation- TOTAL	128.818	110.907	(14)
<i>Expenses with raw materials and consumption materials</i>	76.315	58.789	(23)
<i>Other material expenses</i>	500	709	42
<i>Expenses with utilities</i>	3.311	3.151	(5)
<i>Expenses with goods</i>	8.170	9.896	21
Personnel expenses	12.342	13.133	6
<i>Value adjustments on tangible and intangible assets</i>	4.565	5.615	23
<i>Other expenses of exploitation</i>	8.929	10.880	22
Expenses of exploitation - TOTAL	114.132	102.173	(10)
<i>Profit from exploitation</i>	14.686	8.734	(41)
<i>Financial result</i>	-641	-423	(34)
<i>Gross profit</i>	14.045	8.311	(41)
<i>Tax on profit</i>	1.771	1.101	(38)
Net profit	12.274	7.210	(41)

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The net turnover of the Group Teraplast has dropped in 6m/09 by 16%, to the value of 101.7 million lei, following the reduction of the demand under the economic crisis. Blocking the market on the real estate and infrastructure sector is the main risk factor over an average term, due to stopping the public and private financing. Another factor which had a negative impact in 6m/09 in the turnover at a value level was the price of products which contain PVC.

The operation expenses at a consolidated level have dropped in 6m/09 by 10%, mainly following the fall of costs with raw materials and utilities. In the same period, **the revenues from exploitation** have fallen by 14%.

The net profit of the Group Teraplast has diminished by 41%, up to the value of 7,2 million lei, the factors which contributed to this reduction are, just like in the case of the mother-company, the growth of several groups of expenses in a proportion higher than the growth of revenues, as well as the fall of demand on the construction market.

Details about Teraplast:

The company Teraplast is part of the Group Teraplast Bistrița, which includes the subsidiaries Teraplast, Plastsistem and Politub. Teraplast is the biggest PVC producer in Romania, Plastsistem produces sandwich panels and metallic structures for commercial and industrial constructions, and Politub produces polyethylene pipes for gas and water networks.

Starting July 2nd 2008 the company Teraplast is listed at Bucharest Stock Exchange under the symbol TRP, and from April 2009 the company has been included in the composition of the index BET-XT. The company's main shareholders at the reference date June 30th 2009, are Dorel Goia (34,17%), Emanoil Viciu (16,14%) and SIF Banat-Crisana (11,38%).

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