

Cluj-Napoca
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CEMACON: record sales, restructured liabilities and net profit after Q1

Report for Bucharest Stock Exchange



CEMACON

Căramizi inteligente **EVO**CERAMIC

Performance at 3 months

- ☑ Gross turnover increase by 58%
- ☑ Increasing operating profit (EBITDA-R) by 76%
- ☑ Net positive result amounting to RON 8.13 million

Statement of the General Manager

'The first quarter of 2015 comprised the crowning point of our activity of the last 5 years.

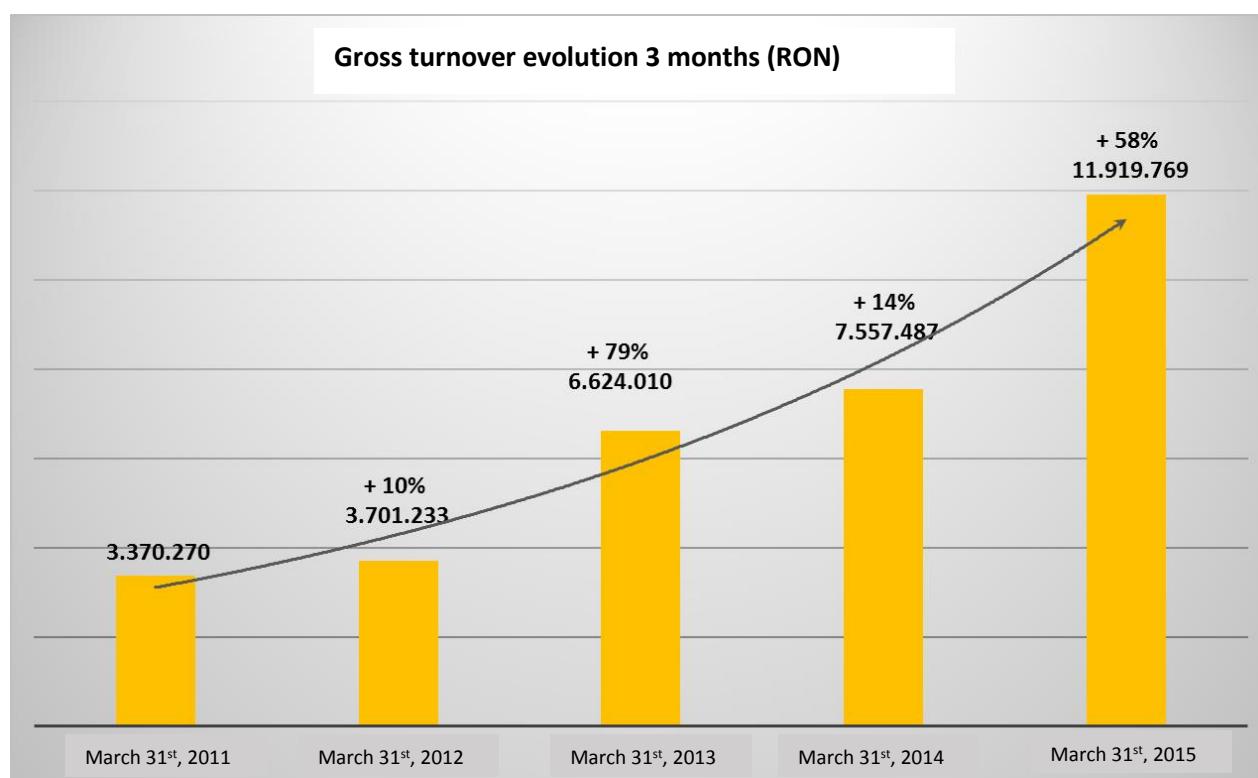
We ended the business turnaround process initiated in 2010 by signing a new loan agreement with the bank, thus completing the financial restructuring as well. We have built a strong and stable Romanian company, which came to hold the second place nationwide in the ranking of ceramic blocks producers. We rebuilt a company and an organization which, in 2010, ranked 8th in the market and now is one of the segment leaders.

However, based on exceptional operating and commercial results, we managed to achieve increases of over 20% each year. And, in the first quarter of this year, we increased sold volumes by 51% and the value of EVO CERAMIC sales by 68% as compared to the same period last year. We operate two factories now, which will allow us to deal with the high demand levels of EVO CERAMIC.

But the most important goal is to turn a profit at the end. After the first 3 months, we have notable results: a net profit of RON 8.13 million.

The year started with many achievements and this increases our confidence of meeting the objectives set for 2015. We rely on a growing market that will support development, as opposed to the last 6 years.'

Key figures



As compared to the same period of 2014, the company's gross turnover increased by 58%, due to sales of finished products. Hence, Cemacon confirmed the upward trend for 2015 as well, consistently outpacing the market dynamics.

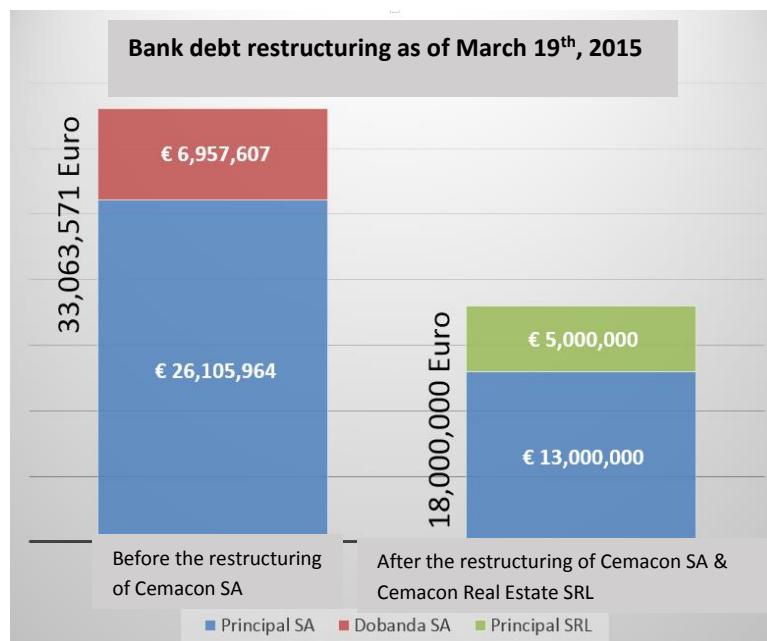
The turnover advance is due both to the commercial strategy that focuses on the new EVOCERAMIC product portfolio, with relevant benefits to end users, as well as to motivating dealers to improve brick trade margins.

The factory from Recea, launched in 2010, operated at full capacity with competitive costs, and in the second part of the quarter the production of Zalau factory was also resumed. Thus, Cemacon total production capacity increased to meet the demand for EVOCERAMIC products.

Profit and loss account Jan - Mar 2015	Results 2015	Results 2014	2015 vs 2014	Budgeted 2015	2015 vs 2015e
Gross Turnover (RON)	11,919,769	7,557,487	58%	9,380,320	27%
Total operating income (RON)	47,077,319	9,029,363	421%	9,367,827	403%
Total operating expenses (RON)	(37,626,078)	(8,223,298)	358%	(10,841,286)	247%
EBITDA (RON)	9,451,241	806,065	1073%	(1,473,459)	-741%
EBITDA %	20%	9%		-16%	
Financial result (RON)	24,333	(1,233,995)	-102%	(180,785)	-113%
Net result (RON)	8,131,420	(1,541,643)	-627%	(3,169,306)	-357%

Debt restructuring. Signing new loan agreements

In March, by signing new loan agreements, Cemacon has achieved the first large-scale restructuring of a bank debt outside insolvency in Romania, implemented through a complex bank-company-shareholders understanding based on win-win principles.



The restructuring targeted the balancing of the balance sheet for Cemacon by switching from an unbalanced strong financial position to a sustainable debt, repaid within a period of 9 years, as the company has competitive solvency and debt rates for the sector in which it operates.

In 2011, when the negotiation process for restructuring liabilities was started, Cemacon had a bank debt amounting to over 26 million euro, considering a turnover of 5 million euro, and now, the debt was reduced to 13 million euro, designated in RON, for a business obtaining a turnover of more than 13.5 million euro.

The restructuring negotiation was led by Cemacon management, assisted by professionals in the field, starting with June 2011, outside any legal constraints of insolvency-type, etc.

The main preliminary condition of the bank, during the first stage of the process, was to financially stabilize the company on a short-term and to reach operating performance; the intense efforts of management lead to a debt rescheduling by NAFA -EUR 1 million in 2011 - closed scheduling in 2014, and to obtaining support for strategic suppliers for carrying out sustainable payment programs for the company at that time.

In the period 2010-2014, the operating performance of Cemacon assumed a growth in turnover by 270%, the market share growth from 6% to 16% and 100% load of production capacity.

The restructuring solution was the result of negotiations held between the bank, the company and shareholders. Cemacon management facilitated this collaboration and had an important role in aligning

the objectives and interests of the parties and in finding win-win solutions to the challenges arising on the way.

By the restructuring solution, both the Bank and the shareholders target business's growth potential and company value under the current management team.

The agreement, as implemented in the new credit agreements, signed in March 2015, is complex and includes new elements in the Romanian business environment, as well as conversion of debt into shares, with capital premium, pledge on shares, company securities, etc.

Profit and loss account – Results on March 31st, 2015

The dynamics of the main operating indicators is shown in the table below:

Indicator	March 31 st , 2015	March 31 st , 2014	Δ%
Gross Turnover	11,919,769	7,557,487	58%
Operating income	47,077,319	9,029,363	421%
Operating expenses	(37,626,078)	(8,223,298)	358%
EBITDA	9,451,241	806,065	1073%
EBITDA %	20%	9%	
<i>Restructuring-related income</i>	<i>33,495,523</i>		
<i>Restructuring-related expenses</i>	<i>(25,459,823)</i>		
EBITDA-R	1,415,541	806,065	76%
Amortization and depreciation	(1,344,154)	(1,113,713)	21%
EBIT	8,107,087	(307,648)	-2735%
Financial income - Total	1,867,021	1,409,232	32%
Financial expenses - Total (of which)	(1,842,688)	(2,643,228)	-30%
Interest charges	(1,629,017)	(2,094,855)	-22%
Financial result	24,333	(1,233,995)	-102%
Total income	48,944,340	10,438,595	369%
Total expenses	(40,812,920)	(11,980,239)	241%
Gross result	8,131,420	(1,541,643)	-627%
Income / Deferred income tax expense	-		
Other comprehensive income	-		
Net result	8,131,420	(1,541,643)	-627%

Both the turnover and the operating profit showed significant increases compared to Q1 of the previous year and are based on performance at commercial level, as well as at the level of factories and of other value-generating flows.

The operating income and expenses include substantial amounts related to the implementation of the financial restructuring: the income and expenses related to the transfer of non-productive assets between Cemacon SA and Cemacon Real Estate, the administrative expenses related to the

implementation of new loan agreements, as well as debt-cancellation related income amounting EUR 2.03 million.

The revenues have exceeded the dynamics of operating expenses, leading to a strong improvement of operational profitability, thus, both at EBITDA level, which is 10.7 times higher, and EBITDA-R level, where the increase is of +76%, Cemacon holds one of the top performances in the sector.

The production cost has remained very competitive, with recent success in increasing energy units consumption efficiency as a result of recipe changes and flow improvements.

The exchange rate dynamics has determined a positive financial result of the company, for the first time in last 6 years, even when the interest accrued in the first 3 months is related to the entire prior restructuring debt, i.e. EUR 33 million.

Hence, considering the high operating and result, CEMACON ended the first three months with a net profit of RON 8.13 million, giving rise to the prerequisites for obtaining a positive net result in the fiscal year 2015.

Statement of assets and liabilities - Results on March 31st, 2014

Indicator - values in RON	March 31 st , 2015	December 31 st , 2014	%
Fixed assets - Total (of which)	119,008,871	119,400,620	0%
Tangible fixed assets	116,077,297	116,490,340	0%
Other assets	2,931,574	2,910,280	1%
Current assets - Total	34,725,456	56,681,357	-39%
Inventories	15,687,322	13,889,916	13%
Assets held for sale	-	22,833,650	-100%
Receivables - Total	10,477,595	6,567,750	60%
Other financial assets	1,051,380	1,051,380	100%
Cash and cash equivalents	7,509,159	12,338,661	-39%
Total assets	153,734,327	176,081,977	-13%
Total current debts (of which)	70,299,007	92,199,047	-24%
Credit institution debts loan (up to one year)	56,062,189	56,579,081	-1%
Credit institution debts interests	4,653,033	26,804,624	-83%
Commercial debts - suppliers (up to one year)	7,117,567	6,349,126	12%
Other current debts, Provisions	2,466,218	2,466,218	0%
Current assets/net current debts	49%	61%	
Total assets less current debts	83,435,320	83,882,930	-1%
Total long term debts (over one year) of which	57,263,580	65,842,610	-13%
Credit institution debts loan (over one year)	55,972,370	64,532,490	-13%
Other commercial debts and similar	-	-	0%
Subsidies and deferred tax	1,291,210	1,310,120	-1%
Share capital	17,433,454	17,433,454	0%
Equity - Total	26,171,740	18,040,320	45%

The changes to the current assets held for sale relate to the transfer of non-productive assets from Cemacon SA to Cemacon Real Estate taking place at the same time with the novation of EUR 5 million from the debt to BCR.

The turnover expansion entailed an increase in receivables, which, in conjunction with the accumulation of inventories specific to the pre-season period, resulted in an increased need for working capital.

The sums raised through the capital increase completed in December 2014, with the recapitalization of the company, based on the operating profits of the recent years, provided the necessary funding to ensure the premises for turnover growth in 2015.

In terms of debt, by signing new loan agreements, an immediate reduction of long-term debt was obtained, and by converting the receivables transferred from the bank, expected to become effective for the second quarter and by the balance in equity achieved by passing an amount of EUR 13 million in capitals and transforming the company debt into one a financially sustainable one.

The company's operational efficiency had a positive impact on financial indicators, improving the speed of rotation of total assets.

Relevant financial indicators	Q1 2015	Q1 2014
1. Current liquidity indicator	49%	37%
2. Level of indebtedness indicator	214%	395%
3. Ratio speed of debts – clients (days)	64	85
4. Ratio speed of total assets	10%	6%

Market Context

For the full year 2015, we expect increases in volume between 13-15%. For the first two months, the National Institute of Statistics reveals increases of almost 20% of new buildings, 14% of residential constructions, respectively.

Regarding the evolution in market value, we expect increases in sales prices from all manufacturers.

Objectives for 2015

Cemacon intends to reach the following objectives in 2015:

- ☒ Strengthening and developing the business increasing the turnover by 35% and an operating profit level of at least 17%;
- ☒ Increasing the company's attractiveness among potential investors, and obtaining net profit at the end of the year;
- ☒ To obtain the national market share of 18%;
- ☒ To become the market leader in Transylvania, including Banat and Crișana;

- ☑ Exploiting growth opportunities on the building materials market to ensure medium and long term development of the business;
- ☑ Acknowledging Cemacon as a top employer on the labour market due to strong and healthy organizational culture and of the professional work environment.

CEMACON SA is the second ceramic masonry systems producers in Romania and one of the market leaders in Transylvania.

The company operates the most modern and largest production capacity in Romania with innovative products which bring added value to users, obtained at very competitive production costs.

CEMACON SA is a company listed on the Bucharest Stock Exchange and is owned mainly by institutional shareholders, Romanian and foreign investment funds; the management of the company is professional, independent and has strong expertise in the field.