

Cluj-Napoca
9 November 2015

CEMACON at 9 months: The sales and the profitability are increasing. Closed financial restructuring.

Report for the Bucharest Stock Exchange



CEMACON

Căramizi inteligente **EVO**CERAMIC

Performance at 9 months

- ☑ Increase by 17% in net sales within 9 months
- ☑ Operational profit (EBITDA-R) in increase by 24%
- ☑ Net profit of RON 15.97 million

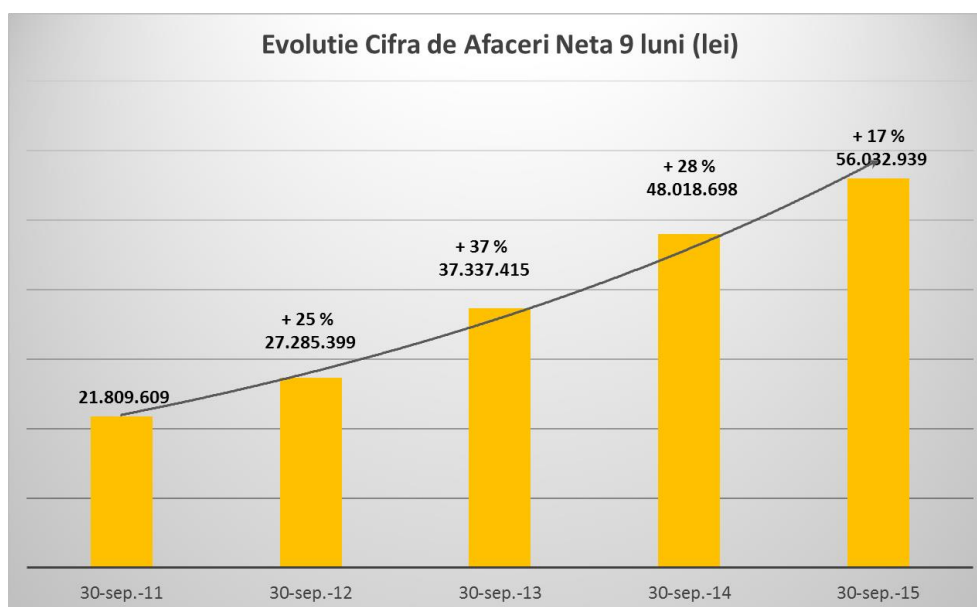
Declaration of the General Director

“The completion of the company restructuring is defining for the evolution of Cemacon in 2015. We take pride in the fact that the decisions made and the risks calculated that we have assumed helped us become an example of success for the Romanian business environment, a turnaround best-practice case. Last but not least, we managed to implement and to reach all objectives assumed before the shareholders and the lending bank.

At present, Cemacon is a sound and solid company, mandatory premises for a sustainable increase. The commercial and financial results are significant, after the first 9 months, we exceeded the net turnover for the entire 2014. The reopening of the production facility in Zalau allowed us to increase the total sold volumes, however, the biggest success is that we have a value increase exceeding the increase in quantity, by the improvement of the average price of sale. The efforts for the improvement and the optimization of the EVOCERAMIC portfolio, the exponential increase in Cemacon’s notoriety, together with the innovative commercial strategies, have facilitated us a superior price positioning, even if the price level is still low on the market.

We thus have the certainty that the operational profit will increase in 2015 compared to 2014.

At this time, the organization operates efficiently, we have sound partnerships with our network of distributors, we benefit from the attention and the trust of our customers, which offers us the basis to continue the development.”



By reference to the same period of 2014, the company's net turnover has registered an increase of 17%, based mainly on the increase in the sales of bricks, thus exceeding the threshold of RON 56 million at 9 months.

The net turnover at 9 months was with 1 million more than the turnover of the entire year of 2014. The increase in the sales was possible due to the additional quantities obtained by the reoperation of the plant Cemacon located in Zalau, which has determined the increase in the total production capacity by 30%.

The plant in Recea, the newest and the most modern plant in the industry in Romania, inaugurated in 2010, has operated at maximum capacity and with competitive costs.

In the 3rd quarter, the improvement of the sale margins has continued by the consolidation of the premium positioning of EVOCERAMIC products.

Profit and loss account Jan - Sep 2015	Results 2015	Results 2014	Δ % 2015 vs 2014	Budgeted 2015	Δ % 2015 vs 2015e
Net turnover (lei)	56,032,939	48,018.698	17%	62,554.662	-10%
Total operational revenues (lei)	90,233,860	49,799.691	81%	63,369.832	42%
Total operational expenditures (lei)	-67,215,761	-37,527,003	79%	(46,557,489)	44%
EBITDA (lei)	23,018,099	12,272,688	88%	16,812,344	37%
EBITDA %	26%	25%		27%	
Financial result (lei)	(2,608,583)	(4,457,002)	-41%	(3,042,042)	-14%
Net result (lei)	15,972,832	3,766,960	324%	9,073,423	76%

The product recipe allowed the maintenance of variable costs at the most competitive levels in the industry and the impact of fixed costs has been mitigated by the synergy of the operation of the 2 production lines and of the placement on the market of additional quantities.

The operational profit, net from the impact of the financial restructuring, has increased by 24% compared to the previous year.

By the operation in the Shareholders' Registry and the registration with the Trade Registry, occurred in September, the process of restructuring the bank debts has been entirely completed. The total direct indebtedness of the company has decreased by EUR 20 million, and the existing loan scheduled over a reimbursement period, i.e., by December 2023.

Profit and loss account– Results on 30 September 2015

The increase in the level of the turnover and operational profit with respect to the preceding year is strong and is based on the commercial performance, where both the quantities and the average values are higher.

Indicator	30 September 15	30 September 14	Δ %
Net turnover	56,032,939	48,018,698	17%
Operational revenues	90,233,860	49,799,691	81%
Operational expenditures	-67,215,761	-37,527,003	79%
EBITDA	23,018,099	12,272,688	88%
EBITDA %	26%	25%	
<i>Restructuring-related revenues</i>	<i>31,198,401</i>		
<i>Restructuring –related expenditures</i>	<i>-23,374,817</i>		
EBITDA-R	15,194,515	12,272,688	24%
EBITDA-R %	26%	25%	
Amortization and depreciation	-4,436,684	-4,048,726	10%
EBIT	18,581,415	8,223,962	126%
Financial revenues – Total	1,350,804	3,925,186	-66%
Financial expenditures - Total (out of which)	-3,959,387	-8,382,188	-53%
Expenditures on the interest	-3,006,570	-6,289,055	-52%
Financial result	-2,608,583	-4,457,002	-41%
Total revenues	91,584,664	53,724,877	70%
Total expenditures	-75,611,832	-49,957,917	51%
Gross result	15,972,832	3,766,960	324%
Revenue / (expenditure) tax on profit	0		
Net result	15,972,832	3,766,960	324%
Net result without the restructuration impact	8,149,248	3,766,960	116%

By reference to the preceding year, the revenues have increased more than the expenditures and have determined an improvement of the operational profitability; the Cemacon EBITDA rate is a top rate in the industry.

EVO CERAMIC range of products, the main engine of the increase in sales, has determined the improvement of the sales margins. The sale of ceramic lintels has increased in 2015 and has contributed to the reaching of the level of RON 56 million of the net turnover.

The production cost has remained very competitive, both in terms of energy consumption and of raw materials costs, and the synergies obtained by the operation of the 2 production facilities has resulted in the increase in the production margins.

The operational revenues and expenditures include values related to the implementation of the financial restructuring: related to the non-productive transfer of assets between Cemacon SA and Cemacon Real Estate, administrative costs with the implementation of the new loan agreements, as well as revenues related to the debt forgiveness in the amount of EUR 2.03 million.

Thus, given the performant operational result and the accounting reflection of the loan restructuring, CeMACON has concluded the first 9 months with a net profit of RON 15.97 million.

Assets and Liabilities– Results on 30 September 2015

Indicator – values in RON	30 September 15	31 December 14	Δ %
Fixed assets - Total (out of which)	117,343,323	119,400,620	-2%
Tangible assets	114,424,332	116,490,340	-2%
Other assets	2,918,991	2,910,280	0%
Current assets – Total	45,529,046	56,681,357	-20%
Inventory	14,652,168	13,889,916	5%
Assets held for sale	0	22,833,650	-100%
Debts – Total	18,015,814	6,567,750	174%
Other financial assets	974,962	1,051,380	100%
Cash and equivalent in cash	11,886,101	12,338,661	-4%
Total assets	162,872,369	176,081,977	-8%
Total current liabilities (out of which)	16,334,394	92,199,048	-82%
Loan	3,591,851	56,579,081	-94%
Loan interest	221,245	26,804,624	-99%
Commercial liabilities and similar	10,249,596	6,349,126	61%
Other current debts, provisions	2,271,702	2,466,218	-8%
Current assets/ net current debts	279%	61%	
Total assets minus current debts	146,537,975	83,882,930	75%
Long term liabilities (out of which)	54,494,559	65,842,610	-17%
Loan	53,241,170	64,532,490	-17%
Other commercial liabilities and similar	0	0	0%
Grants and deferred tax	1,253,389	1,310,120	-4%
Share capital	20,613,371	17,433,454	0%
Own capitals – Total	92,043,415	18,040,320	410%

The total fixed assets have dropped together with registration of the amortization, an added value being, however, registered as a result of the implemented investments.

The changes in the level of the current assets held for sale purposes are related to the transfer of non-productive assets from Cemacon SA to Cemacon Real Estate SRL at the same time with the novation of an amount of EUR 5 million from the banking debt.

The expansion of the turnover together with the amendment of the average payment terms has determined a temporary increase in the debts. The structure of the debts according to their length show that more than 91% of the amounts to be collected are related to certain invoices not matured.

At the level of the debts, by the execution of the new loan agreements and by the conversion of the debt transferred by the bank, registered in September, an immediate reduction in the debt on long term has been obtained as well as the balance sheet balancing, the debt of the company being a financial sustainable one.

The signing of the new loan agreements in March and the conversion into shares of a debt in the amount of RON 58 million have represented the completion of the restructuring of the Cemacon debts, complex process further to which the company's banking debts have been reduced from EUR 33 million to 13 million, scheduled over a 9-year period.

The restructuring of Cemacon is a restructuring of reference by its complexity and scale and has entailed an agreement between the bank, the company and the shareholders based on win-win principles.

Main business financial indicators

The operational efficiency together with the implementation of the restructuring of the bank debts have positively determined the financial indicators, the rotation speed of the total assets, the indebtedness and the liquidity being improved.

Relevant financial indicators	2015	2014
1. Indicator of the current liquidity	2.79	0.42
2. Indicator of the indebtedness level	58%	215%
3. Debt rotation speed – clients (days)	54	52
4. Total assets rotation speed	48%	42%

The market context

During the first 9 months of the year, the signals from the market reveal an increase in the consumption of ceramic blocks. The statistical data provided by the National Statistics Institute at 8 months inclusively indicate an increase of 9.1% in the residential constructions and an advance of 10.3% in the new constructions.

I have assisted to a much more dynamic market than in the last years; new products and promotional campaigns dedicated to the clients have been launched, existing the pressure of the increase in the market shares of large producers, to the detriment of the sale prices, that have been maintained at a low level.

Objectives for 2015

For 2015, Cemacon proposes to reach the following objectives:

- ☑ The consolidation and the development of the business, by increase in the turnover by 35% compared to the previous year and a level of the operational profit of at least 17%
- ☑ The increase in the attractiveness of the company among investors by obtaining a net profit by the end of the year
- ☑ The reaching of a national market share of 18%
- ☑ The reaching of the leading position on the Transilvania market, including Banat and Crișana
- ☑ Making the most of the increase opportunities on the market of construction materials, in order to ensure the development of the business on average and long term
- ☑ The establishment of Cemacon as a top desirable employer on the labor market due to the sound and healthy organizational culture and to the professional business environment.

CEMACON SA is the second largest producer of ceramic masonry systems in Romania and one of the leaders on the Transilvania market.

The company operates the most modern and the highest production capacity in Romania with premium quality products obtained at very competitive production costs.

CEMACON SA is a company listed at the Bucharest Stock Exchange and held mainly by institutional shareholders, Romanian and foreign investment funds; the company management is a professional, independent one and it has a solid sector expertise.