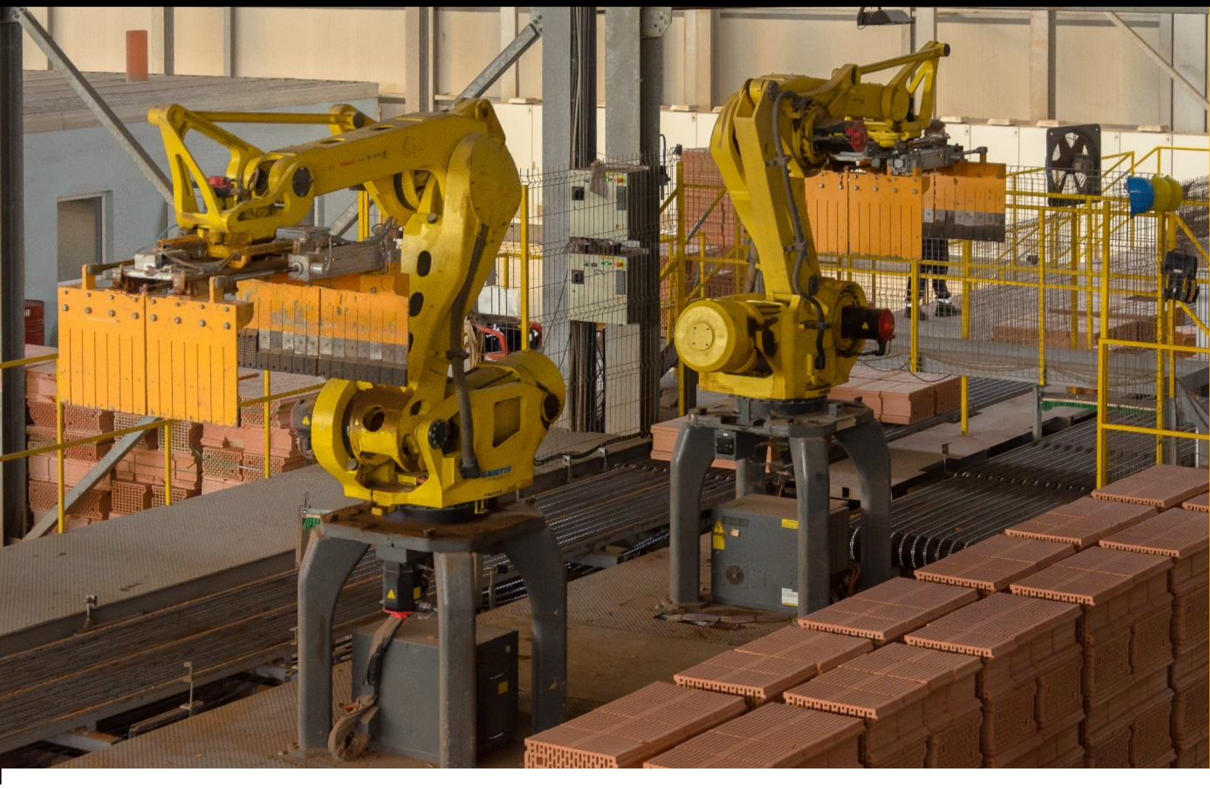
*Cluj-Napoca*
*16th of May 2016*

# CEMACON 2016: Consolidated and Profitable Business

## Report for Bucharest Stock Exchange

(Results as at 31st of March 2016)



Cărămizi inteligente **EVO**CERAMIC

## Performance T1 2016

- ☑ **100% operating capacity of the 2 production facilities**
- ☑ **Increasing operating profit (EBITDA) by 5%**

## General Manager Statement

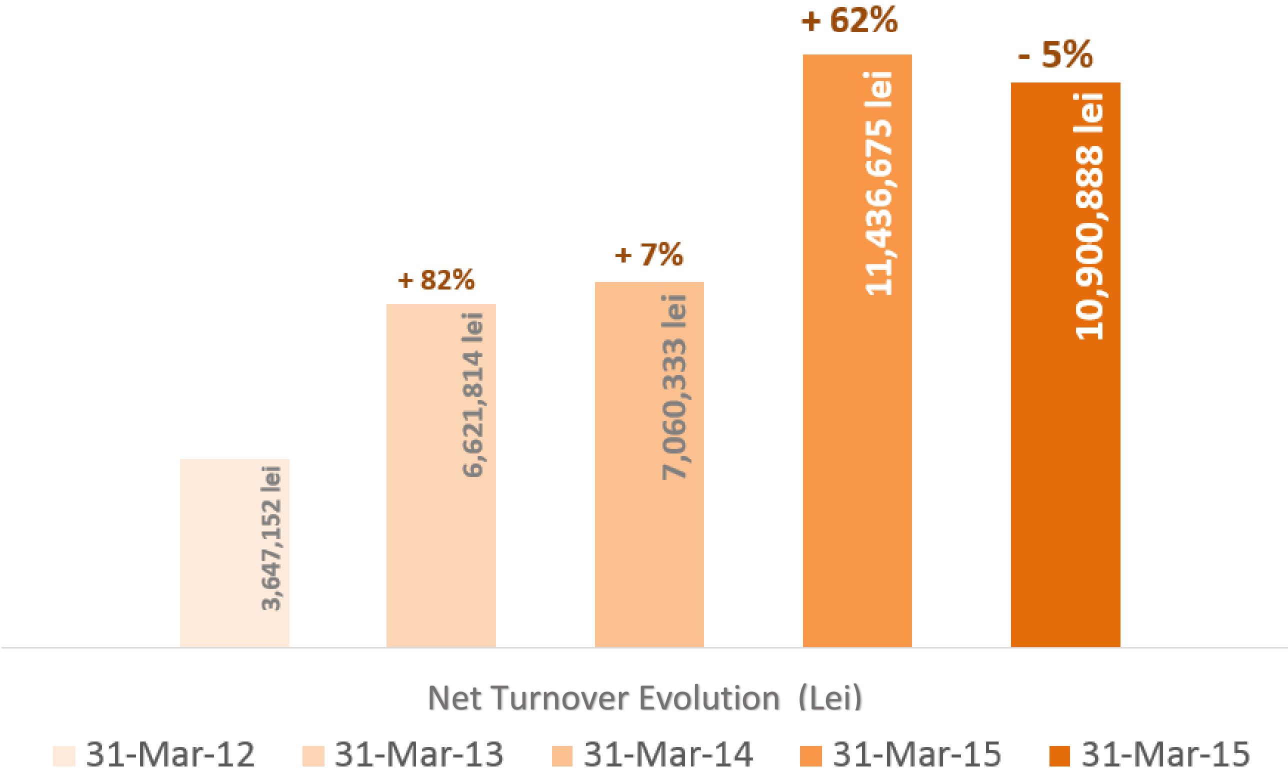
*"Once we have significantly grown the business, tripling the turnover and the market share in the last 5 years, we are now in the consolidation stage, when we set to have moderate growths – a percentage of 13% of the turnover in 2016 – generated by a natural and profitable sale of the portfolio products. By a commercial focus and the positioning of the EVOCERAMIC products during the last years, we managed to generate market demand allowing us to operate at full capacity both of the production facilities. We have advanced and performing products and efficient building solutions which complement the range of the ceramic blocks.*

*Considering the objectives set for the entire year, the first quarter of 2016 has comprised a change of the trade strategy based on the full adaptation to the cyclic character of the demand, specific to the construction field, so that the sales are as natural as they can be. We have learned that the pressure on high volumes in the first three months of the year means a reduced price sale, also determined by the storage limitations.*

*We have created a strong company, with the most competitive portfolio on the market, and having a high level of product awareness, which, together with the increasing evolution of the market, ensures us the premises for reaching the objectives in 2016.*

*In the medium term, in order to maintain the growth, we target development opportunities of the product scope, with the most efficient solutions for the customers."*

For the period January 1st, 2016 – March 31st, 2016, the company registered a turnover of 10,900,888 lei over the budgeted level. As compared to the same period of 2015, the company's gross turnover decreased by 5%.




As a year of reference, 2015 was the year in which the company implemented the debt restructuring, which determined, especially at the profit and loss account level, the entering into accounting of some income and expense values, significantly influencing the results of the year. Therefore, analysing the operational income, net of the debt restructuring impact for year 2015, in 2016 there have grown by 22%, while the operational expenses have grown by 25%, as a consequence of operating the Zalau production line, activity restarted in March 2015. Consequently, the operational profit -EBITDA- has grown by 5% compared to year 2015, maintaining the same margin level and confirming Cemacon's competitiveness in the sector.

| **Profit and loss account Jan - Mar net of the debt restructuring impact in 2015** | **Results 2016** | **Results 2015** | **Δ % 2016 vs 2015** | **Budgeted 2016** | **Δ % 2016 vs 2016e** |
|---|---|---|---|---|---|
| **Net turnover (lei)** | **10,900,888** | **11,436,675** | **-5%** | **6,001,242** | **82%** |
| *Total operating income (lei) ** | *16,634,142* | *13,581,796* | *22%* | *12,504,204* | *33%* |
| *Total operating expenses (lei) ** | *-15,151,099* | *-12,166,255* | *25%* | *(13,006,374)* | *16%* |
| **EBITDA (lei) - *** | **1,483,043** | **1,415,541** | **5%** | **(502,169)** | |
| **EBITDA %** | **9%** | **10%** | | **-4%** | |
| Financial result (lei) * | (987,972) | 24,333 | | (753,534) | 31% |
| **Net Result (lei) *** | **(1,056,582)** | **95,720** | **-** | **(2,761,914)** | |

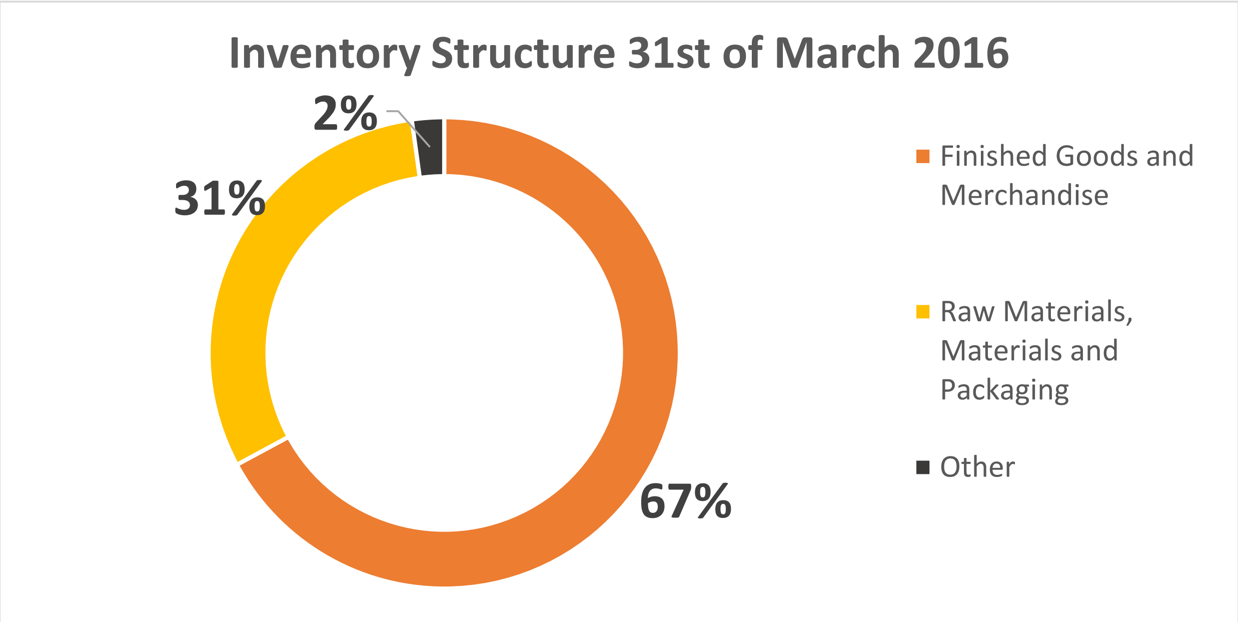
*** For comparability, the amounts corresponding to year 2015 are presented net of the restructuring impact**

* Total Operational income and expenses include the income and expenses corresponding to the value adjustments and provisions

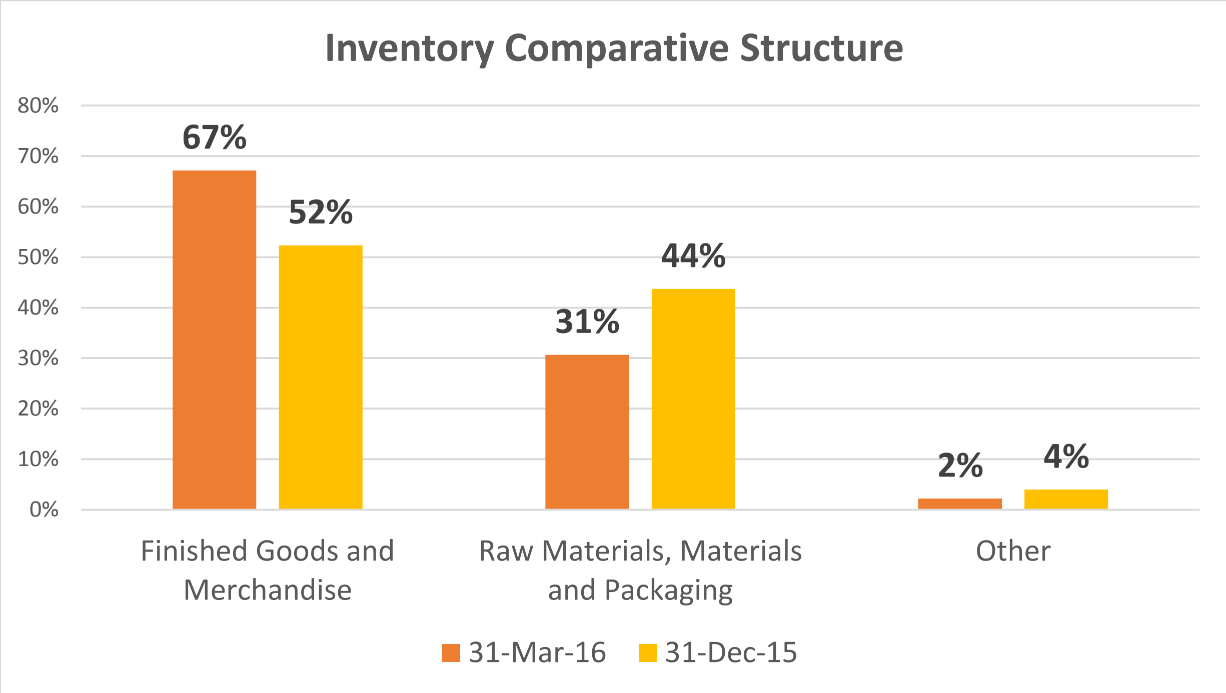
## Statement of financial position – Results on March 31st, 2016

| **Indicator** – *values în RON* | **31-Mar-16** | **31-Dec-15** | **Δ %** |
|---|---|---|---|
| **Fixed assets - Total (out of which)** | **113,788,289** | **115,091,710** | **-1%** |
| Tangible fixed assets | 113,231,521 | 114,502,556 | -1% |
| Other assets | 556,768 | 589,154 | -5% |
| **Current assets - Total** | **40,643,298** | **44,871,029** | **-9%** |
| Inventories | 22,117,454 | 18,588,284 | 19% |
| Assets held for sale | 1,163,439 | 1,163,439 | 0% |
| Receivables - Total | 6,770,397 | 13,250,919 | -49% |
| Other financial assets | 643,275 | 1,027,799 | -37% |
| Cash and cash equivalents | 9,948,733 | 10,840,588 | -8% |
| **Total Assets** | **154,431,587** | **159,962,739** | **-3%** |
| **Total current debts (out of which)** | **15,652,076** | **18,915,912** | -17% |
| Credit institution debts loan (up to one year) | 4,597,498 | 4,137,464 | 11% |
| Commercial debts - suppliers (up to one year) | **6,972,842** | **9,566,655** | -27% |
| Other current debts, Provisions | 4,081,736 | 5,211,793 | -22% |
| **Current assets/net current debts** | **2.60** | **2.37** | |
| **Total assets less current debts** | **138,779,511** | **141,046,827** | **-2%** |
| **Total long term debts (over one year ) of which** | **53,110,443** | **54,321,178** | -2% |
| Credit institution debts loan (over one year) | 51,894,875 | 53,086,699 | -2% |
| Other commercial debts and similar | - | - | 0% |
| Subsidies and deferred tax | 1,215,568 | 1,234,479 | -2% |
| Share capital | 20,613,371 | 20,613,371 | 0% |
| **Equity - Total** | **85,669,068** | **86,725,650** | -1% |

At the level of the fixed assets there is a decrease of 1%, as a consequence of the amortization registered in the 1st quarter of 2016.



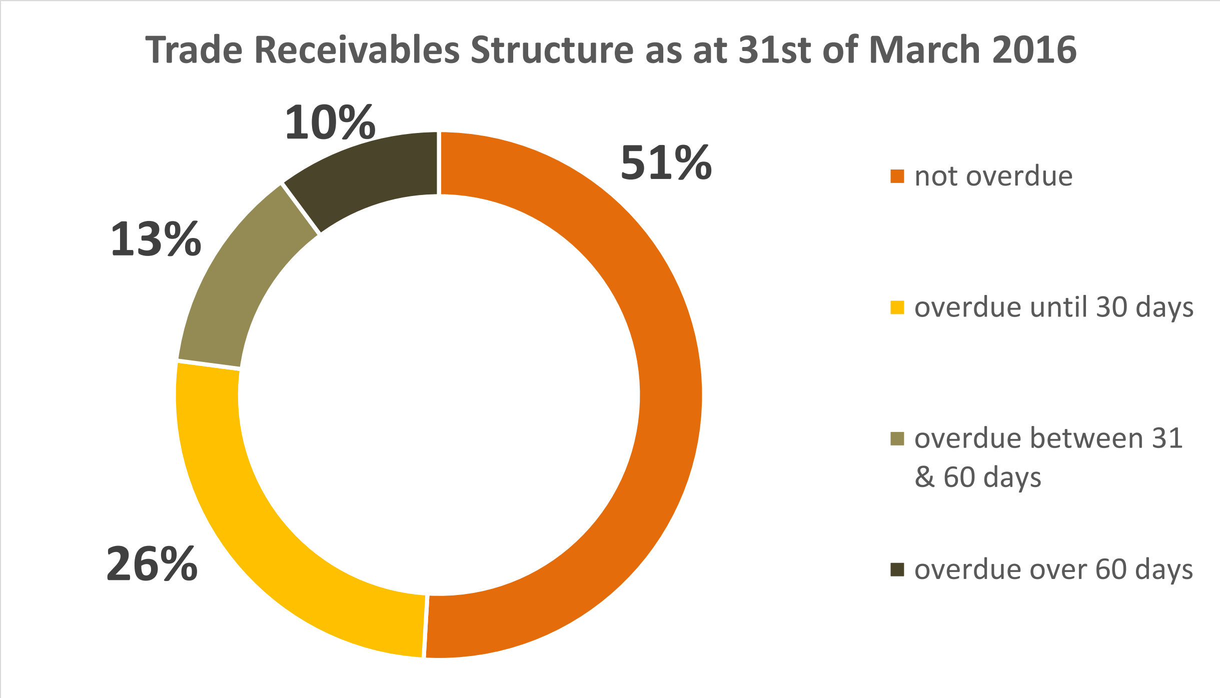
The main growth in inventories is determined by the growth of the finished products and merchandise inventories. Compared to December 31st, 2015, they increase by 53% from 9.7 mil lei to 14.8 mil lei. The stocks of raw materials, materials and packages have decreased by 16% from 8.1 mil lei to 6.7 mil lei, compared to December 31st, 2015, as a consequence of their use in production and their conversion into finished products.




For Financial assets, including the values corresponding to the greenhouse gas emissions certificates, there is a decrease by 37%, as a consequence of the annual compliance and delivery of certificates to the environment authority.
The decrease of cash and cash equivalents is determined by the company's operational activity, and cleared mostly by cashing the receivables existent on December 31st 2015.

On March 31st, 2016, the receivables register a decrease of 49% from 13,2 mil lei to 6.7 mil lei.
As a consequence of the decrease of receivables, there are entries in the receivables' age structure, so that on the 31st of March 2016, 51% of the receivables are unmatured, 26% of them having the maturity date outdated up to maximum 30 days, fact which places the company in a comfort zone relative to the collection of receivables.

Cemacon SA is based on a trade credit management system, implemented in 2013 and developed in the following years. Within the financial department there is a person specializing in credit controller, and in order to mitigate the risk the company uses in 2016, for the fourth consecutive year, a trade credit insurance from the market leader – the French company Coface -, as well as to retain guarantees from the customers, including letters of bank guarantees, mortgages, pledges and guaranteed payment instruments. In this way, the incidence of the commercial loss is kept at a very low level, being a reference among the sector manufacturers.




The current liabilities have had a decrease by 17% mainly determined by the reduction of the commercial debts by 27%, from 9,5 mil lei on December 31st, 2015, to 6.9 mil lei on March 31st, 2016, as well as a decrease of the provisions by 22%.

The reduction of the commercial liabilities is determined by the company's operational cycle, so that, compared to December 31st, 2015, the commercial liabilities with outdated maturity up to maximum 30 days have decreased by 84%, from 1,6 mil lei to 0.25 mil lei. The commercial liabilities unmatured have decreased by 11%, from 4.2 mil lei to 3.7 mil lei.

The long term debts, represented mainly by the credit signed with the Romanian Commercial Bank (Banca Comerciala Romana), have decreased by 2% , from 54,3 mil lei on December 31st, 2015, to 53.1 mil lei on March 31st, 2016, as a consequence of the refunds made according to the credit schedule.

He equity capital has not registered changes compared to December 31st, 2015, the shareholders' equity being diminished as a consequence of the negative net result.

## Profit and loss account – Results on March 31st, 2016

| Indicator | 31-Mar-16 | 31-Mar-15 | Δ % |
|---|---|---|---|
| **Net turnover** | **10,900,888** | **11,436,675** | **-5%** |
| Operating income * | 16,634,142 | 13,581,796 | 22% |
| Operating expenses * | (15,151,099) | (12,166,255) | 25% |
| **EBITDA** | **1,483,043** | **1,415,541** | **5%** |
| **EBITDA %** | ***9%*** | ***10%*** | |
| Amortization and depreciation | (1,551,653) | (1,344,154) | 15% |
| **EBIT** | **(68,610)** | **71,387** | |
| Financial income - Total * | 42,047 | 1,867,021 | -98% |
| Financial expenses - Total * | (1,030,019) | (1,842,688) | -44% |
| **Financial result** | **(987,972)** | **24,333** | |
| Total income * | 16,676,189 | 15,448,817 | 8% |
| Total expenses * | (17,732,771) | (15,353,097) | 15% |
| **Gross result** | **(1,056,582)** | **95,720** | **-1204%** |
| Income / (Expense) corporate tax | - | - | |
| Other comprehensive income | - | - | |
| **Net result** | **(1,056,582)** | **95,720** | **-1204%** |
| *Restructuring income* | - | 33,495,523 | |
| *Restructuring expenses* | - | (25,459,823) | |
| **Restructuring result** | **-** | **8,035,700** | |
| **Result of the period** | **(1,056,582)** | **8,131,420** | **-113%** |

*** For comparability, the amounts corresponding to year 2015 are presented net of the restructuring impact**

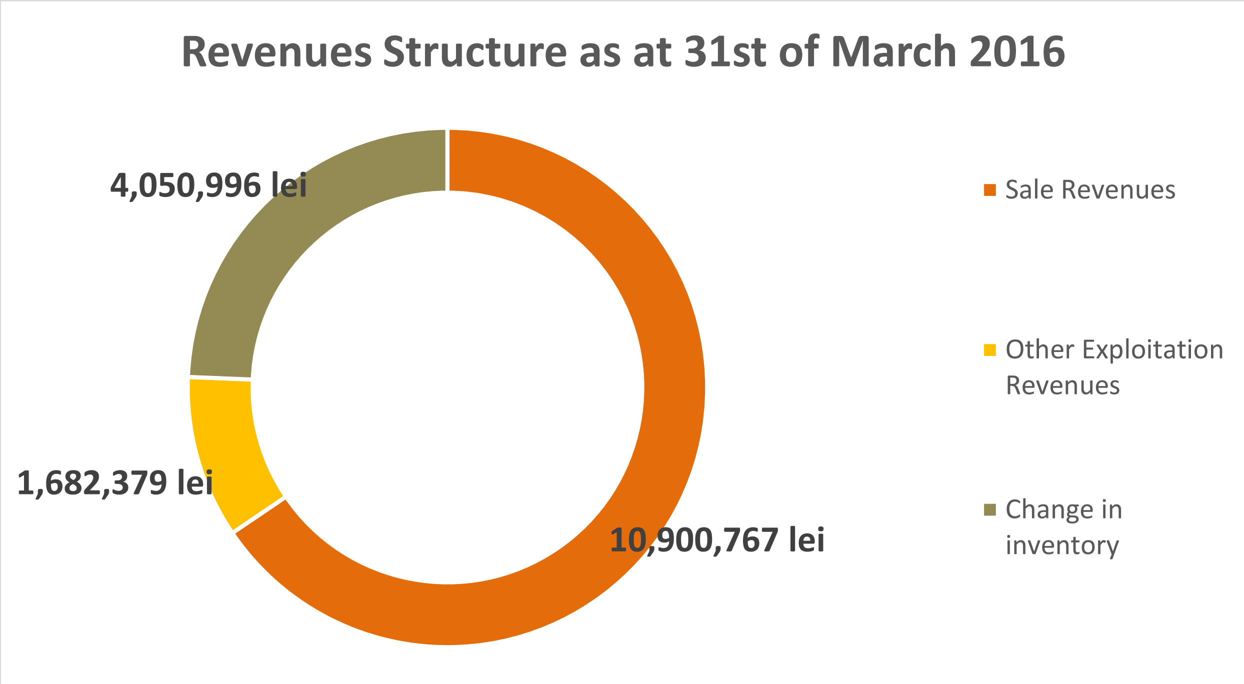
** Total Operational income and expenses include the income and expenses corresponding to the value adjustments and provisions

*** Structure of the Information presented according to the Profit and Loss Account reported to the Ministry of Finances

**** On the date of presenting the Preliminary Results, there are no other elements of the overall result and deferred tax

Compared to the same period of year 2015, eliminating the income and expenses corresponding to the restructuring, the company registered an increase by 22% of the operational income. and by 25% of the operational expenses, mainly determined by operating the Zalau production line, during the entire 1st quarter of 2016. The EBITDA ratio has the same value from the similar period of year 2015.

The main increase of the operational income is determined by the increase of other operating income by 1.64 mil lei, and of the stored production by 1.9 mil lei.




In Other Operating income the main amounts are represented by income from provisions of 1.1 mil lei, entered as a consequence of the cancellation of the employee and management bonus provision, established at the end of year 2015, for the amounts awarded in 2016, and of other operating income of 0.37 mil lei, corresponding to the greenhouse gas emissions certificates received on a free basis.

Due to the specific activity, the company registers “Bill & Hold” type income. These sales comply with the principles of acknowledging the finished products income as a consequence of applying this king of policy; more, the products have been delivered by the customers, complying with the medium terms of delivery, and the prices have been received within the corresponding medium terms.

The important changes in the operational expenses are determined by the increase by 14% (0.4 mil lei) of the expenses related to the raw materials and materials, increase by 18% of the personnel expenses (0,6 mil lei), increase of the energy expenses by 44% (0.85 mil lei) and of the merchandise and finished products transport expenses by 66% (1.1 mil lei). The increases are due to the operational activity which was more intense than in the similar period of year 2015, owing to the operation of Zalau production line, which in the 1st quarter of 2015 operated only for 1 month.

The amortization expenses have grown by 15% compared to the same period of the previous year, due to the fixed assets operating in 2015.

The negative financial result is determined by interest expenses, corresponding to the restructured credit and to the financial discounts awarded. Compared to year 2015, the decrease of the financial expenses is determined mainly by the decrease of the interest expenses from 1,6 mil lei to 0.6 mil lei, result of implementing the new restructured loan at the end of the 1st quarter of 2015.

Without considering the restructuring impact, the net result shows a decrease of 1.1 mil lei, at the end of the period ended March 31st, 2016, mainly owing to the negative financial result of 0.98 mil lei and to the increase of the amortization expenses by 0.2 mil lei.

## The main economic financial Indicators

The company's operational efficiency, together with the implementation of the debt restructuring had a positive impact on the financial indicators, improving the level of indebtedness and the liquidity.

| Relevant financial indicators | 2016 | 2015 |
|---|---|---|
| 1. Current liquidity indicator | 2.60 | 0.49 |
| 2. Level of indebtedness indicator | 61% | 214% |
| 3. Ratio speed of debts – clients (days) | 83.57 | 64.00 |
| 4. Ratio speed of total assets | 10% | 10% |

## Objectives for 2016

Cemacon intends to reach the following objectives in 2016:

- ☑ Increasing the turnover by at least 13%
- ☑ Consolidating the national market share
- ☑ Exploiting the non- productive assets
- ☑ Exploiting growth opportunities on the building materials market to ensure medium and long term development of the business.

***

*** The results presented are drawn up according to the IFRS standards and have preliminary character, and are to be subject to the financial auditing pursuant to the legal provisions.**

**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.**