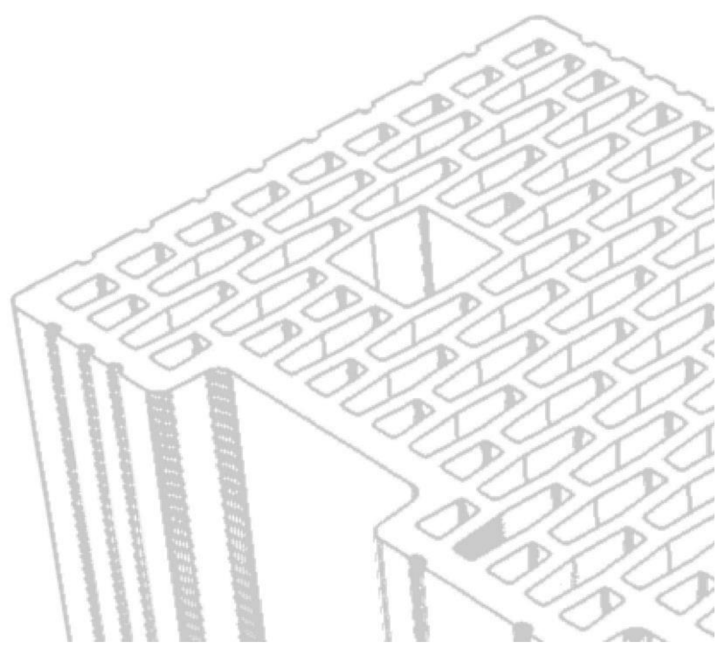
CEMACON
CONSTRUCȚII EVOLUATE

BSE Report
3rd Quarter 2017 Results



CLUJ-NAPOCA
8TH OF NOVEMBER 2017

9 Month Performance - 2017

- ☑ **31% operating profit (EBITDA) for first 9 months, compared to 21% from simmilar period in 2016**
- ☑ **13,8 million lei Net Profit**
- ☑ **74 million lei Net Turnover**

General Manager Statement

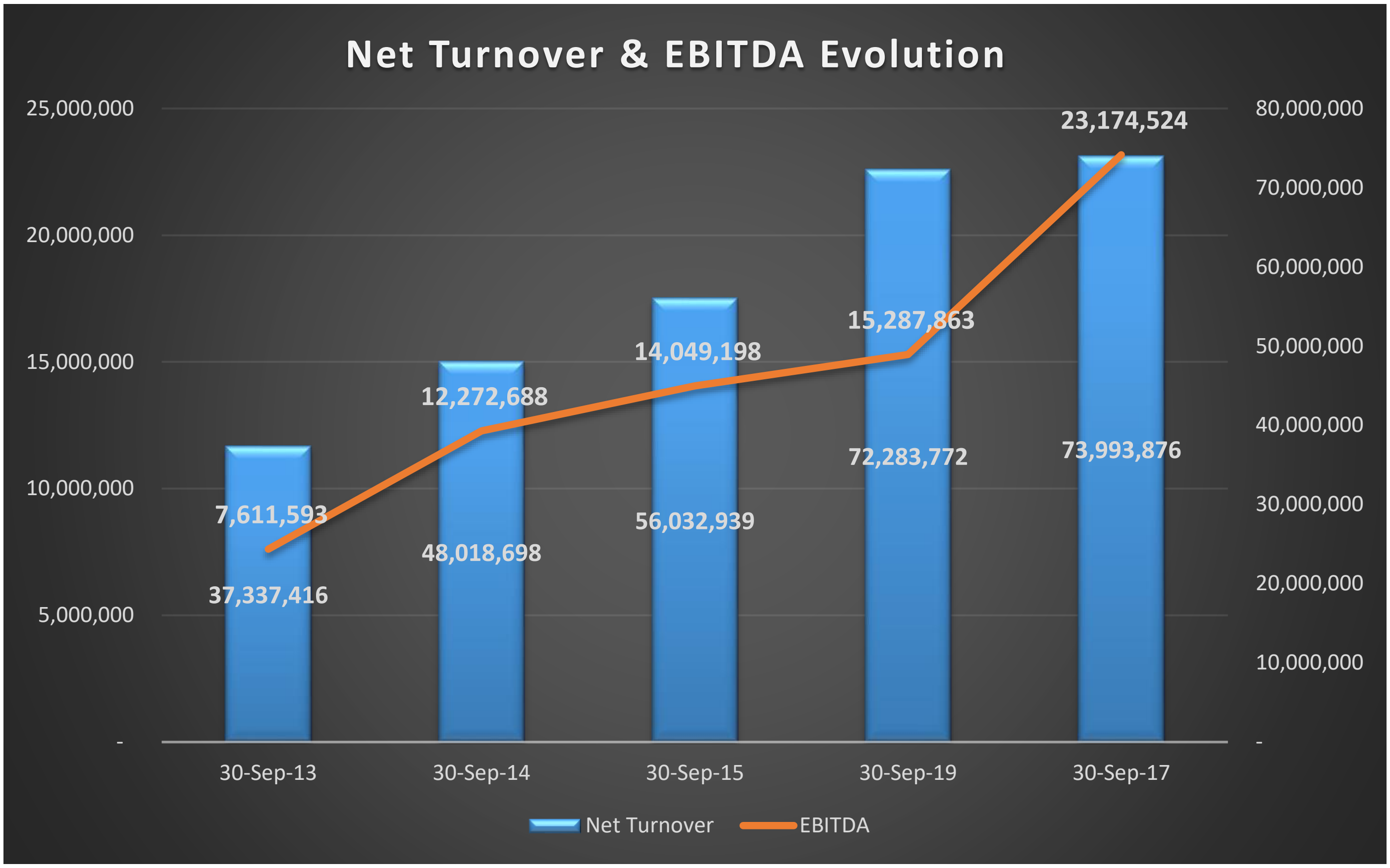
"First 9 months of the year were very dynamic in respect of consumption for ceramic bricks, with periods where demand has overcome the offer, especially in the 3rd Quarter. Cemacon grew through efficiency, utilizing both production facilities at maximum capacity.

Thus, for a turnover similar to one obtained in the same period of 2016, we have found solutions to double our net profit obtaining 13.8 million lei, compared to similar period of 2016.

We have been consistent in the way that we have managed the Company's resources and also have been consistent in the way we have approached our market. Operational optimization, organizational development and improving sales determined an EBITDA margin of 31% in the first 9 months of 2017 compared to the similar period of 2016 when EBITDA margin was 21%.

Our principal target for 2017 is to strengthen the company and increase the added value, we have all the premises to ensure our success."

Profit and loss account - Results for 30th of September 2017



Compared to the same period of 2016 can be observed both a consolidation for the Net Turnover, registering an increase of 2%, and an important growth in Operating Profit EBITDA, from 21% to 31%. This performance was obtained through a qualitative sale and through optimizations in operational activities.

At the level of other operating revenues there were no significant changes compared to 2016, the main revenues being represented by the EUA certificates received free of charge. The significant increase in the other gains and losses position is mainly influenced by the cancellation of provisions made in previous periods. The counterpart of these provisions affects the line of other operating expenses so that the result of the current year is not influenced.

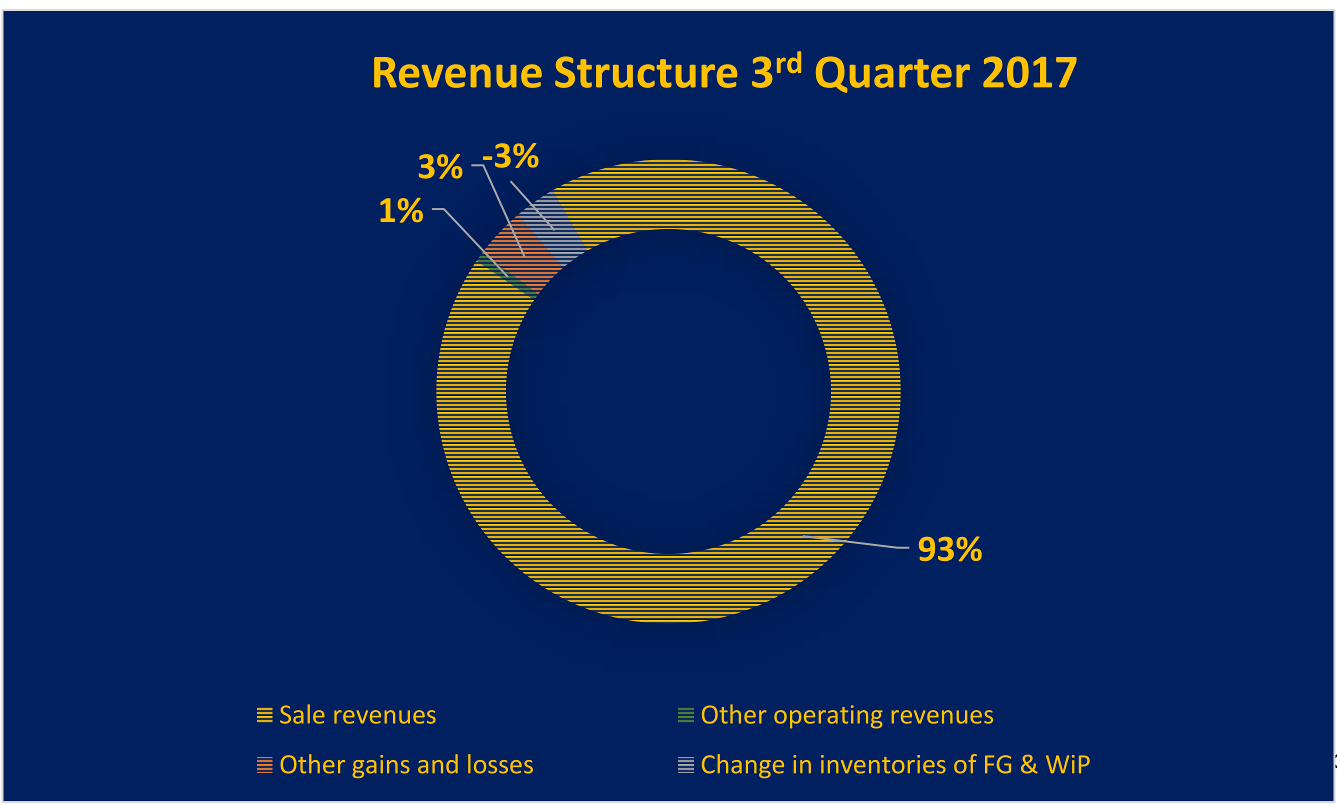
Changes in inventory record negative values as a result for the gap between the quantities produced and sold during the period.

At the level of the operational expenditures there are no significant variations compared to the previous period.

For the period ended September 30, 2017 CEMACON has an **Operating Profit** of **23,174,524 lei** and a **Net Profit** of **13,868,932 lei**

	30-Sep-17	30-Sep-16	2017 vs 2016	2017 vs 2016
	LEI	LEI	LEI	%
Net turnover	**73,993,876**	**72,283,772**	**1,710,104**	**2%**
Gross turnover	**76,278,791**	**74,933,777**	**1,345,013**	**2%**
Sale revenues	**73,993,255**	**72,283,410**	**1,709,845**	**2%**
Other operating revenues	544,041	731,833	(187,792)	-26%
Other gains and losses	2,830,903	1,157,738	1,673,165	145%
Change in inventories of FG & WiP	(2,318,704)	(6,845,105)	4,526,401	-66%
Raw material and consumables used	(14,167,815)	(14,044,730)	(123,085)	1%
Personnel Expenses	(12,551,239)	(12,007,342)	(543,897)	5%
Other operating expenses	(25,155,917)	(25,987,941)	832,024	-3%
EBITDA	**23,174,524**	**15,287,863**	**7,886,661**	**52%**
Depreciation and amortization expenses	(5,187,363)	(4,950,196)	(237,167)	5%
EBIT	**17,987,160**	**10,337,667**	**7,649,494**	**74%**
Financial income	92,478	84,909	7,569	9%
Financial expenses	(3,079,806)	(3,304,434)	224,628	-7%
Financial result	**(2,987,328)**	**(3,219,525)**	232,197	-7%
Profit before tax	**14,999,833**	**7,118,142**	**7,881,691**	**111%**
Tax Expense	(1,130,901)	(438,706)	(692,195)	0%
Profit after tax	**13,868,932**	**6,679,436**	**7,189,496**	**108%**

*At the date of presentaion of 3rd Quarter results no other elements of other comprehensive income and deffered tax were calculated



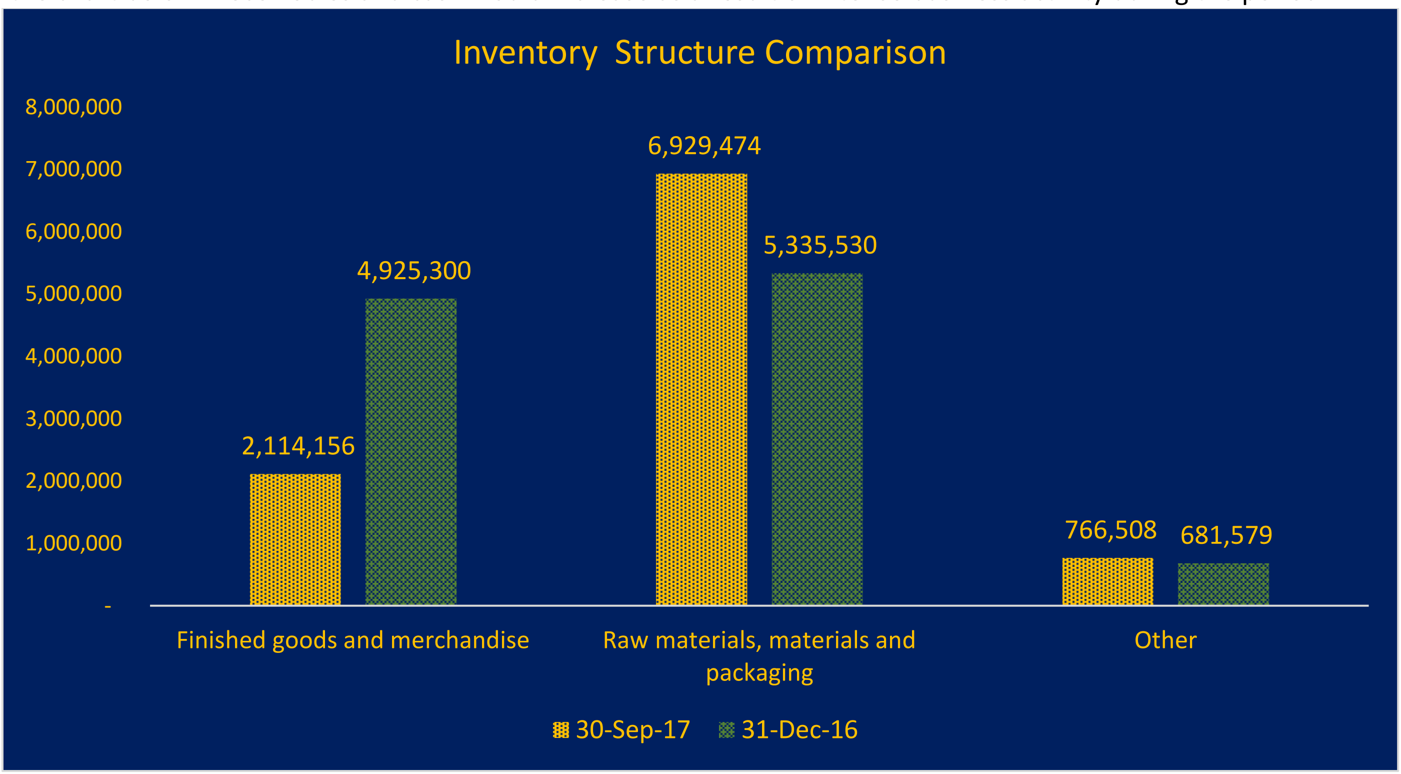
Statement of financial position – Results for 30th of September 2017

ASSETS	30-Sep-17	31-Dec-16	2017 vs 2016	2017 vs 2016
NON-CURRENT ASSETS	**LEI**	**LEI**	**LEI**	**%**
Property, plant and equipment	118,604,688	116,396,783	2,207,905	2%
Intangible	247,409	334,207	(86,798)	-26%
Investments	200	200	-	0%
Other non-current assets	120,352	112,752	7,600	7%
NON-CURRENT ASSETS TOTAL	**118,972,649**	**116,843,942**	**2,128,707**	**2%**
CURRENT ASSETS				
Inventories	9,810,138	10,942,409	(1,132,271)	-10%
Trade and other receivables	18,559,797	11,076,927	7,482,870	68%
Other financial assets	8,405	490,721	(482,316)	-98%
Cash and cash equivalents	32,937,917	28,736,299	4,201,618	15%
CURRENT ASSETS TOTAL	**61,316,258**	**51,246,356**	**10,069,901**	**20%**
Assets classified as held for sale	*1,277,495*	*1,277,495*	-	*0%*
TOTAL ASSETS	**181,566,401**	**169,367,793**	**12,198,608**	**7%**
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	12,813,147	11,859,442	953,705	8%
Loans and borrowings	7,430,492	5,040,143	2,390,349	47%
Tax liability	1,130,901	64,496	1,066,405	1653%
Provisions	1,780,840	4,578,410	(2,797,569)	-61%
CURRENT LIABILITIES TOTAL	**23,155,379**	**21,542,490**	**1,612,890**	**7%**
NON-CURRENT LIABILITIES				
Non-current trade and other liabilities	-	-	-	0%
Loans and borrowings	45,085,629	48,787,282	(3,701,653)	-8%
Grants received	1,102,106	1,158,837	(56,731)	-5%
Deferred tax	1,262,668	1,262,668	-	100%
Provisions	666,716	632,358	34,358	0%
NON-CURRENT LIABILITIES TOTAL	**48,117,119**	**51,841,145**	**(3,724,026)**	**-7%**
TOTAL LIABILITIES	**71,272,498**	**73,383,635**	**(2,111,136)**	**-3%**
NET ASSETS	**110,293,902**	**95,984,158**	**14,309,744**	**15%**
EQUITY				
Share Capital	20,613,371	20,613,371	0	0%
TOTAL EQUITY	**110,293,902**	**95,984,158**	**14,309,744**	**15%**

At fixed asset level, there was an increase of 2% as compared to 31 December 2016, the increase is registered as a result of the fixed assets acquired and commisioned during the period and compensated partially with depreciation recorded during the respective period.

Activele circulante au inregistrat o crestere de 20% fata de perioada incheiata la 31 Decembrie 2016, stocurile au scazut cu 10%, modificari survenite ca urmare a vanzarilor intamplate in perioada si aprovizionarii cu materii prime pentru sezonul 2018, asa cum se poate observa in graficul de mai jos. Creantele si numerarul ar crescut ca urmare a activitatii comerciale intense derulate in perioada.

Current assets recorded a 20% increase over the period ending December 31, 2016, inventory decreased by 10%, changes occurred as a result of sales made during the period and the supply of raw materials for the 2018 season, as can be seen in the chart below. Receivebles and cash would increase as a result of intense business activity during the period.



Commercial debts increased by 8% as of 31 December 2016 as a result of the operational activity carried out during the period.

Banking debts decreased by 2% as compared to the end of 2016, a change caused both by contracting financial leasing for implementing the approved investment program for 2017 and by the reduction of bank credit by repayment of principal and interest rates according to their maturity date,there were no delays in this process.

The share capital did not change, the increase from equity being generated by the result obtained during the period.

Main Financial Ratios

Main financial ratios	30-Sep-17	30-Sep-16
1. Current liquidity indicator	2.70	2.60
2. Leverage indicator	52%	53%
3. Turnover speed for client debit items (days)	55	53
4. Turnover speed for total assets	62%	64%

Consolidated Results of the CEMACON Group

Information on the presentation of the CEMACON SA Group:

CEMACON SA is a Romanian legal entity founded as a joint stock company based on Government Decision no.1200/1991 with its registered office in Cluj-Napoca, no. 48 Dorobantilor Street, Silver Business Center building, 1st floor, Cluj county. The company’s main object of activity is “Manufacture of bricks, tiles and other construction products made from burnt clay”

SC CEMACON Real Estate Company was founded as a result of the agreement signed by SC CEMACON SA and the Romanian Commercial Bank in order to take over part of the liabilities and assets, according to the reorganization process.

The individual financial statements of SC CEMACON Real Estate Company are prepared in accordance with Order of the Minister of Public Finance 1802/2012.

The financial statements of the controlled branch have been prepared for the same reporting period as those of the parent company, using the same accounting policies.

The International Financial Reporting Standards (IFRS) have been applied when preparing the consolidated financial statements.

Even if the financial statements of SC CEMACON Real Estate have been prepared in accordance with Order of the Minister of Public Finance 1802/2012, the necessary adjustments have been made in order to reflect the accounting policies of the parent company with a view to consolidating.

Consolidated Statement of financial position – Results for 30th of September 2017

ASSETS	30-Sep-17	31-Dec-16	2017 vs 2016	2017 vs 2016
NON-CURRENT ASSETS	**LEI**	**LEI**	**LEI**	**%**
Property, plant and equipment	118,604,688	116,396,783	2,207,905	2%
Intangible	247,409	334,207	(86,798)	-26%
Investments	-	-	-	0%
Other non-current assets	120,352	112,752	7,600	7%
NON-CURRENT ASSETS TOTAL	**118,972,449**	**116,843,742**	**2,128,707**	**2%**
CURRENT ASSETS				
Inventories	9,810,138	10,942,408	(1,132,270)	-10%
Trade and other receivables	17,490,411	9,489,074	8,001,337	84%
Other financial assets	8,405	490,721	(482,316)	-98%
Cash and cash equivalents	33,036,258	29,957,212	3,079,046	10%
CURRENT ASSETS TOTAL	**60,345,212**	**50,879,415**	**9,465,797**	**19%**
Assets classified as held for sale	*19,238,703*	*19,238,703*	-	*0%*
TOTAL ASSETS	**198,556,364**	**186,961,860**	**11,594,504**	**6%**

LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	13,492,936	12,856,779	636,157	5%
Loans and borrowings	7,430,492	5,040,143	2,390,349	47%
Tax liability	1,130,901	64,496	1,066,405	1653%
Provisions	1,780,840	4,578,409	(2,797,569)	-61%
CURRENT LIABILITIES TOTAL	**23,835,169**	**22,539,827**	**1,295,342**	**6%**
NON-CURRENT LIABILITIES				
Non-current trade and other liabilities			-	0%
Loans and borrowings	62,080,248	65,567,579	(3,487,331)	-5%
Grants received	1,102,106	1,158,837	(56,731)	-5%
Deferred tax	1,241,071	1,241,071	-	100%
Provisions	666,716	632,358	34,358	0%
NON-CURRENT LIABILITIES TOTAL	**65,090,141**	**68,599,845**	**(3,509,704)**	**-5%**
TOTAL LIABILITIES	**88,925,308**	**91,139,672**	**(2,214,362)**	**-2%**
NET ASSETS	**109,631,056**	**95,822,189**	**13,808,866**	**14%**
EQUITY				
Share Capital	20,613,371	20,613,371	(0)	0%
TOTAL EQUITY	**109,631,056**	**95,822,189**	**13,808,868**	**14%**

Consolidated Profit and loss account - Results for 30th of September 2017

	30-Sep-17 LEI	30-Sep-16 LEI	2017 vs 2016 LEI	2017 vs 2016 %
Sale revenues	**73,998,432**	**72,283,410**	**1,715,022**	**2%**
Other operating revenues	605,951	827,734	(221,783)	-27%
Other gains and losses	2,855,859	1,156,060	1,699,799	147%
Change in inventories of FG & WiP	(2,318,702)	(6,845,101)	4,526,399	-66%
Raw material and consumables used	(14,173,339)	(14,044,759)	(128,580)	1%
Personnel Expenses	(12,631,538)	(12,013,417)	(618,121)	5%
Other operating expenses	(25,200,570)	(26,485,439)	1,284,869	-5%
EBITDA	**23,136,093**	**14,878,488**	**8,257,605**	**56%**
Depreciation and amortization expenses	(5,187,363)	(4,950,196)	(237,167)	5%
EBIT	**17,948,729**	**9,928,292**	**8,020,438**	**81%**
Financial income	369,029	764,380	(395,351)	-52%
Financial expenses	(3,818,800)	(3,916,390)	97,590	-2%
Financial result	**(3,449,771)**	**(3,152,010)**	**(297,761)**	**9%**
Profit before tax	**14,498,959**	**6,776,282**	**7,722,677**	**114%**
Tax Expense	(1,130,901)	(438,706)	(692,195)	0%
Profit after tax	**13,368,058**	**6,337,576**	**7,030,482**	**111%**

- At the date of presentaion of 3rd Quarter results no other elements of other comprehensive income and deffered tax were calculated

The report and the related documents can be consulted as of **8th of November 2017, 8:00,** at the company's headquarters on No. 48 Dorobantilor Street, Cluj-Napoca or electronically on the company's website: **www.cemacon.ro** and on the website of the Bucharest Stock Exchange: **www.bvb.ro**

The results presented are prepared in accordance with IFRS and have a preliminary nature, and will be subject to financial auditing in accordance with legal provisions.

CEMACON SA ranks second in the top of masonry manufacturers in Romania and is the market leader in Transylvania. The company operates the most modern and largest manufacturing capacity in Romania with innovative, differentiated products that bring added value to users, at very competitive production costs.

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

Cluj-Napoca
8th of November 2017

INDIVIDUAL FINANCIAL STATEMENTS
FOR PERIOD ENDED 30th of September 2017

Drafted according to the International reporting standards (IFRS)

CEMACON
Cărămizi inteligente EVOCERAMIC

SC CEMACON SA
Fiscal Code 677858
Trade Registry Code J12/2466/2012

Contents

Notes For Consolidated Financial Statements

CEMACON SA

Situatia Individuala a pozitiei financiare

(Individual Statement of financial position)

pentru perioada incheiata la 30 Septembrie 2017

(for the period ended 30 st of September 2017)

		30-Sep-17	31-Dec-16
		LEI	**LEI**
ACTIVE *(ASSETS)*			
Active imobilizate			
Non-current assets			
Imobilizari corporale	11	118,604,688	116,396,783
Property, plant and equipment			
Investitii imobiliare		-	-
Investment property			
Imobilizari necorporale	12	247,409	334,207
Intangible			
Investitii in actiuni	14	200	200
Investments			
Alte active imobilizate		120,352	112,752
Other non-current assets			
		118,972,649	**116,843,942**
Active circulante			
Current assets			
Stocuri	15	9,810,138	10,942,409
Inventories			
Creante comerciale si similare	16	18,559,797	11,076,927
Trade and other receivables			
Alte active financiare		8,405	490,721
Other financial assets			
Numerar si echivalente numerar	27	32,937,917	28,736,299
Cash and cash equivalents			
		61,316,258	**51,246,356**
Active clasificate drept detinute în vederea vânzării		**1,277,495**	**1,277,495**
Assets classified as held for sale	*22*		
TOTAL ACTIVE *(TOTAL ASSETS)*		**181,566,401**	**169,367,793**
DATORII *(LIABILITIES)*			
DATORII CURENTE			
CURRENT LIABILITIES			
Datorii comerciale si similare	17	12,813,147	11,859,442
Trade and other payables			
Imprumuturi	18	7,430,492	5,040,143
Loans and borrowings			
Subventii pentru investitii		-	-
Grants received			
Datorii privind impozitul pe profit	8	1,130,901	64,496
Tax liability			
Provizioane	20	1,780,840	4,578,410

CEMACON SA
Situatia Individuala a pozitiei financiare
(Individual Statement of financial position)
pentru perioada incheiata la 30 Septembrie 2017
(for the period ended 30 st of September 2017)

		30-Sep-17	31-Dec-16
		LEI	**LEI**
Provisions			
		23,155,379	**21,542,490**
DATORII PE TERMEN LUNG			
NON-CURRENT LIABILITIES			
Datorii comerciale si similare		-	-
Non-current trade and other liabilities			
Imprumuturi	18	45,085,629	48,787,282
Loans and borrowings			
Subventii pentru investitii		1,102,106	1,158,837
Grants received			
Impozit amanat	21	1,262,668	1,262,668
Deferred tax			
Provizioane	20	666,716	632,358
Provisions			
		48,117,119	**51,841,145**
TOTAL DATORII *(TOTAL LIABILITIES)*		**71,272,498**	**73,383,635**
ACTIVE NETE *(NET ASSETS)*		**110,293,902**	**95,984,158**
CAPITAL SI REZERVE *(EQUITY)*			
Capital social	23	20,613,371	20,613,371
Issued capital			
Beneficii acordate angajatilor in instrumente de capitaluri proprii		2,465,038	2,024,226
Benefits granted to employees in equity instruments			
Impozit profit amanat		(1,188,241)	(1,188,241)
Deffered Tax			
Actiuni proprii		-	-
Own Shares			
Prime legate de emiterea de actiuni		54,850,347	54,850,347
Share premium			
Rezerve din reevaluare aferente active destinate vanzarii	24	1,139,240	1,139,240
Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale			
Rezerve	24	17,720,403	17,554,483
Reserves			
Rezultat reportat		14,693,743	990,732
Retained earnings			
Interesele care nu controleaza		**-**	**-**
Non-controling interest			
TOTAL CAPITALURI *(TOTAL EQUITY)*		**110,293,902**	**95,984,158**

Toate sumele sunt prezentate in lei, daca nu este specificat altfel / All amounts in Lei, if not otherwise stated

CEMACON SA

Situatia Individuala Rezultatului Global

(Individual Statement of Comprehensive Income)

pentru perioada incheiata la 30 Septembrie 2017

(for the period ended 30st of September 2017)

		30-Sep-17 LEI	30-Sep-16 LEI
Venituri din vanzari *Sales revenues*	3	**73,993,255**	**72,283,410**
Alte venituri din exploatare *Other operating revenues*	4	544,041	731,833
Alte castiguri si pierderi *Other gains and losses*	4	2,830,903	1,157,738
Variatia stocurilor *Change in inventories of FG & WiP*		(2,318,704)	(6,845,105)
Materii prime si consumabile *Raw material and consumables used*	*15*	*(14,167,815)*	*(14,044,730)*
Cheltuieli de personal *Personnel Expenses*	*6*	*(12,551,239)*	*(12,007,342)*
Amortizare si deprecieri *Depreciation and amortisation expenses*		(5,187,363)	(4,950,196)
Cercetare si dezvoltare *Research and development*		-	-
Alte cheltuieli din exploatare *Other operating expenses*	5	(25,155,917)	(25,987,941)
Profit / (Pierdere) din exploatare ***Profit / (Loss) from operation***		**17,987,160**	**10,337,667**
Venituri financiare *Financial income*	7	92,478	84,909
Cheltuieli financiare *Financial expenses*	7	(3,079,806)	(3,304,434)
Profit / (Pierdere) inainte de impozitare *Profit before tax*		**14,999,833**	**7,118,142**
Cheltuieli cu impozite	8	(1,130,901)	(438,706)
Profit / (Pierdere) ***Profit after tax***		**13,868,932**	**6,679,436**
Total alte elemente ale rezultatului global ***Tolat other elements of other comprehensive income***		**-**	**-**
Total rezultat global ***Comprehensive income total***		**13,868,932**	**6,679,436**

Toate sumele sunt prezentate in lei, daca nu este specificat altfel / All amounts in Lei, if not otherwise stated

1. Accounting policies of Cemacon

Drafting principles

The main accounting policies applied in the preparation of these financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise specified.

The financial statements are presented in Lei, the national currency, which is also the entity's functional currency.

The amounts are rounded to the closest Leu, unless otherwise specified.

These financial statements have been drafted in accordance with the Ordinance of the Public Finances Ministry OMF 2844/2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards (IFRS), applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended, and respectively in accordance with:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- the Accounting Law 82/1991, as republished ("Law 82");
- Order no. 881/2012 of the Ministry of Finance on the application of the International Financial Reporting Standards ("IFRS") by trading companies whose securities are admitted to trading on a regulated market),

Drafting the financial statements in compliance with IFRS requires the use of certain critical accounting estimates. Drafting the financial statements in compliance with the Order no. 2844/2016 of the Ministry of Finance also requires the Company's management to make estimates and hypotheses that affect the reported values of assets and liabilities, the presentation of contingent assets and liabilities on the date the financial statements were prepared, as well as the income and expenditure reported for the period in question. Although such estimates are made by the Company's management based on the best information available on the date of the financial statements, actual results may be different from such estimates.

Estimates and judgments are continuously assessed and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These financial statements have been drafted according to the principle of business continuity which means that the Company will continue doing its business in the predictable future. To assess the applicability of this assumption, the Company analyses the forecasts on future cash inflows.

Based on these analyses, the management believes that the Company will be able to continue doing its business in the predictable future and, therefore, the application of the principle of business continuity in drafting the financial statements is well-founded.

Measurement basis

The financial statements have been drafted based on the historical cost, except for the items mentioned in the notes.

Change of accounting policies

Initial enforcement of the new amendments to the existing standards in force for the current reporting period

Accounting policies *(continued)*

The following amendments to the existing standards and the new interpretations issued by the International Accounting Standards Board (IASB) and adopted by EU are in force for the current reporting period:

- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Information to be presented related to interests in other companies" şi IAS 28 "Investments in associated companies and in joint ventures" –** Investment companies: applying the consolidation exception – adopted by EU on the 22nd of September 2016 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IFRS 11 "Joint ventures"** – Accounting the acquisitions for joint operations – adopted by EU on the 24th of November 2015 (applicable for annual periods starting with or after the 1st of Juanuary 2016),
- **Amendments to IAS 1 "Presentation of financial statements"** – Initiative related to the presentation requirement – adopted by EU on the 18th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible assets" –** Clarifications related to the acceptable depreciation method – adopted by EU on the 2nd of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 16 "Tangible assets" and IAS 41 "Agriculture"** – Reproduction plants – adopted by EU on the 23rd of November 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 19 "Employee benefits"** – Determined benefit plans - Employee contributions – adopted by EU on the 17th of December 2014 (applicable for annual periods starting with or after the 1st of January of 2015),
- **Amendments to IAS 27 "Individual financial statements"** – equity method in the individual financial statements – adopted by EU on the 18th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to various standards " Improvements of IFRS (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the main purpose of eliminating the inconsistancies and clarifying certain forms – adopted by EU on the 17th of December 2014 (applicable for annual periods starting with or after the 1st of January of 2015),
- **Amendments to various standards "Improvements of IFRS (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistancies and clarifying certain forms – adopted by EU on the 15th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016).

Adopting these amendments to the existing standards has not lead to significant changes in the financial statements of S.C. CEMACON S.A.

Standards and amendments to the existing standards issued by IASB and adopted by EU, not entered into force yet

On the approval date of these financial statemenets, the following new standards and amendments to the standards issued by IASB and adopted by EU are not entered into force yet.

- **IFRS 9 "Financial instruments"** – adopted by EU on the 22nd of November 2016 (applicable for annual periods starting with or after the 1st of January of 2018),
- **IFRS 15 "Revenues from contracts with customers"** and the amendments to IFRS 15 "Date of entering into force of IFRS 15" – adopted by EU on the 22nd pf September 2016 (applicable for annual periods starting with or after the 1st of January of 2018).

New standards and amendments to the existing standards issued by IASB, not adopted by EU yet

Currently, IFRS – as they were adopted by EU – do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except the following new standards, amendments to the existing

Accounting policies *(continued)*

standards and new interpretations, which have not been approved to be used in EU pn the publishing date of the financial statements (the following dates of entering into force are for all IFRS standards):

- **IFRS 14 "Regulatory deferral accounts"** (applicable for annual periods starting with or after the 1st of January of 2016) – The European Commission decided not to issue the approval process of this interim and wait for its finalization,
- **IFRS 16 "Leasing"** (applicable for annual periods starting with or after the 1st of January of 2019),
- **Amendments to IFRS 2 "Share-based payment"** – Classification and assessment of the transactions with share-based payment (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to IFRS 4 "Insurance contracts"** - Applying IFRS 9 Financial instruments, together with IFRS 4 Insurance contracts (applicable for annual periods starting with or after the 1st of January of 2018 or applying for the first time IFRS 9 "Financial Instruments"),
- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated companies and joint ventures"-** The sale of asset contribution between and an investor and his associated companies or joint ventures and the posterior amendments (the date of entry into force was postponed for an indefinite period, until the finalization of the research project related to the equity method),
- **Amendments to IFRS 15 "Revenues from contracts with customers"** – Clarifications to IFRS 15 Revenues from contracts with customers (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to IAS 7 "Cash-flow statements"** – Initiative related to the presentation requirements (applicable for annual periods starting with or after the 1st of January of 2017),
- **Amendments to IAS 12 "Corporate tax"** – Acknowledgment of assets with deferred tax for unrealised losses (applicable for annual periods starting with or after the 1st of January of 2017),
- **Amendments to IAS 40 "Investment properties"** – Transfer of investment properties (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating the inconsistencies and explaining certain formsi (the Amendments to IFRS 12 are applicable for annual periods starting with or after the 1st of January of 2017, and the amendments to IFRS 1 and IAS 28 are applicable for annual periods starting with or after the 1st of January of 2018),
- **IFRIC 22 "Currency transactions and advances"** (applicable for annual periods starting with or after the 1st of January of 2018).

S.C. CEMACON S.A. anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the financial statements of the Company during the initial period of implementation.

The hedge accounting against risks of a portfolio of assets and liabilities with principles not adopted by EU remains unregulated.

According to the Company's estimates, using the hedge accounting against risks of of a portfolio of assets and liabilities, in accordance with **IAS 39: "Financial Instruments: acknowledgment and assessment"** does not significantly affect the financial statements, if it is applied on the balance sheet date.

Additional information related to certain standards, updates, amendments and interpretations, which can be used, where appropriate:

- **IFRS 9 "Financial Instruments"**, issued on the 24th of July 2014, is the standard which replaces IAS 39 Financial Instruments, Acknowledgment and Assessment. IFRS 9 includes requirements related to the financial instruments, regarding the acknowledgment, classification and assessment, impairment losses, derecognition and hedge accounting against risks.

Accounting policies *(continued)*

Classification and assessment - IFRS 9 introduces a new approach regarding the classification of the financial assets, determined by the characteristics of the cash flows and the business pattern containing the asset. This unique approach based on principles replaces the requirements of IAS 39 based on rules. The new pattern also determines the existence of a unique depreciation model applicable to the financial instruments.

Impairement losses - IFRS 9 introduces a new pattern/model regarding the impairment losses, based on the expected losses, and which will impose a quicker acknowledgment of the expected losses from the impairment of receivables. The standard stipulates that the entities register the expected impairment losses corresponding to receivables from the moment of initial acknowledgment of the financial instruments, and at the same time recognize much more quickly the expected impairment losses for their entire life.

Hedge accounting: IFRS 9 introduces an important improved pattern regarding the hedge accounting, including the additional requirements for the presentation of information related to the risk management activity. The new pattern represents an important revision of the hedge accounting principles, which allow the adjustment of the accounting treatment to the risk management activity.

Own Credit: IFRS 9 eliminates the volatility from the profit and loss account caused by the change of the credit risk corresponding to the debts evaluated at fair value. The modification of the accpunting requirements of these debts means that the income generated by the deterioration of an entity's own credit risk is no longer recognized by profir or loss.

- **IFRS 14 "Deferral accounts corresponding to the regulated activities"** issued by IASB on the 30th of January 2014. This standard is intended to allow the entities which adopt for the first time IFRS, and currently recognize the deferral accounts corresponding to the activities regulated according to the foregoing generally accepted accounting principles, to continue doing it upon passing to IFRS.

- **IFRS 15 "Revenues from contracts with customers"** issued by IASB on the 28th of May 2014 (on the 11th of September 2015, IASB postponed the entry into force of the IFRS 15 to the 1st of January 2018, and on the 12th of April 2016 IASB came up with clarification of this standard). IFRS 15 specifies the way and the moment in which an entity reporting according to IFRS has to acknowledge the revenues, and stipulates that these entities must provide the users of the financial statements with clearer and more relevant information. The standard replaces IAS 18 "Revenues", IAS 11 "Construction agreements" and a number of interpretations related to revenues. The implementation of the standard is compulsory for all entities reporting according to IFRS and applies to almost all contracts with customers: the main exceptions are the lease contracts, the financial instruments and the insurance policies. The main principle of the new standard is that the companies should acknowledge the revenues in order to identify the transfer of goods and services to the clients for amounts reflecting the counterperformance (that is the payment) which the company expects in return for the mentioned goods or services. The new standard shall have as a result increased information related to income, shall offer guidance regarding the transactions not dealt with entirely in the past (for example, revenues from services and modifications/changes to the contracts) and offer a more efficient guidance regarding the multiple elements agreements.

- **IFRS 16 "Lease Contracts"** issued by IASB on the 13th of January 2016. According to IFRS 16, the lessee recognizes a right-of-use asset and a leasing payable. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The leasing debt is initially evaluated at the updated value of the lease payments due during the duration of the agreement, updated to the implicit rate in the agreement, if the latter cand be easily determined. If the implicit/default rate can not be easily determined, the lessee shall use the incremental borrowing rate. As in the case of the foregoing standard IFRS 16, IAS 17, the sellees classify the lease agreements as finance or operating lease. A lease agreement is classified as a finance lease if it transfers in a great measure all the risks and benefits arising from the ownership of an underlying support. On the contrary, the agreement is classified as an operating lease. In the finance leases, the lessee acknowledges the revenues during the period of

Accounting policies *(continued)*

the agreement, based on a model reflecting a constant periodic rate of the net return on investment. The lessee acknowledges the operating lease payments as a linear income or as another adjusted concept, if it is more representative for the model in which the benefit arising from using the underlying asset is reduced.

- **Amendments to IFRS 2 "Share-based payment"– Classification and assessment of the transactions with share-based payment** issued by IASB on the 20th of June 2016. The amendments stipulate accounting requirements for: (a) effects of the vesting and non-vesting conditions on the assessment of the cash-settled share-based payments; (b) share-based payments with a net settlement component for the liabilities related to withholding taxes; and (c) modifying the terms and conditions of a share-based payment which changes the classification of the transaction from a cash-settled transaction to an equity-settles transaction.

- **Amendments to IFRS 4 "Insurance policies" – Implementation of IFRS 9 Financial Instruments with IFRS 4 Insurance policies** issued by IASB on the 12th of September 2016. The amendments focus on the issues derived from the implementation of the new standard related to the financial instruments, IFRS 9, before replacing the standard by the Council to IFRS 4.

- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures"- Sale of or asset contribution between an investor and its associated entities or joint ventures** issued by IASB on the 11th of September 2014 (on the 17th of December 2015, IASB postponed the entry into force for an indefinite period). The amendments reconcile the contradiction between the requirements IAS 28 and IFRS 10, and explain the fact that in a transaction involving an associated entity or a joint venture the benefits or losses are recorded when the assets sold or presnted as contribution represent an enterprise.

- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Information to be presented, regarding the interests in other entities" and IAS 28 "Investments in associated entities and joint ventures" – Investment companies: applying the consolidation exception** issued by IASB on the 28th of December 2014. The amendments with restricted applicability area to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the accounting requirements of the investment entities. The amendments also offer exceptions in certain situations.

- **Amendments to IFRS 11 "Joint ventures" – Accounting of purchases of interests in joint ventures** issued by IASB on the 6th of May 2014. The amendments add new guidelines regarding the accounting of the purchase of an interest in a joint venture representing an enterprise. The amendments specify the accounting treatment appropriate for such acquisitions.

- **Amendments to IAS 1 "Presentation of the financial statements" – Initiative related to the presentation requirements** issued by IASB on the 18th of December 2014. The amendments to IAS 1 have the purpose of encouraging the companies to apply the professional judgment in determining the information they disclose in their financial statements. For example, the amendments explain that materiality applies to the financial statements taken as a whole and that including insignificant information can make useless the presented information. Furthermore, the amendments explain that the companies must apply the professional judgment when determining the place and order of the presented financial statements.

- **Amendments to IAS 7 "Cash-flow statements"** – The initiative related to the presentation requirements issued by IASB on the 29th of January 2016. The amendments have the purpose to clarify IAS 7 in order to improve the information provided to the users of the financial statements regarding the financial activities of an entity. The amendments stipulate that an entity must provide information allowing the users of the financial statements to evaluate the changes of the obligations deriving from the financial activities, including the changes in the cash-flow and other changes.

Accounting policies *(continued)*

- **Amendments to IAS 12 "Corporate tax" – Recognition of deferred tax assets for unrealised losses** issued by IASB on the 19th of January 2016. The amendments to IAS 12 clarify the accounting method of the deferred tax assets corresponding to the debts evaluated at their fair value.

- **Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible assets" – Clarifications related to the acceptable depreciation methods** issued by IASB on the 12th of May 2014. The amendments explain the fact that the use of the income-based methods in order to calculate the depreciation of an asset is not appropriate because the income generated by an activity including the use of an asset generally reflects other factors than the use of the economic benefits arising from the asset. The amendments also explain that the revenues are generally an inappropriate assessment basis of the use of economic benefits arising from a fixed asset. Nevertheless, this assumption can be fought in certain limited situations.
- **Amendments to IAS 16 "Tangible assets" and IAS 41 "Agriculture" – Agriculture: Reproduction plantsere** issued by IASB on the 30th of June 2014. The amendments include the reproduction plants, exclusively used for breeding products, in the applicability area of IAS 16, so that they are estimated similarly to the tangible assets.

- **Amendments to IAS 19 "Employee's benefits"– Plans of determined benefits: Contributions of employees** issued by IASB on the 21st of November 2013. The restricted applicability area of the amendments refers to the contributions of employees or third parties to the pre-defined benefit plans. The purpose of the amendments is simplifying the accounting of the contributions which are independent of the number of seniority (no. of years), such as the contributions of employees calculated based on a fixed wage rate.

- **Amendments to IAS 27 "Individual financial statements" – Equity method in the individual financial statements** issued by IASB on the 12th of August 2014. The amendments bring up the equity method as an accounting option for the investments in subsidiaries, joint ventures and associated entities, in the individual financial statements of a company.

- **Amendments to IAS 40 "Investment properties"** – Transfers of investment properties issued by IASB on the 8th of December 2016. The amendments stipulate that an entity may transfer a property/building to, or from, investment properties only when there is evidence for changing its use. A change in use appears when the building is defined or is not longer defined as investment property. The management's change of the use of the property does not represent evidence for the change of use. The amendments also stipulate that the list of evidence lista from paragraph 57 was drawn as a non-exhaustive example list, compared to the foregoing exhaustive list.

- **Amendments to various standards "Improvements of IFRS (cycle 2010-2012)"** issued by IASB on the 12th of December 2013. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 și IAS 38) with the main purpose of eliminating the inconsistencies and of clarifying certain forms. The most important changes include new or revised requirements related to: (i) defining „vesting condition"; (ii) accounting of a contingency in a combination of enterprises; (iii) aggregation of the operational segments and reconciliation of all the assets of the reportable segments with the assets of the entity; (iv) assessment of the short-time receivables and debts; (v) proportional restatement of the accumulated depreciation in the revaluation method, and (vi) clarifications related to the key-management personnel.

- **Amendments to various standards "Improvements of IFRS (cycle 2012-2014)"** issued by IASB on the 25th of September 2014. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistencies and of clarifying certain forms. The changes include new or revised requirements related to: (i) changes in the de-recognition methods; (ii) service contracts; (iii) applicability of the amendments to IFRS 7 in the interim abbreviated financial statements; (iv) discount rate: the regional market issue; (v) disclosure of information "somewhere else in the interim financial report".

Accounting policies *(continued)*

- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)"** issued by IASB on the 8th of December 2016. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 1, IFRS 12 and IAS 28), with the main purpose of eliminating the inconsistencies and of clarifying certain forms. The changes include: (i) eliminating the short-

  term exemptions from paragraphs E3–E7 of IFRS 1, for they have reached their purpose, (ii) clarifying the scope of IFRS 12 by specifying the fact that the presentation requirements in IFRS 12, except those in paragraphs B10–B16, apply to the interests of an entity mentioned in paragraph 5 classified as held for sale, held for distribution or as discontinued operations according to IFRS 5 "Fixed assets held for sale and discontinued operations", (iii) clarifying the selection of the fair value measurement method, by profit or loss, of an investment in an associated entity or a joint venture held by a risk capital entity, or another qualified entity, is available for any investment in an associated entity or a joint venture based on investment, at the moment of the initial acknowledgment.

- **IFRIC 22 "Currency Tranzactions and advances"** issued by IASB on the 8th of December 2016. The interpretation stipulates that – to the effect of determining the exchange date – the transaction date is the date of the initial acknowledgment of the asset for which the non-cash advance or the deferred income obligation was carried out. If there are payments or collections of multiple advances, a transaction date is to be determined for each payment or collection.

Revenue recognition

Revenues include the fair value of the amounts collected or to be collected as a result of selling the provided goods and services.

Sales revenues from selling goods are recognized if the following conditions are complied with:

a) the significant risks and rewards resulting from the ownership of goods have been transferred to the purchaser;
b) the company does not manage the sold goods as it would normally do in case of holding the ownership over them and does not have the effective control over them;
c) the revenues can be reliably evaluated;
d) it is probable that the economic benefits related to the transaction are generated by the company; and
e) the costs borne or to be borne by in relation to the mentioned transaction can be reliably evaluated.

The revenues from „bill & hold" sales (escrow at seller) through which the purchaser becomes the owner of the goods and accepts their invoicing, but the delivery is deferred at its request.

The revenues are recognized when the purchaser has the ownership of goods under the following conditions:

a) it is probable that the delivery of goods takes place

b) Upon the recognition of the sale, the goods are available, identified and ready to be delivered to the purchaser

c) The purchaser clearly confirms the instructions for the deferment of delivery; and

d) The usual payment conditions are complied with.

The revenues are not recognized if there is only the intention of acquiring or producing the goods in due time in order to be delivered.

If the Company registers significant risks related to the ownership, the transaction does not represent a sale and the revenue are not recognized.

Accounting policies *(continued)*

If the Company registers only an insignificant risk related to the ownership right, than the transaction represents a sale and the revenues are recognized.

Sales revenues from the provision of services are recognized if they can be credibly measured.

The revenues related to the transaction must be recognized depending on the execution phase of the transaction at the closing of the balance. The result of a transaction can be reliably evaluated if the following conditions are complied with:

a) the value of the revenues may be reliably evaluated;
b) it is probable that the economic benefits related to the transaction are generated for the Company;
c) the phase of transaction completed at the end of the reporting period may be reliably evaluated; and
d) the costs borne for the transaction and the cost of transaction completes may be reliably evaluated.

When the result of a transaction involving provision of services can not be reliably evaluated, the revenues are recognized only to the extent of the recognized expenses that can be recovered.

Rental and royalty revenues are recognized based on the principles of commitment accounting in accordance with the economic substance of the relevant contracts.
Interest revenues are recognized on a regular basis, proportionally, as such revenues are generated, based on the commitment accounting method.

Dividend revenues are recognized upon determining the right of the shareholder to receive the payment.

Revenues from reduction or cancellation of provisions, and from the adjustments for depreciation or impairment, are recognized if they are not justified any more, the risk or the expense becoming enforceable.

In these financial statements, the income and expenditure are presented as gross amounts. In the balance sheet, liabilities and receivables involving the same partners are presented as net amounts if there is a compensation right.
The customer loyalty system, carried out as a consequence of the marketing or sales policy implemented along a financial year are registered according to IFRIC 13, being booked as a discount of the income from the sale of goods.

The gains from the sale of assets are presented at their fair value.

Conversion of foreign currency transactions

The Company's transactions in foreign currencies are registered based on the exchange rates communicated by the National Bank of Romania ("NBR") for the transaction date.

At the end of each month, foreign currency balances are converted into Lei based on the exchange rates communicated by the NBR for the last banking day of the month.

Accounting policies *(continued)*

Gains and losses deriving from the settlement of foreign currency transactions and from the conversion of monetary assets and liabilities expressed in foreign currencies are recognised in the profit and loss account, as part of the financial result.

Financial assets

The entity classifies financial assets into one of the categories presented below, depending on the purpose for which they were purchased:

- *Evaluation based on the fair value through the profit and loss account* – achieved only for categories of derivative financial instruments kept for sale. These are recognised in the balance sheet at their fair value, whereas changes in value are recognised in the profit and loss account.

- *Recognition of receivables* - this category includes the assets having a fixed maturity or that can be easily determined and are not listed on an active market. These usually appear as provisions corresponding to the commodities or services for the customer, but may also incorporate other types of monetary assets corresponding to contracts. They are initially recognised at their fair value plus the transaction costs, are directly attributable to the purchase or issue, being later recognised at the amortised value using the market interest rate method less the impairment adjustment.

The impairment adjustment is recognised when there is strong proof that the entity will not be able to collect all the amounts having reached maturity according to the collection terms. The adjustment sum is the result of the difference between the net book value and the present value of the future cash flows associated with the adjusted receivables. For receivables presented at net value, such adjustments are recorded in separate adjustment accounts, whereas the loss is recognised as administrative expenditure in the statement of comprehensive income. The moment the failure to collect is certain, the gross value of the asset is cancelled by the relevant provision value.

At regular time intervals, the entity will renegotiate the contractual terms regarding the outstanding receivables for customers with a good transaction history. Such renegotiations will determine changes in the collection time and the expected new cash inflows will be discounted by using the initial interest rate. Any difference resulting from the application of this method will be recognised in the profit and loss account.

The entity's financial assets consist of trade receivables, other receivables, cash and cash equivalents and other financial assets, included in the statement of financial position.

The accounting of foreign currency monetary operations is kept both in the currency in which they were conducted and in the national currency, the conversion into the national currency is made according to the accounting policies regulating the *conversion of foreign currency transactions*, presented earlier herein.

Accounting policies *(continued)*

Financial liabilities

The entity classifies financial liabilities into one of the categories presented below, depending on the purpose for which they were purchased:

- *Evaluation based on the fair value through the profit and loss account* – made only for derivative financial instruments kept for sale. These are recognised in the balance sheet at their fair value, whereas changes in value are recognised in the profit and loss account.
- *Other financial liabilities* - this category includes the following:

Bank loans are initially recognised at their amortised cost less the transaction costs directly attributed to obtaining the loans.
Liabilities and other short-term monetary liabilities are initially recognised at their amortised cost, being later on presented at their cost value using the market interest rate method.
Commercial liabilities are recorded at the value of the amounts to be paid for the received goods or services.

Equity

The financial instruments issued by the Company are classified as equity only to the extent that they cannot be classified as financial liabilities or financial assets.

The Company's ordinary shares are classified as equity instruments.

Indebtedness cost

Indebtedness costs are recognized as financial expenses according to the contractual provisions for the period when the indebtedness costs fall due or are actually engaged.

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset.

The production cost of assets having a long production cycle includes only indebtedness costs relating to the production period.

The indebtedness costs that are included in the production cost of assets having a long production cycle are the following:

- total interest expense;
- financial expense relevant to financial leasing contracts;
- exchange rate differentials relevant to foreign currency loans, as far as these are construed as an adjustment of the interest expense.

The cost capitalization starts when:

- expenses for such asset are borne;
- indebtedness costs are borne, and
- the necessary activities for preparing the asset in view of using it as pre-established or selling it are on-going.

The indebtedness cost capitalization is interrupted during extended periods when no work is being conducted to achieve that asset.

The indebtedness cost capitalization is ceased when most of the necessary activities for preparing the asset that has a long production cycle in view of using it as pre-established or selling it are conducted, even if some of the administrative works may still continue.

The indebtedness costs borne during periods when capitalization is interrupted or after their capitalization ceases, are recognized in the financial expenditure entries.

Pensions and other post-retirement benefits

During the normal course of business, the Company makes payments to the public health fund, pensions fund, and unemployment fund on behalf of its employees, at the statutory rates. All the Company's employees are members of the pension scheme of the Romanian state. These costs are recognized in the profit and loss account at the same time wages are recognized.
According to the collective employment contract, the Company rewards the employees at their retirement age by giving them financial bonuses depending on their seniority in the company. The Company does not independently manage a private pension scheme.

Other long-term benefits

Other employee benefits expected to be settled entirely within 12 months after the end of the reporting period are presented as short-term liabilities.

Other employee benefits that are not extinguished within 12 months as of the end of the reporting period are presented as long-term liabilities and are calculated using discount rates. This is the case of employee benefits upon retirement. For more details, please refer to Note 19 – Employee Benefits.

Leasing contracts

The leasing contracts for tangible fixed assets whereby the Company undertakes all the risks and benefits relevant to the property are classified as financial leasing contracts.

The financial lease is the leasing operation which transfers the largest part of the risks and rewards corresponding to the ownership right to the asset and which complies with at least one of the following conditions:

a) the ownership right over the good is transferred to the lessee until the end of the period of the leasing contract;

b) the Company has the option to purchase the good at a price sufficiently low compared to the fair value when the option becomes exercisable, so that at the beginning of the lease contract there is reasonably the certainty that the option shall be applied;

c) the duration of the leasing contract covers most of the useful life of the good, even if the title deed is not transferred;

d) at the beginning of the leasing contract, the updated value of the minimum lease payments is higher or equal to the original cost of the good in leasing system;

e) the goods representing the object of the leasing contract have a special nature, so that only the lessee may use them without major changes.

Accounting policies *(continued)*

Financial leasing costs are capitalized at the estimated discounted value of payments. Each payment is divided between the principal component and the interest component in order to obtain a constant interest rate during the reimbursement period. The payable amounts are included in the short-term or long-term liabilities. The interest component is included in the profit and loss account during the contract period. Assets held based on financial leasing contracts are capitalized and amortized during their useful life.

The leasing contracts where a significant part of the risks and benefits associated to the property is withheld by the lessor are classified as operational leasing contracts. The payments made based on such a contract (net of any facilities granted by the lessor) are recognized in the profit and loss account on a linear basis during the contract period.

Intangible assets

a) Purchased Intangible Assets
Intangible assets include computer software created by the entity or purchased from third parties for internal needs, such as recipes, formulas, patterns, projects and prototypes.

An intangible asset must be recognised if and only if

- it is estimated that the future economic benefits attributable to the asset will be obtained by the company; and
- the cost of the asset can be reliably measured.

If an intangible asset is purchased separately, its cost may be reliably measured and will be made up of:

- the purchase price, import taxes and other unrecoverable taxes, transport expenses, commissions, notary's fees, expenses incurred in obtaining permits and other expenditure that may be directly attributable to the purchase of the intangible asset in question.
- commercial discounts granted by the supplier and written on the purchase invoice will be subtracted from the purchase price.

Other intangible assets are subject to straight-line amortisation for a period of 3 years.

Expenses allowing intangible fixed assets to generate future economic benefits beyond the initially foreseen performance are added up to their original cost.

b) Internally generated intangible assets (development costs)

Development is the application of research discoveries or other knowledge in a plan or project whose object is the production of new or substantially improved materials, devices, products, processes, systems or services before starting their commercial production or use.

An intangible asset arising from development will be recognised if, and only if, the Company can demonstrate all of the following:

Accounting policies *(continued)*

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- the manner in which the intangible asset will generate probable future economic benefits, the existence of a market for the output of the intangible asset for the intangible asset itself;
- the availability of adequate technical, financial and other types of resources for completing the development and for using or selling the intangible asset;
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenses are recognised at their production cost.

The production of tangible and intangible assets requires separating the process into a research phase and a development phase.

When distinction between the research phase and the development phase in an internal project creating an intangible asset is not possible, expenses incurred in such project will be attributable to the research phase and will be recognised in the profit and loss account.
No intangible asset arising from research or from the research phase of an internal project will be recognised. Expenditure on research will be recognised as an expense in the profit and loss account when it is incurred.

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

The production cost of intangible assets arising in the development phase comprises:

- direct expenses relevant to production, such as direct materials, power consumed for technological purposes, costs with employee wages, legal contributions, testing costs regarding the correct operation of the asset, professional fees and charges paid in connection with the asset, the cost for obtaining the necessary authorizations.

Development expenses recognised as intangible assets are amortised over the period during which the Company expects to obtain benefits from the developed products.

c) Concessions, patents, licenses, trademarks, rights and similar assets

Concessions, patents, licenses, trademarks, similar rights and assets that constitute contribution, purchased or acquired by other means, are recorded in the intangible assets accounts at their acquisition cost or contribution value, as the case may be.

When the concession contract does not provide for an amortisable value of the concession but only for the payment of a monthly royalty, the concession cannot be recognised as an asset.

Accounting policies *(continued)*

When the concession contract provides the duration and a total value of the concession, the concession is recognised as an intangible asset in the balance sheet.

The impairment of the concession is to be recorded throughout its period of use, established under the contract.

Patents, licenses, trademarks, similar rights and assets are impaired during the period foreseen for their use.

d) Goodwill

Internally generated goodwill will not be recognised as an intangible asset.
Goodwill can be recognised as an intangible asset only in case all assets or a part thereof and, as the case may be, debts and equity, are transferred.

Goodwill may arise after the purchase of a business or as a result of merger operations.
For the recognition of assets and liabilities received with this transfer, Companies must proceed to measure the fair value of the items received, in order to determine the individual value thereof.

The goodwill arisen as a result of the purchase of a business is the difference between the value paid and the fair value of the net assets purchased.

Tangible assets

a) The costs for stripping an open-pit mine during the production phase.

The company Cemacon SA conducts Clay exploitation activities by performing mining works in the open in the exploitation perimeter Recea Cemacon, Varsolt township, Salaj county. The clay deposit has the shape of a gentle hill, covered by a layer of vegetal soil having an average thickness of 0.3 m. In some areas of the deposit, under the vegetal soil layer, there is sandy clay that is not subject to exploitation. The thickness of the sandy clay layers varies between 1m and 5m. For the exploitation activity to be conducted under optimal conditions, the exploitation perimeter must be prepared by removing the covering consisting of vegetal soil and sandy clay, which cover the deposit.
The clay exploitation in the quarry is conducted in exploitation steps.

This asset must be recognised if and only if the following conditions are met:

1. ***It is likely that the future economic benefit that is attributable to the stripping activity will flow to the entity;***
2. ***The Company can identify the component of the lode to which the access has been improved;***
3. ***The costs corresponding to the stripping activityassociated with that component can be reliably evaluated;***

The asset associated with the stripping activity will be recorded as an additional item or as an improvement of an existing asset.
The initial evaluation of the asset is made at cost value, which is an aggregation of the costs directly borne for conducting the stripping activity through which the access to the identified ore component is improved, plus an allocation of the directly attributable management expenses.

Accounting policies *(continued)*

b) The asset associated with the stripping activity must be systematically depreciated or amortized, in accordance with the accounting policies regarding amortization.

Purchased Tangible Assets

The intangible assets category includes the assets that meet the following recognition criteria:

- are assets generating future economic benefits;
- the cost of the item can be reliably measured

The acquisition cost comprises:

1. the purchase price, import taxes and other unrecoverable taxes, transport expenses, manipulation, commissions, notary's fees, expenses for obtaining permits and other expenditure that may be directly attributable to the purchase of the assets in question, commercial discounts granted by the supplier and written on the purchase invoice will be subtracted from the purchase price of the assets.
2. transport expenses are also included in the purchase price when the supply function is outsourced and when it is accomplished by own means as well.
3. any costs that may be directly attributed to bringing the asset to the place and state required so that it may function as desired by the company.

c) Internally Generated Tangible Assets

The **production cost** of the tangible assets comprises:

1. costs with employee benefits, resulting directly from the building or purchase of the tangible fixed asset;
2. costs with fit-up works at the location;
3. initial delivery and manipulation costs;
4. mounting and packaging costs;
5. costs incurred in testing the correct asset operation, after subtracting net returns resulted from the sale of items produced while bringing the asset on site or in a working state (such as samples produced upon testing the equipment) and
6. professional fees.

Indebtedness cost

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset, just like it was presented in the present accounting policies.
The costs subsequent to tangible assets are recognized:

- as expenses at the moment of their occurrence, if they are considered repairs or their purpose is to guarantee the continuous use if the asset, keeping the initial technical parameters; or
- as a component of the asset, as subsequent expenses, if the conditions of being considered investments are complied with.

Conditions for the recognition as investments in fixed assets:

- they are assets generating future economic benefits;
- the element cost may be reliably evaluated.

Accounting policies *(continued)*

The purchased fixed assets are initially recognized at their acquisition or production cost depending on the modality of being registered in the patrimony. Later, they are recognized depending on the type of asset, at the following values:

- Lands are evaluated at their reevaluated value
- Buildings are evaluated at their reevaluated value
- Equipment is evaluated at its historical cost.

If a completely amortized tangible asset can still be used, upon doing its reevaluation a new value and a new economic useful life are established, relevant to the period during which it is estimated to continue being used.

In order to reflect the expected consumption rhythm of the future economic benefits of the assets, the company uses different amortization methods. The amortization methods applied to the assets are annually revised to see if there are significant changes compared to the initial estimates.

a) Straight-line amortization:

The amortization is calculated based on the entry value, using the straight-line method along the estimated useful life of assets, as follows:

Asset	Years
Constructions	5 - 60
Technical plants and machinery	2 – 29
Other plants, equipment and furniture	2 - 24
Means of Transport	3 - 25

The amortization is calculated starting with the month following their start-up, until the full recovery of their entry value.

Lands are not amortized because they are considered to have an indefinite useful life.

b) Amortisation method calculated per production unit

As regards the equipment within the production factory at Recea, the Company's management has decided that its amortisation be calculated per product unit.

The amortisation method calculated per product unit is applied because the nature of the tangible fixed asset justifies the application of such an amortisation method, the useful life of fixed assets is expressed using the number of units produced and expected to be obtained by the enterprise by using the asset in question.

According to this method, the amortisation rate is determined by dividing the monthly/annual production by the total number of products.

Since this type of amortisation is different from the fiscal depreciation (linear), the company calculates and records a deferred tax corresponding to the difference between the fiscal depreciation and the amortization per product unit.

Amortisation is ceased for assets classified as held for sale.
Tangible fixed assets that are quashed or sold are eliminated from the balance sheet together with the relevant aggregated amortization. Any profit or loss resulting as a difference between the revenues generated by the quashing

Accounting policies *(continued)*

and its unamortised value, including the expenses generated by such an operation, is included in the profit and loss account at its net value, as earnings from the sale of assets.

When the Company recognises the cost of a partial replacement (replacement of a part) in the book value of a tangible fixed asset, the book value of the replaced part, with its relevant amortization, is quashed.

When selling or quashing revaluated assets, the amounts included in the revaluation reserves are transferred to revaluation surplus.

Impairment of fixed assets

Tangible and intangible fixed assets are tested for impairment when facts and circumstances indicate that the book value may not be recoverable.

An impairment loss is recognized as the sum by which the book value of the asset exceeds the recoverable sum. The recoverable sum is the largest of the fair value of the asset less the sale costs and the value in use.

To evaluate impairment, assets are grouped down to the lowest level where separately identifiable cash flows exist.

Revaluation of fixed assets

For certain assets, after the recognition thereof, the revaluation model is used. The company carries out revaluations on a regular basis in order to make sure that the book value is not significantly different from the one that would have been determined by using the fair value at the end of the reporting period.

If a fixed asset is revaluated, then the entire class of fixed assets corresponding to it must be reevaluated.

Upon the revaluation of a tangible asset, the book value of that asset is adjusted at the reevaluated value. On the revaluation date, the amortization accumulated is eliminated from the gross book value of the asset and the net value recalculated at the reevaluated value of the asset. For example, this method is used for the buildings reevaluated at their market value.
Revaluation differences are recognized according to the applicable standards (IAS 16 “Tangible assets” paragraphs 39, 40)

Fixed assets held for sale

Fixed assets are classified as held for sale the moment they:
- are available for immediate sale;
- the company’s management has committed a sale plan;
- there are only slight chances for the sale plan to suffer major changes or be withdrawn;
- an active program for finding purchasers is launched;
- the asset group is traded at a reasonable price in comparison to its fair value;
- the sale is expected to be concluded within 12 months as of classifying the assets as held for sale.

Accounting policies *(continued)*

Assets held for sale are evaluated at the book value or the fair value, whichever is lower.
Assets held for sale are not amortized.

Dividends

Dividends are recognised when they can be paid according to law:
- as regards interim dividends corresponding to existing shareholders, their recognition is made when such dividends are declared by the Directors;
- As regards final dividends, their recognition is made when such dividends are approved by the General Meeting of Shareholders (GMS).

Deferred tax

The assets and liabilities regarding the deferred tax are recognised if the book value of an asset or liability in the statement of financial position provisionally differs from its taxation base, except for differences appearing on:
- the initial recognition of the goodwill;
- the initial recognition of an asset or liability in a transaction that is not a combination of enterprises and that at the transaction time does not affect the bookkeeping or the taxable profit, and
- investments in subsidiaries and jointly-controlled entities, if the group is capable of controlling the time of taking charge of the difference, and if it is likely that the difference does not reverse in the near future.

The recognition of receivables related to the deferred tax is limited to cases where it is likely that the taxable profit is available as compared to the difference that can be used.

As regards the assets related to the deferred tax deriving from real estate investments evaluated at their fair value, it will be presumed that the recovery is achieved rather by sale than by utilization.
The value of the asset or of the liability is determined using the taxation rates already adopted or largely adopted by the reporting date and which are expected to apply if the deferred tax liabilities / (assets) are discounted / (recovered).
Assets and liabilities regarding the deferred tax are offset when the company has the legal right to compensate the current fiscal assets and liabilities and the assets and liabilities related to deferred tax when they refer to the taxes collected by the same fiscal authority from the same company.

Inventories

Inventories are current assets:
- held to be sold in the normal course of activity;
- used in production for sale purposes in the normal course of activity; or
- raw materials, materials and other consumables that are about to be used in the production process or for rendering services.

Inventories are originally recognised based on their cost value and later based on the lowest of the cost value and the net realizable value. The cost is comprised of all the costs of purchase, the conversion cost and other costs borne in order to bring the inventories to the current location and to their current condition.
In the case of end products, the production cost includes the acquisition cost of raw materials and consumables, as well as the production expenses directly attributable to the asset.

Accounting policies *(continued)*

The cost is determined based on the “First-in, First-out” (FIFO) method.

Where necessary, adjustments are made for inventories that are physically worn out or obsolete. The net realizable value is estimated based on the sale price less the sale expenses.

If the book value of inventories is larger than the book value (net realizable value), the value of the inventories is reduced down to the net realizable value by making an impairment adjustment.

Assets in the form of inventories are evaluated based on the book value, less the acknowledged impairment adjustments.

Due to the nature and specificity of the activity, for certain categories of inventories such as raw materials, spare parts, auxiliary materials and end products, inventories are analysed on the balance sheet date and an adjustment is made for products that are deteriorated or obsolete.

Subsidies

Subsidies received in view of purchasing assets such as tangible fixed assets are recorded as investment subsidies and are recognised in the balance sheet as deferred income. Deferred income is recognised in the profit and loss account as the amortisation expenses are recorded or upon quashing or assigning the assets purchased by using such subsidy.

Provisions

The entity will reflect a provision in its accounting books only when:

a) it has a current liability (legal or implied) generated by a previous event;
b) it is likely (there are more chances for it to happen than for it not to happen) that a resource outflow affecting the economic benefits be required in order to extinguish the liability; and
c) a relevant estimate of the liability value can be made.

The amount recorded as a provision is the best estimate of the payments required for extinguishing the current liability on the balance sheet date; in other words, the amount the entity would normally pay on the balance sheet date in order to extinguish the liability or to transfer it to a third party, at that particular time.

During the evaluation of the provision, the entity will take into account the following:

a) it will take into account the risks and uncertainties. However, uncertainties do not justify the creation of excessive provisions or the deliberate overvaluation of liabilities.
b) it will discount the provisions if the effect time-value of the money is significant, by using a discount rate(s), before taxation, which reflect(s) the current evaluations on the market of the time-value of money, as well as the liability-specific risks that have not been reflected in the best estimate of expenses. If a discount is used, the provision increase due to the passage of time is recorded as an interest expense;
c) it will take into account future events, such as legislation amendments or technological changes, if there is sufficient proof that they would occur; and
d) it will not take into account gains from the forecasted assignment of assets, even if such prospective assignments are tightly related to the event generating the provision.

Accounting policies *(continued)*

Provisions will be reanalysed on each balance sheet date and will be adjusted so as to reflect the best current estimate. If it is no longer likely that resource outflows – affecting the economic benefits – are required to extinguish the liability, the provision will be cancelled.

The provisions will only be used for the purpose for which they were originally created.

The entity will not recognise provisions for future losses from exploitation.

According to IFRS 37, the operating expenses can not be subject to establishing provisions.
The same is transport expenses corresponding to the sales in Bill &Hold system.

The value recognized as a provision will be the best estimate of the costs required for extinguishing the current liability on the balance sheet date.

The best estimate of the costs required for extinguishing the current liability is the sum the entity will reasonably pay in order to extinguish the liability on the balance sheet date or to transfer it to a third party at that particular time. It can often be impossible or highly expensive to extinguish or transfer a liability on the balance sheet date. However, the estimate of the amount the entity will reasonably pay in order to extinguish or transfer a liability is the expression of the best estimate of the costs required for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the company's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date. However, the estimate of the amount the company will reasonably pay in order to extinguish or transfer a liability is the expression of the best estimate of the costs required for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the company's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date. However, the estimate of the sum that the Company will reasonably pay to extinguish or transfer a liability is the expression of the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

Doubtful elements regarding the sum to be recognised as a provision are treated in different ways, depending on the circumstances. If the provision to be evaluated involves a wide range of elements, the liability is estimated by weighing all the possible results with the probability for each of them to occur. This statistical method of evaluation is called "forecasted value." Therefore, the provision will differ depending on the probability (e.g. 60% or 90%) for a certain loss to be suffered. If there is a continuous range of possible results and if the probability for each of them to occur is equal, the middle point of the range will be used.

If a single liability is evaluated, the most probable individual result may form the best estimate of the debt. However, even in such a situation, the entity will also consider other possible results. Where other possible results are either higher or lower than the most probable result, the best estimate would be a larger or smaller amount.

Accounting policies *(continued)*

The provision is evaluated before tax, since the effects of taxation on the provision and changes of the latter are set out in IAS 12 "Profit Tax."

If a part of or all of the expenses necessary to extinguish a provision are expected to be reimbursed by a third party, the reimbursement must be recognised only when it is certain that it will be received if the company extinguishes its liability. The reimbursement must be considered as a separate asset. The sum recognised for reimbursement must not exceed the amount of the provision.

In the profit and loss account, costs related to a provision will be presented at its value reduced by the amount recognised for reimbursement.

Provisions will be revised with each balance sheet and adjusted so as to reflect the best current estimate if a resource outflow incorporating the economic benefits is no longer probable. In order to extinguish a liability, the provision must be cancelled. If a discount is used, the book value of a provision increases during each period in order to reflect the passage of time. This increase is recognised as indebtedness cost.

Affiliated parties

An affiliated party is an individual or a company associated to the entity preparing and presenting the financial statements.

Affiliated Persons:

A person or a close family member is an affiliate to the reporting entity if such person:

- Has control over or controls in a partnership the reporting entity;
- Has significant influence in the reporting entity;
- Is a member of key management for the reporting entity or parent company.

Affiliated Entities:
A company is an affiliated party if one of the following conditions is applicable:

- the entity and the reporting company belong to the same group (which means that each parent company, subsidiary and other subsidiary companies reporting to the same parent company are affiliated parties to one another);
- the entity is a shareholder or a joint venture of the entity;
- both companies are affiliated or associated in a joint venture with the same third party;
- the entity is a joint venture of a third party and the other entity is a shareholder of the same third party;
- the entity is controlled or controlled in a joint venture by an affiliated person, as defined under affiliated persons;
- the affiliated person having control or associative control of the reporting entity has significant influence on the entity (which is considered to be an affiliated party) or is a member of the key management of the entity.

Transactions with affiliated parties are defined as a transfer of resources, services or liabilities between the reporting entity and the affiliated party, regardless of whether a price is paid.

All the transactions with the affiliated parties are made based on the transfer pricing principles.

Accounting policies *(continued)*

Subsequent events to the reporting period

Events subsequent to the balance sheet date are those events, both favourable and unfavourable, which take place between the balance sheet date and the date when the financial statements are authorised for submission. Two types of events can be identified:

a) Those that prove the conditions existing at the balance sheet date (events that lead to the adjustment of the financial statements); and

b) Those that provide indications on the conditions appeared after the balance sheet date (events that do not lead to the adjustment of the financial statements).

The financial statements of Cemacon SA are submitted for the approval of the shareholders after they were issued, in which case the date of approval of the issue of the financial statements is the date of the issue of the financial statements, not the date when they were approved by the shareholders.

Events subsequent to the balance sheet date include all events that took place until the date when the financial statements are authorised for submission, even if these events take place after the publishing of a profit announcement or of other selected financial information.

The entity shall adjust the values acknowledged in its financial statements, in order to reflect the events that lead to the adjustment of the financial statements.

The entity shall not adjust the values acknowledged in its financial statements, in order to reflect the events that do not lead to the adjustment of the financial statements.

If the dividends of the holders of own equity instruments (as they are defined in IAS 32 Financial instruments: presentation and description) are proposed or declared after the balance sheet date, the entity should not acknowledge those dividends as debt, on the balance sheet date.

According to IAS 1 “Presentation of the financial statements”, the entity must present the value of the dividends that were proposed or declared after the balance sheet date, but before the authorisation for submission of the financial statements.

The entity can present this information whether:

(a) in the balance sheet, as a separate component of the own equity, or
(b) in the notes to the financial statements.

The entity shall not draw up the financial statements based on the continuity of activity if the management bodies determine after the balance sheet date that they either intend to liquidate the enterprise or to cease the commercial activity, or that they do not have any other real choice except the previous two choices.

Accounting policies *(continued)*

The degradation of the operational results and of the financial position, which comes after the balance sheet date, indicates the need to consider of the principle of continuity of activity is still adequate. If the principle of continuity of activity is still no longer adequate, the effect is so persistent that Standard IAS 10 “Subsequent events to the reporting period” requires a fundamental modification of the basis on which the accounting is performed, rather than an adjustment of the values acknowledged in the initial accounting basis.

The entity must present the date on which the financial statements were authorised for submission, as well as who gave this authorisation. If the owners of the entity or other persons have the power to modify the financial statements after the issue, the entity must present this fact.

The entity will publicly announce the moment when the financial statements were authorised for submission, because the users should know that the financial statements do not reflect events subsequent to that date.

If, after the balance sheet date, the entity receives information on the conditions existing at the balance sheet date, the entity should update the presentation of information regarding these conditions, in the light of the new information.

In some cases, the entity needs to update the presentations of information in its financial statements in order to reflect the information received after the balance sheet date, even if the information does not affect the values acknowledged by the enterprise in its financial statements.

Share-based payment

The company applies the provisions of IFRS 2 “Share-based payment” to manage the following types of share-based payment transactions, including:

1. Equity-settled share-based payment transactions, in which the entity receives goods or services as a counterperformance for the equity instruments of the entity (shares or stock options),
2. Cash-settled share-based payment transactions, in which the entity purchases by debts towards the supplier of the goods or services for the amounts based on the price (or value) of the entity’s shares or other equity instruments of the entity, and
3. Transactions where the entity receives or purchases goods or services and the contractual terms confer the entity or the provider of goods/supplier of services the possibility to settle the transaction in cash (or other assets) or by issuing equity instruments.

EUA Certificates

According to the environmental regulations in force, Cemacon SA receives certificates for greenhouse gas emissions (EUA) according to the program developed during 2013-2020.

In order to record these certificates in accounting, the company has developed an accounting policy based on the treatment described in OMFP 1802, section 4.5.4. The accounting of green certificates is performed as follows:

The acknowledgement of the certificates to be received shall be performed based on a Debt (461 = 758) similarly with the accounting note suggested by OMFP. The assessment is performed according to quantity to be received and the

Accounting policies *(continued)*

transaction price upon the registration of the debt, assessed at the NBR exchange rate at the date when the debt was acknowledged.

The receipt of the certificates is performed the debt pay off and the acknowledgement in the account 508 (Other short-time investments and assimilated debts). The assessment is performed according to quantity to be received and the transaction price upon the receipt, assessed at the NBR exchange rate at the date of the receipt.

The price difference between the estimate at the registration date of the debt and the receipt date is acknowledged as cost/financial income.

At the end of the fiscal year, the green certificates highlighted in account 508 (Other short-time investments and assimilated debts) shall be assessed at the transaction price from the last day of the fiscal year, assessed at the NBR exchange rate specified for the end of the fiscal year.

The compliance with the EUA certificates shall be performed the following year for the previous year, for which reason the entity records an operational expense in the current year by correspondence with a debt (658=462). The assessment shall be performed according to the quantity to be returned and shall be assessed at the transaction price from the last day of the fiscal year, assessed at the NBR exchange rate, specified for the end of the fiscal year.

The return of the certificates shall be performed in the year following the debt pay off and the certificates are decreased from the balance account. The assessment is performed according to quantity to be returned and the transaction price upon the return, assessed at the NBR exchange rate at the date of the return.

The price difference between the estimate at the registration date of the debt and the return date is acknowledged as cost/financial income.

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* The accounting policies presented in the explanatory notes of the financial statements are not exhaustive. They present the main elements based on which the entity performs its financial accounting activity and are drawn up according to IFRS (International Financial Reporting Standards). They must be construed according to these standards. In case there are omissions or different interpretations from the regulations specified, the provisions presented in the International Financial Reporting Standards (IFRS) shall apply.

2. Accounting estimates

The entity makes certainestimates and assumptions concerning the future. The estimates and judgementsare assessed continuously, based on historical experience and other factors, including expectations regardingfuture events, and deemed reasonable given the circumstances. In the future, actual experiencemay differ fromtheseestimates andassumptions. Estimatesassumptionshaving a significant riskofcausingan importantadjustment of the accounting values of assets and debtsover the following financial year are discussed below.

Estimates and assumptions

IFRS 13 fair value measurement

Some assets and liabilities included in the company's financial statements require measuring and / or disclosure at their fair value.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. Sale price). The definition of fair value emphasizes that fair value is a market-based measurement, not an entity-specific value.

IFRS 13 applies when another IFRS requires or allows fair value measurements or disclosure of information regarding fair value measurements, except as follows:

a) Transactions with share-based payment that fall under IFRS 2.
b) Leasing transactions that fall under IAS 17.
c) Measurements similar to fair value, but which are not fair value, such as net realizable value, that falls under IAS 2.
d) Plan assets measured at fair value as per IAS 19.
e) Investments in pension plans measured at fair value as per IAS 26.
f) Assets whose recoverable value is fair value less disposal-associated costs as per IAS 36.

The Fair Value Hierarchy - to improve consistency and comparability of fair value measurements and disclosure of related information, this hierarchy is divided into 3 levels:

1. Level 1 input data - unadjusted quoted prices in active markets for identical assets or liabilities, that the entity has access to on measurement date.
2. Level 2 input data - input data that are different from the quoted prices included under level 1, directly or indirectly observable for the asset or liability.
3. Level 3 input data - unobservable input data for the asset or liability.

Litigations

The company examines litigations, events following the reporting date, in order to assess the need for a provision or presentation in the financial statements.
Among the factors considered in decision making on provisioning, are the following: the nature of litigations, the legal process and the potential level of damages in the jurisdiction where the litigation was brought, the progress of the case (including the progress since the moment of financial statements, but before such statements being issued), opinions and views of legal advisors, experience in similar cases and any management decision made by the company in relation to its response to the litigation.

Accounting estimates *(Continued)*

Product level depreciation

For the equipment at the Recea manufacturing plant, the company's management has decided that depreciation be calculated per production unit.
The Units of Production Method of Depreciation is applied since the nature of the tangible asset justifies the application of such a depreciation method, the useful life of fixed assets is expressed by means of manufactured units expected to be obtained by the company by the use of the respective asset.

According to this method, the depreciation rate is determined by dividing the monthly/ annual production to the total number of products.

Corporate tax

The Company considers its tax liabilities commitments to be adequate for all the years open to review, based on the assessment of many factors, including past experience and interpretations of the tax legislation.

This assessment is based on estimates and assumptions and may include a series of complex decisions regarding future events. To the extent that the final fiscal result of these transactions is different from the recorded amounts, such differences will have an impact on the company tax expense in the time period when such a determination is made.

Provision for pensions

Provisions for pensions: according to the collective labour agreement celebrated in 2013 and valid in 2017, the Company's employees shall receive on retirement, function of their working time for the company, as a one-time payment, the following allowances:

< 5 years	0
5 - 20 years	1 individual monthly wage had at pensioning date
> 20 years	2 individual monthly wages had at pensioning date

Provision for leave not taken

The provisions for leave not taken: the company has recorded provisions for the expense related to the leave not taken by the employees during 2016. The provisioned amounts were estimated based on the number of vacation days from 2016 which are still to be taken by the company's employees, and the related vacation bonuses. The company estimates that the amounts related to these provisions shall be made during 2017.

Provision for environmental restoration

Provisions for environmental restoration: as the company also carries out activities related to the extraction of mineral resources (clay), according to the exploitation premises it must make environmental restoration expenses related to the exploited areas. The related expenses are estimated to be made towards the end of the exploitation period, reason why the company has created provisions related to these expenses.

Other provisions

This category includes various provisions for which the entity expects to make short-term cash outflows, yet of an uncertain amount. To estimate these amounts, the company has used the best estimates and knowledge of generating

Accounting estimates *(Continued)*

factors on 31 December 2016, and they are updated to mirror the value of money over time, as these are amounts to be compensated on the long term.

Depreciation assets

On the 30st of September 2017, the Entity reanalysed the factors which might lead to to signs related to depreciation of assets. Taking into account the aspects analysed, the Entity considers that there is no evidence of depreciation of assets from Recea Factory.

For further details, see Note 11 – Tangible assets

In the following table are presented the estimates carried out by the Company on the 30st of September 2017

Estimated values	**30-Sep-17**
Litigation Provision	54,666
Untaken holiday provision	195,709
Pension provision	182,352
Enviroment recovery provision	484,364
Employees bonus provision	494,935
Management bonus provision	744,411
Administrators bonus provision	51,841
Other provisions	239,279
Payment based on shares	2,465,038
Deffered tax	1,262,668
Total estimated values	**6,175,263**

All amounts in Lei, if not otherwise stated

3. Revenues

Sales revenues	**30-Sep-17**	**30-Sep-16**
Sales of finished products	68,685,041	68,534,902
Sales of goods	7,296,766	6,211,449
Sales of services	296,362	187,063
Trade discounts	-2,284,913	-2,650,004
Total	**73,993,255**	**72,283,410**

All amounts in Lei, if not otherwise stated

4. Other operating revenues

Other operating revenues are generated by activities which are not part of the entity's main object of activity, reason why they are presented differently from sales revenues.

Other operating income	**30-Sep-17**	**30-Sep-16**
Revenues from various activities	623	361
Revenues from indemnifications	33,579	104,492
Revenues from subsidy to asset values	56,731	56,731
Miscellaneous	453,108	570,249
Total	**544,041**	**731,833**

All amounts in Lei, if not otherwise stated

Other revenues and losses	**30-Sep-17**	**30-Sep-16**
Revenue from the sale of assets	83,104	11,602
Expenses from the sale of assets	-80,970	-2,068
Cancellation of other provisions	3,993,797	2,438,039
Expenses from establishing provisions	-1,165,028	-1,289,836
Total gains /losses	**2,830,903**	**1,157,738**

All amounts in Lei, if not otherwise stated

Income corresponding to the reversal of provisions has numbered 3.99 mil lei (for more details, see Note 20 “Provisions”).

5. Operating expenses

Other operating expenses	30-Sep-17	30-Sep-16
Utilities	6,534,195	7,647,781
Repairs	893,022	1,107,805
Rent	562,496	668,477
Insurances	613,404	447,689
Fees	453,187	530,442
Publicity	1,379,867	938,642
Travel and transport	9,045,538	10,527,406
Post and telecommunications	106,032	111,992
Other services provided by third parties	3,436,027	2,111,038
Taxes to the state budget	1,088,095	1,135,715
Miscellaneous	1,044,054	760,954
Total	**25,155,917**	**25,987,941**

All amounts in Lei, if not otherwise stated

6. Personnel expenses

The company has implemented, in 2014, a complex system of employee performance management. The performance management system in Cemacon is based on the Balanced Scorecard methodology, and is 100% implemented at the individual level of each employee. Individual objectives are established by cascading Cemacon's yearly objectives to a department/ sub-department/ personal level.

Personnel expenses without key management	30-Sep-17	30-Sep-16
Salaries	5,639,132	5,286,080
Bonuses	2,345,437	2,223,894
Civil contracts	-	-
Tax and social insurance	1,874,411	1,737,268
Other benefits	475,401	300,289
Total	**10,334,381**	**9,547,531**
Outstanding salaries at the end of the period	**422,275**	**422,734**

All amounts in Lei, if not otherwise stated

Key Management

Key management consists of those people who have the authority and responsibility of planning, managing and controlling the entity's activities.

a) Indemnities granted to the members of administration, management and supervision bodies.

Indemnities expense:	**30-Sep-17**	**30-Sep-16**
Administrators	458,854	212,946
Remuneration of managers	566,101	400,399
Bonuses of Managers	785,834	796,082
Share-based Payment	-	716,577
Tax and social insurance	406,069	333,806
Total	**2,216,858**	**2,459,810**

Outstanding salaries at the end of the period	**30-Sep-17**	**30-Sep-16**
Administrators	32,854	97,827
Managers	16,076	10,372
Total	**48,930**	**108,199**

All amounts in Lei, if not otherwise stated

During the first nine months of year 2017 the Company has had 2 directors: General Manager – Stoleru Liviu-Ionel, Financial Manager - Sologon Daniel.

CEMACON SA has the following Board of Directors (starting from 28.04.2017:

1. Mr. Liviu Stoleru;
2. Mrs. Dana-Rodica Beju;
3. Mrs. Ana Bobirca;
4. Mrs. Anca Manitiu;
5. Mr. Rudolf Paul Vizental.

*Note (history) : During the period 20.02.2017 – 27.04.2017 the composition of the Board of Directors of CEMACON SA was the following:

1. ORION STRATEGY SOLUTION SRL – legally represented by Mr. Liviu Stoleru (President of the Board of Directors);
2. CONSULTANTA ANDREI&ANDREI – represented by Mrs. Anca Manitiu;
3. Mrs. Ana Bobirca;
4. Mr. Tiberiu Stratan;
5. Mr. Rudolf Paul Vizental.

* Note (history): During the period 18.05.2016 – 08.02.2017 the composition of the Board of Directors of CEMACON SA was the following:

1. ORION STRATEGY SOLUTION SRL – legally represented by Mr. Liviu Stoleru (President of the Board of Directors);
2. CONSULTANTA ANDREI&ANDREI – represented by Mrs. Anca Manitiu;
3. Mrs. Ana Bobirca;
4. Mr. Tiberiu Stratan;
5. RSL CAPITAL ADVISORS SRL – legally represented by Mr. Lefter Razvan.

b) Advances and loans granted to members of the administrative, management and supervisory boards:

During year 2017 were not granted any advances or loans to the members of the administrative, management and supervisory boards.

Employees

The structure and average number of employees is: 194

Average number of employees	30-Sep-17	30-Sep-16
Management staff	56	62
Production staff	138	129
Total	**194**	**191**

7. Financial income and expenses

Financial income	30-Sep-17	30-Sep-16
Interest income	38,927	23,242
Exchange differences	53,551	61,667
Total	**92,478**	**84,909**

All amounts in Lei, if not otherwise stated

Financial expenses	30-Sep-17	30-Sep-16
Interest costs	1,372,795	1,805,568
Discounts Granted	1,164,986	1,438,823
Exchange differences	101,213	60,043
Other financial expenses	440,812	-
Total	**3,079,806**	**3,304,434**

All amounts in Lei, if not otherwise stated

The structure of income and expenses from exchange differences corresponding to the period from January to September of 2017.

	Supplier Reevaluation	Leasing reevaluation	Cash Reevaluation	Total
Expenditure on foreign exchange differences	-14,307	-52,760	-34,146	-101,213
Revenues regarding exchange currency differences	19,516	25,417	8,618	53,551
Total	**5,209**	**-27,343**	**-25,528**	**-47,662**

All amounts in Lei, if not otherwise stated

8. Taxes

Current tax	**30-Sep-17**	**30-Sep-16**
Expenses with year profit tax	1,130,901	438,706
Adjustments for profit of previous years	-	-
Total current tax	**1,130,901**	**438,706**

Deferred corporate tax	**30-Sep-17**	**30-Sep-16**
Total deferred tax at the beginning of period	1,262,668	35,975
Reversed temporary differences	-	-
Recognition of deferred tax that was not previously recognized	-	-
Total deferred corporate tax	**1,262,668**	**35,975**

Total tax	**1,262,668**	**35,975**

All amounts in Lei, if not otherwise stated

During the ordinary course of business, there are transactions and calculations being made, for which the determination of final tax is uncertain. Therefore, the company records fiscal liabilities based on estimates regarding the certitude that the additional taxes and interests shall be due. Such liabilities or debts are recorded, although the entity believes that tax return is probable, the entity believes that certain positions are likely to be challenged and not be fully supported by a possible revision from the tax authorities.
The Company considers its tax liabilities commitments to be adequate for all the years open to review, based on the assessment of many factors, including past experience and interpretations of the tax legislation.
This assessment is based on estimates and assumptions and may include a series of complex decisions regarding future events. To the extent that the final fiscal result of these transactions is different from the recorded amounts, such differences will have an impact on the company tax expense in the time period when such a determination is made.

9. Earnings per share

Earnings per share	**30-Sep-17**	**30-Sep-16**
Number of outstanding shares	113,990,218	113,990,218
Total profit/ (loss)	13,868,932	6,679,436
Total profit/ (loss) per share	**0.1217**	**0.0586**

The basic earnings per share have been calculated dividing the profit to the weighted average of the outstanding ordinary shares issued during the period.

For details relative to the number of shares, see **Note 23 – "Issued Capital**"

10. Dividends

In 2017 the Company did not pay any dividends.

According to the credit contract no. RQ16086906837361 of 20th of December 2016, signed between Cemacon SA and Cec Bank SA, the dividends may be paid only with the bank's consent.

11. Tangible assets

Gross Value of Assets as at 30st of September 2017

Tangible assets	Initial balance	Acquisitions	Value Increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	5,734,626	-	59,489	-	-	1,061,448	-	5,794,115
Land improvements	437,209	-	34,358	-	-	-	-	471,567
Buildings	34,728,829	5,186	156,938	-	-	216,046	-	34,890,953
Machinery, Plant and Equipment	104,265,680	3,189,409	2,065,117	-	369,038	-	-	109,151,167
Furniture and office equipment	230,074	47,461	18,349	-	-	-	-	295,884
Fixed assets in progress	1,758,418	7,359,317	-	-	5,551,592	-	-	3,566,143
Total	**147,154,836**	**10,601,373**	**2,334,250**	**-**	**5,920,630**	**1,277,494**	**-**	**154,169,829**

All amounts in Lei, if not otherwise stated

Gross Value of Assets as at 31st of December 2016

Tangible assets	Initial balance	Acquisitions	Value Increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	5,136,018	598,608	-	-	-	1,061,448	-	5,734,626
Land improvements	388,922	-	48,287	-	-	-	-	437,209
Buildings	33,741,093	945,526	325,805	-	283,595	216,046	-	34,728,829
Machinery, Plant and Equipment	102,205,574	2,152,605	136,107	-	228,606	-	-	104,265,680
Furniture and office equipment	216,666	13,408	-	-	-	-	-	230,074
Fixed assets in progress	1,846,382	4,206,365	-	-	4,294,329	-	-	1,758,418
Total	**143,534,655**	**7,916,512**	**510,199**	**-**	**4,806,530**	**1,277,494**	**-**	**147,154,836**

All amounts in Lei, if not otherwise stated

Tangible assets (*Continued*)

Depreciation and Impairment of Assets as at 30st of September 2017

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	224,483	22,232	-	-	-	-	246,715
Depreciation of buildings	1,516,334	1,150,673	-	-	-	-	2,667,007
Depreciation of machinery, plant, equipment	28,863,869	3,901,852	283,903	-	-	-	32,481,818
Depreciation of furniture and office equipment	85,241	20,400	4,165	-	-	-	101,476
Adjustments for impairment of land	68,124	-	-	-	-	-	68,124
Adjustments for impairment of machines, equipment and plant	-	-	-	-	-	-	-
Total	**30,758,051**	**5,095,157**	**288,068**	**-**	**-**	**-**	**35,565,140**

All amounts in Lei, if not otherwise stated

Depreciation and Impairment of Assets as at 31st of December 2016

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	183,909	40,574	-	-	-	-	224,483
Depreciation of buildings	-	1,546,589	30,255	-	-	-	1,516,334
Depreciation of machinery, plant, equipment	24,065,089	4,974,023	175,243	-	-	-	28,863,869
Depreciation of furniture and office equipment	61,529	23,712	-	-	-	-	85,241
Adjustments for impairment of land	68,124	-	-	-	-	-	68,124
Adjustments for impairment of machines, equipment and plant	4,653,447	-	-	-	-	4,653,447	-
Total	**29,032,098**	**6,584,898**	**205,498**	**-**	**-**	**4,653,447**	**30,758,051**

All amounts in Lei, if not otherwise stated

Tangible assets (*Continued*)

Net Value of Assets as at 30st of September 2017

Tangible assets	Gross Value	Reclassifications for sale	Depreciation	Adjustments	Net Value
Land	5,794,115	-	-	68,124	5,725,991
Land improvements	471,567	-	246,715	-	224,852
Buildings	34,890,953	-	2,667,007	-	32,223,945
Machinery, Plant and Equipment	109,151,167	-	32,481,819	-	76,669,349
Furniture and office equipment	295,884	-	101,476	-	194,409
Fixed assets in progress	3,566,143	-	-	-	3,566,143
Total	**154,169,829**	**-**	**35,497,017**	**68,124**	**118,604,688**

All amounts in Lei, if not otherwise stated

Net Value of Assets as at 31st of December 2016

Tangible assets	Gross Value	Reclassifications for sale	Depreciation	Adjustments	Net Value
Land	5,734,626	-	-	68,124	5,666,502
Land improvements	437,209	-	224,483	-	212,726
Buildings	34,728,829	-	1,516,336	-	33,212,493
Machinery, Plant and Equipment	104,265,680	-	28,863,869	-	75,401,811
Furniture and office equipment	230,074	-	85,241	-	144,833
Fixed assets in progress	1,758,418	-	-	-	1,758,418
Total	**147,154,836**	**-**	**30,689,929**	**68,124**	**116,396,783**

All amounts in Lei, if not otherwise stated

Tangible assets (*Continued*)

Asset related to the stripping activity

The Cemacon Company performs clay exploitation activities, through open mining works in the exploitation perimeter Recea Cemacon, the commune of Varsolt, county of Salaj (company's own quarry).
From the activity of the quarry, the following types of materials may result:

- Blank: vegetal soil and loam - following the stripping activity, not used in the production activity or capitalized in any other way.
- Useful substance: yellow clay and blue bind - following the exploitation activity, used in the production activity.

Blank (stripped) - following the stripping activity, not used in the production activity, is recorded as per the International Financial Reporting Standards IFRIC 20.
The fixed asset will be referred to as "asset related to stropping activity" being included in the fixed assets register at Buildings.
The stripping cost includes:
a) the cost of materials and services used or consumed for performing the stripping activities;
b) the cost of employee benefits arising from generating the stripping asset.

Net value of stripping asset on 30 September 2017

Assets September 2017	**Initial balance**	**Amortisations and depreciations**	**Value additions**	**Final balance**
Stripping	672,297	102,554	111,440	681,184
Total	**672,297**	**102,554**	**111,440**	**681,184**

All amounts in Lei, if not otherwise stated

During the period January – September 2017, the company Cemacon has recorded ***Stripping-related asset*** amounting 111.440 lei. This asset is booked under Buildings category.Stripping is amortized using a linear amortization method over a period of 12 years.

Revaluation of fixed assets

As a consequence of this analysis made by an independent appraiser, on the 31st of December 2016 there are no significant changes compared to the previous year (31st of Dec. 2015), when the assets held by the Company were reevaluated. The last revaluation was carried out on 31.12.2015 by the appraisal company SC CS INVEST CONSULTING SRL, independent appraiser.

The revaluation has been carried out for lands and buildings.
For the assets in Zalau classified for sale the evaluation has been prepared, and the recognition has been made at the lowest value between the revaluated value and the book value.

In order to determine fair value the following methods were used:

Locations	The valuation procedure
Recea (Factory)	The land was appraised by direct comparison technique (Level 2 property) and the buildings by the cost - net replacement cost approach, and the results were checked by the income approach (Level 3 property)
Panic plot of land (locality of Hereclean)	The land was appraised by direct comparison technique. (Level 2 property)
Beltiug (warehouse land)	The land was appraised by direct comparison technique (Level 2 property), and buildings by the cost - net replacement cost approach. (Level 3 property)

Revaluation differences were recorded either on account of capital in the revaluation reserve, either in the profit and loss account.

By applying these methods and related techniques, a set of values was obtained, which was interpreted by the appraiser and by their reconciliation was formed the appraiser's opinion on the possible market value obtainable in the relevant area on the appraisal date.

Changes of the revaluation reserve during the financial year are presented below:

Movements of revaluation reserves	2017	2016
Revaluation reserve at the beginning of financial year	14,800,379	15,334,688
Increases from the revaluation reserve	0	0
Deductions from the revaluation reserve	0	0
Amounts transferred from the reserve during the financial year	0	534,309
Revaluation reserve at the end of the financial year	14,800,379	14,800,379

Impairment losses according to IAS 36, as reflected in the profit and loss account

Tangible assets are tested for impairment when facts and circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of the asset's fair value less sales costs and value in use. In order to appraise impairment, assets are grouped at the lowest level at which separately identifiable cash flows exist.

12. Intangible assets

The structure of intangible assets is:

Gross Book Value as at 30 September 2017

Intangible assets	Initial balance	Internal developments	Acquisitions	Final balance
Development expenditure	771,343	-	-	771,343
Concessions, licenses, patents	119,316	-	5,408	124,724
Other intangible assets	106,411	-	-	106,411
Total	**997,070**	**-**	**5,408**	**1,002,478**

All amounts in Lei, if not otherwise stated

Gross Book Value as at 31 December 2016

Intangible assets	Initial balance	Internal developments	Acquisitions	Final balance
Development expenditure	771,343	-	-	771,343
Concessions, licenses, patents	96,413	-	22,903	119,316
Other intangible assets	106,411	-	-	106,411
Total	**974,167**	**-**	**22,903**	**997,070**

All amounts in Lei, if not otherwise stated

The structure of the amortizations and value adjustments for intangible assets is as follows:

Amortization and adjustments intangible assets 30 September 2017	Initial balance	In-year amortization	Adjustments for depreciation	Final balance
Development expenditure	481,886	69,235	-	551,121
Concessions, licenses, patents	87,658	13,914	-	101,572
Other intangible assets	93,320	9,057	-	102,377
Total	**662,864**	**92,206**	**-**	**755,070**

All amounts in Lei, if not otherwise stated

Amortization and adjustments intangible assets 31 Dec. 2016	Initial balance	In-year amortization	Adjustments for depreciation	Final balance
Development expenditure	389,573	92,312	-	481,885
Concessions, licenses, patents	70,943	16,715	-	87,658
Other intangible assets	76,053	17,267	-	93,320
Total	**536,569**	**126,294**	**-**	**662,863**

All amounts in Lei, if not otherwise stated

Net value of intangible assets:

Intangible asset type	2017 Inventory value	2017 Net value	2016 Inventory value	2016 Net value
Development expenditure	771,343	220,222	771,343	289,458
Concessions, licenses, patents	124,724	23,152	119,316	31,658
Other intangible assets	106,411	4,034	106,411	13,091
Total	**1,002,478**	**247,409**	**997,070**	**334,207**

All amounts in Lei, if not otherwise stated

During the period January-September 2017 has not capitalized research and development costs.

The accounting treatment of depreciation of development costs extends over a period of 5 years.
The remaining intangible assets shall be depreciated linearly over a period of 3 years.

The depreciation cost is recorded in the profit and loss account of the period in which it is made, in the position of Amortization and impairment in the statement of comprehensive income.

13. Goodwill and Depreciation

The company does not hold on 30st of September 2017, intangible assets in the form of Goodwill.

Tangible and intangible assets are tested for depreciation when facts and circumstances indicate that it is possible that the accounting value may not be recoverable. A loss from depreciation is recorded as amount by which the accounting value of the asset exceeds the recoverable amount. The recoverable amount is the highest value from the asset's fair value minus the sales costs, and the value in use. To avoid depreciation, assets are grouped down to the lowest level where there are separately identifiable treasury flows.

14. Financial assets

Investments in shares	Sep-17	Dec-16
Investments in subsidiaries	200	200
Investments in associated entities	-	-
Investments in entities under joint control	-	-
Investments available for sale	1.278.223	1.278.223
Depreciations	(1.278.223)	(1.278.223)
Outstanding payments for investments	-	-
Total	**200**	**200**

All amounts in Lei, if not otherwise stated

Investments in subsidiaries refer to the company Cemacon Real Estate SRL, which is 100% controlled by the company Cemacon SA.

The activities and percentage of the share capital owner by the Company in the enterprises representing securities held as financial assets are summarized below:

Name of company	Country of registration	Date of registration	Activity	Holdings
Cercon Ariesul SA	Romania	2004	production of building materials	11,45%
Cemacon Real Estate Srl	Romania	2013	Buying and selling of own real estate	100%

On 30 September 2017, the Company held shares with an acquisition cost of 1,278,223 lei, for which it has recorded a depreciation of share value, in 2010, of 1,278,223 lei, the reason being that SC Cercon Ariesul SA underwent bankruptcy proceedings starting 11 June 2009.

On 30 September 2017, the company owned shares in Cemacon Real Estate SRL worth 200 lei, representing 100% of its capital.

On 30 September 2017, the company has granted guarantees for leased spaces and guarantees for environmental rehabilitation to the ANRM and security for the surrender of shares, in the total amount of 120,352 lei.

On 30 September 2017, the company did not have loans granted to S.C. Cercn Ariesul S.A., neither had it guaranteed for any of the loans contracted by S.C. Cercon Ariesul S.A.

During the period January-September 2017, Cemacon concluded two loan agreements with Cemacon Real Estate:

Loan agreement no. 6104/01.06.2016, loan granted for making the necessary payment for the demolition of construction and other costs related to the arrangement of the land to be sold to Dedeman.

Loan agreement no. 3292/22.03.2016, loan granted for making certain necessary payments for sustaining current activity;

On 30 September 2017 the balance of these contracts is of 558,339 lei.

15. Inventories

Inventory	**30-Sep-17**	**31-Dec-16**
Raw materials and consumables	4,994,256	3,393,551
Packaging	2,036,209	2,045,412
Adjustments	(67,251)	(67,752)
Production in progress	53,695	72,549
Adjustments	-	-
Semi-products and finished products	2,139,393	4,726,541
Adjustments	(55,194)	(45,618)
Goods	736,792	884,486
Adjustments	(27,762)	(66,760)
Total	**9,810,138**	**10,942,409**

All amounts in Lei, if not otherwise stated

The cost of inventories recognized in the profit and loss account has the following structure:

Raw materials and consumables	**30-Sep-17**	**30-Sep-16**
Raw materials	3,647,093	3,503,311
Additional material	2,967,966	3,066,071
Packaging	1,826,502	1,955,598
Goods	5,627,558	5,381,726
Inventory items	87,412	122,900
Other supplies	11,284	15,124
Total	**14,167,815**	**14,044,730**

All amounts in Lei, if not otherwise stated

Adjustments for inventory

If necessary, adjustments shall be carried out for stocks, physically or morally used. The probable value of completion is estimated based on the sale price less the sale expenses.

16. Trade receivables and other receivables

Trade and other receivables	**30-Sep-17**	**31-Dec-16**
Trade receivables	18,317,572	10,074,216
Adjustments for trade receivables	-1,578,311	-1,579,588
Intragroup receivables	522,330	1,898,410
Adjustments for intragroup receivables	-	-
Receivables to partners / shareholders	-	-
Employees	-	-
Corporate tax	-	-
Other debts against the State Budget	275,235	200,264
Subsidies	-	-
Sundry debtors and other receivables	9,882	-2,181
Adjustments for other receivables	-	-
Receivable interest	36,009	36,009
Total financial assets other than cash, classified as loans and receivables	**17,582,718**	**10,627,130**
Advances	977,080	449,797
Total	**18,559,797**	**11,076,927**

All amounts in Lei, if not otherwise stated

The structure of receivables according to their age on September 30, 2017 is as follows:

Analysis of age		**30-Sep-17**	**31-Dec-16**
Receivables not yet		15,585,710	8,034,030
Unadjusted outstanding receivables:		-	-
	Up to 3 months	2,103,855	2,739,830
	months 3 to 6	(26,574)	198,341
	months 6 to 12	875,296	38,940
	over 12 months	21,511	65,786
Total		**18,559,797**	**11,076,927**

All amounts in Lei, if not otherwise stated

Adjustments	**30-Sep-17**	**31-Dec-16**
At the beginning of the period	1,579,588	1,357,302
Established during the year	30,685	282,833
Cancellation of unused adjustments	31,962	60,547
Exchange differences	-	-
At the end of the period	**1,578,311**	**1,579,588**

All amounts in Lei, if not otherwise stated

Date	Element	not due	until 3 months	between 3 and 6 months
30-Sep-17	Trade and other receivables	15,585,710	2,103,855	(26,574)
30-Sep-17	Cash and cash equivalents	32,937,917	-	-
30-Sep-17	Trade and other liabilities	12,456,190	43,903	192,497
30-Sep-17	Loans	-	1,921,513	1,702,993

Date	Element	between 6 and 12 months	over 12 months	Total
30-Sep-17	Trade and other receivables	875,296	21,511	18,559,797
30-Sep-17	Cash and cash equivalents	-	-	32,937,917
30-Sep-17	Trade and other liabilities	86,673	33,884	12,813,147
30-Sep-17	Loans	3,805,986	45,085,629	52,516,121

The Company's policy on liquidity is to maintain sufficient liquid resources in order to comply with its obligations as they become due. The compsny monitors the liquidity by a regular budget process.

17. Trade and other liabilities

Trade and other liabilities	30-Sep-17	31-Dec-16
Trade liabilities	8,334,897	7,125,813
Suppliers of fixed assets	566,891	1,048,956
Intra-group liabilities	-	-
Lease liabilities	21,170	19,575
Debt related to employees	490,940	575,654
Taxes and social contributions	543,526	501,615
Other tax liabilities	1,975,806	1,051,333
Other liabilities	318,851	835,666
Interest to pay	2,931	2,931
Total debt less loans classified as measured at amortized cost	**12,255,012**	**11,161,544**
Dividends	-	-
Advances	558,135	210,637
Revenue in advance	-	487,260
Total	**12,813,147**	**11,859,442**

All amounts in Lei, if not otherwise stated

18. Loans

The classification of short-term and long-term loans on the 30st of September 2017 is the following:

Current loans	**30-Sep-17**	**31-Dec-16**
Short-term loans and overdraft	-	-
Current long-term loans	5,351,317	4,055,150
Bonds	-	-
Loans from non-banking institutions	-	-
Financial lease	2,079,175	984,993
Loans from affiliates	-	-
Total current loans	**7,430,492**	**5,040,143**

Long term loans	**30-Sep-17**	**31-Dec-16**
Long term loans	43,717,850	47,717,450
Bonds	-	-
Financial lease	1,367,779	1,069,832
Loans from affiliates	-	-
Total long term loans	**45,085,629**	**48,787,282**
Total	**52,516,121**	**53,827,425**

All amounts in Lei, if not otherwise stated

On the 30st of September 2017 Cemacon SA has are contracted two loans from Cec Bank, as follows:

1. Investment loan agreement Contract on the 20.12.2016 in amount of 54,000,000 lei for a period of 54 months, maturity date 31.12.2023, with the purpose of refinancing the loan from Romanian Commercial Bank (Banca Comerciala Romana). The refinancing process was concluded until the end of the reporting period, so that the Company is discharged from the payment obligation to Romanian Commercial Bank. The cost of the new contracted loan is Robor 6M + Margin.
2. Credit facility agreement on the 20.12.2016 with a cap amount of 4,000,000 lei for a period of 12 months, maturity date 20.12.2017. The destination of the Facility is the financing of the current activity. The cost of the loan is Robor 6M + Margin. On the 31st of Dec. 2016 Cemacon SA did not have amounts used from the contracted credit facility.

On the 30st of September 2017, the loan structure is as follows:

	30-Sep-17	**31-Dec-16**
Loan institution	**Lei**	**Lei**
Banca Comerciala Romana	-	-
CEC Bank	49,069,167	51,772,600
CEC interests	-	-
TOTAL	**49,069,167**	**51,772,600**

All amounts in Lei, if not otherwise stated

The bank guarantees consisting in non-current assets on the 30st of September 2017 related to the contracted loans have the following structure:

Pledged and restricted tangible assets	30-Sep-17	31-Dec-16
Land	6,787,439	6,727,950
Land arrangements	224,852	212,726
Buildings	32,439,991	33,428,541
Machines, plants and equipment	61,861,694	75,401,811
Furniture and office appliance	194,407	144,833
Assets in progress	3,566,143	1,758,418
Total	**105,074,526**	**117,674,279**

All amounts in Lei, if not otherwise stated

Other bank securities related to loans:

First Colateral security of the inventories of raw material, semi-finished goods, finished goods of CEMACON SA, having on 30 May 2016 the value of 11.898.485 lei

First Colateral security of the current accounts of CEMACON SA no. RO18CECECJ0130RON0894149 and no. RO68CECECJ01C1EUR0894150 opened at Cec Bank.

Assignments of all future and present debts and collections, coming from or related to the present and future commercial contracts of the company.

First lien mortgage over: banking accounts, amounts of money from accounts, insurances, debts, tangible assets, intellectual property rights.

19. Employee's benefits

For this type of indemnity, the company established a provision with the value of benefits granted at retirement. For details, see **Note 20 Provisions**.

Employee's benefits	30-Sep-17	31-Dec-16
Benefits upon retirement	182,352	182,352
Provision related to the annual leave	195,709	257,889
Employee Bonuses	494,935	1,184,332
Management bonuses	744,411	1,135,945
Total	**1,617,407**	**2,760,518**

Structure of Benefits

	Jun-17	Dec.2016
Short-term	1,435,055	2,578,166
Long-term	182,352	182,352
Total	**1,617,407**	**2,760,518**

All amounts in Lei, if not otherwise stated

20. Provisions

The structure of provisions on the 30st of September 2017 is the following:

Provision	Initial balance	Additional provisions	Used amounts	Increases regarding the discount of amounts once with the passing of time	Final balance
Litigation	1,486,031	54,666	(1,486,031)	-	54,666
Untaken holidays	257,889	-	(62,180)	-	195,709
Pensions	182,352	-	-	-	182,352
Environmental reclamation provision	450,006	-	-	34,358	484,364
Bonus provision for employees	1,184,332	469,266	(1,158,663)	-	494,935
Bonus provision for management	1,135,945	572,056	(963,590)	-	744,411
Bonus provision for administrators	282,562	-	(230,721)	-	51,841
Other provisions	231,650	7,629	-	-	239,279
Total	**5,210,767**	**1,103,617**	**(3,901,185)**	**34,358**	**2,447,557**

All amounts in Lei, if not otherwise stated

The structure of short-term and long-term provisions is the following:

Structure of provisions	Termen scurt	Termen lung
Litigation	54,666	-
Untaken holidays	195,709	-
Pensions	-	182,352
Environmental reclamation provision	-	484,364
Other provisions	1,530,466	-
Total	**1,780,841**	**666,716**

All amounts in Lei, if not otherwise stated

During the year 2017 the company reversed a series of provisions referring to the following elements:

- Provision for employee bonuses amounting 1.1 mil. Lei;
- Provision for management bonuses amounting 0.96 mil.lei;
- Provision for litigation related to Mrs Pop Ana amounting 0.075 mil.lei, as a settlement for the trial;
- Provision for Vizental Money Management amounting 1.4 mil.lei, as a settlement for the trial;

On 30st of September 2017 the company had provisions established for risks and expenses in amount of 2.44 mil lei. The main sums refer to:

1. Provision for employee and management bonuses in amount of 1.29 mil lei
2. Litigation with Szakacs Janos, through which the complainant request the amount of 54.666 RON – salaries expenses and trial expenses, following the trial opened for contestation of the decision of cancellation of the individual labour agreement.
3. Provision for untaken holidays in amount of 0.19 mil lei
4. Other provisions in amount of 0.9 mil lei.

List of Disputes on 30st of September 2017

Number of file	Plaintiff	Defendant	Object	Court	Stage	Value of dispute	Explanations
1223/102/2017	SZAKACS JANOS PRIN AV. BORTOS CRISTIAN	CEMACON	Work dispute	Mures Court	Fond	54.666	Dispute in claims related to the total amount related to salaries estimated for the period 17.03-31.12.2017 – caused by the decision made by the entity of cancellation of the individual labour agreement

21. Deferres tax

Deferred income tax	30-Jun-17	31-Dec-16
Total deferred tax at the beginning of the period	(1,262,668)	35,975
Temporary reversed differences		(1,482,760)
Acknowledgment of the deferred tax receivables which were not previously acknowledged		184,117
Total Deferred income tax	**(1,262,668)**	**(1,262,668)**
Total deferred tax	**(1,262,668)**	**(1,262,668)**

All amounts in Lei, if not otherwise stated

The deferred income tax is calculated over the temporary differences existent between the tax base of assets and debts and their book values from the financial statements.

For the equipment in Recea production factory, the Company calculates depreciation per product unit, case in which there is a difference between the calculated depreciation according to the fiscal model and the applicable one. For this difference, the company calculates and registers the deferred income tax.

22. Assets classified as available for sale

Pursuant to the end of the credits restructuring process with Banca Comerciala Romana, the assets classified as available for sale, were mainly transferred to Cemacon Real Estate Srl.

Therefore, the assets representing lands, buildings and equipment from the Municipality of Zalau, in amount of 21,6 mil lei were transferred from Cemacon SA to Cemacon Real Estate concurrently with the novation of the amount of 5 mil euro from the bank debt.

From the set of assets which made the object of the transfer, a building in amount of 0,1 mil lei, as well as a land located Tunari Quarry, in amount of 1,05, could not be transferred in 2015, following to be transferred at a later date, when the transfer conditions should be met, requirement existent in the novation agreement. The management maintains its intention of transferring this asset and strives to clarify the aspects related to the transfer conditions.

Fixed assets	**Book value on 31 Dec 2016**	**Outflows**	**Inflows**	**Book value on 30 September 2017**
Lands	1,061,449	-	-	1,061,449
Buildings	216,046	-		216,046
Total	**1,277,495**	**-**	**-**	**1,277,495**

All amounts in Lei, if not otherwise stated

23. Issued Capital

On the 30th of June 2017 the structure of issued capital was as follows:

Structure of issued capital	30-Sep-17	31-Dec-16
Number of authorized shares	113,990,218 buc	113,990,218 buc
Number of subscribed and paid-up shares	113,990,218 buc	113,990,218 buc
Number of subscribed and unpaid-up shares	-	-
Nominal value of a share	0.10 lei	0.10 lei
Issued capital value	**11,399,022**	**11,399,022**

All shares of the company are common and have the same voting right.

The movements of the capital structure in 2017 are presented in the following table:

	30-Sep-17		31-Dec-16	
	Number	**Value**	**Number**	**Value**
Ordinary shares of RON 01 each	113,990,218 buc	11,399,022 lei	113,990,218 buc	11,399,022 lei
Reduction by entrainment of losses	-	-	-	-
Emissions during the year	-	-	-	-
Purchase of own shares	-	-	-	-
TOTAL	**113,990,218 lei**	**11,399,022 lei**	**113,990,218 lei**	**11,399,022 lei**

Shareholding structure of the 30th of June 2016:

Sareholder	No of Shares	Percent
Business Capital For Romania-Opportunity Fund Cooperatief loc. AMSTERDAM NLD	37,616,768	32.9999%
S.C. DEDEMAN S.R.L. loc. BACAU jud. BACAU	33,057,163	29.0000%
SC CONSULTANTA ANDREI&ANDREI SRL loc. ARAD jud. ARAD	17,039,927	14.9486%
alti actionari / others	13,821,411	12.1252%
S. CIT RESOURCES S.A. loc. BUCURESTI jud. SECTOR 2	12,454,949	10.9263%
TOTAL	**113,990,218**	**100.0000%**

Source: CENTRAL DEPOSITORY, Date: 6/30/2017

Shareholding structure of the 31st of December 2016:

Shareholder	Number of shares	Percent
BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COOPERATIEF U.A. loc. AMSTERDAM NLD	31.799.068	27.8963%
KJK CARAMIDA SRL, BUCHAREST, 1st district	31.799.065	27.8963%
SC CONSULTANTA ANDREI&ANDREI SRL, ARAD, ARAD county	17.586.728	15.4283%
S.S.I.F. BROKER S.A., CLUJ-NAPOCA, CLUJ county	16.657.252	14.6129%
Other shareholders / others	16.148.105	14.1662%
TOTAL	**113.990.218**	**100.0000%**

Source: CENTRAL DEPOSITORY, Date: 12/31/2016

24. Reserves

The following describe the nature and type of each reserve from own capitals:

Type of reserve	Description and purpose
Legal reserve	They are annually established from the company's profit in the quantities and limits provided by the law. In 2016, the limits are 5% applied on the accounting profit until it reaches 20% of the paid-up subscribed capital. At the end of 2016, the company's reserves reached 20% of the subscribed capital, which is why in 2016 there are reserves in amount of 517.189 lei and in 2017 amounting 165.921 lei
Revaluation reserve	The revaluation reserves are established from the differences resulted from the revaluation of tangible and intangible assets. The presentation of the revaluation reserves shall be done according to each type of non-current asset and on each revaluation operation which took place. In 2016, the company did not make the revaluation and did not register reserves from revaluation.
Other reserves	There are other reserves not provided by the law which were optionally established on the net profit to cover the accounting losses or for other purposes, under the decision of the general meeting of shareholders, by complying with the legal provisions. In 2016, the company registered at other reserves the amount of 78.526, representing the profit for which the tax exemption for reinvested profit was applied.

Type of reserve	Initial balance	Increases	Reduction	Final balance
Legal reserves	2,113,883	165,921	-	2,279,804
Revaluation reserves	14,800,380	-		14,800,380
Other reserves	1,779,459		-	1,779,459
Total	**18,693,722**	**165,921**	**-**	**18,859,643**

25. Lease

On 30 of September 2017 the company concluded financial lease agreements with the following lease companies:

Lease company	Type of lease	Leased property
PORSCHE LEASING ROMANIA IFN	Financial lease	Vehicles
IMPULS LEASING	Financial lease	Machines, equipment
BT LEASING TRANSILVANIA IFN SA	Financial lease	Equipment
UNICREDIT LEASING CORPORATION IFN SA	Financial lease	Equipment and production line

The situation of debts regarding the financial lease on the 30th of September, 2017 is the following:

Leased assets	Initial balance	Increases	Reduction	Final balance
Vehicles	449,288	260,039	262,274	447,053
Equipment	1,544,112	2,090,999	696,635	2,938,476
Total	**1,993,400**	**2,351,038**	**958,909**	**3,385,529**

The due date of the lease payments during 2016-2017 is presented in the following table:

30 September 2017

Lease payment due date	Total value	Interest	Net value
less than 1 year	1,423,427	117,073	1,306,354
between 1-5 years	2,211,144	131,969	2,079,175
over 5 years	0	0	0
Total	**3,634,571**	**249,042**	**3,385,529**

All amounts in Lei, if not otherwise stated

31 December 2016

Lease payment due date	Total value	Interest	Net value
less than 1 year	985,330	61,763	923,567
between 1-5 years	1,099,644	29,811	1,069,833
over 5 years	0	0	0
Total	**2,084,974**	**91,574**	**1,993,400**

All amounts in Lei, if not otherwise stated

26. Transactions with affiliates

The company's affiliates in 2017 are:

- Consultanta Andrei&Andrei Srl with registered office in Bucharest, 1st district, 14 Jandarmeriei str., building A2, 3rd entrance, ap. 2; tax identification no. CIF: RO 17345454, Trade Register no J40/14670/2011; Director of Cemacon SA

- Orion Strategy Solution Srl with registered office in Cluj County, Cluj-Napoca, 7 Artelor Str.; Tax identification number RO 26118990; Trade Register number J12/3026/2013; Chairman of Cemacon SA Board of Directors, Liviu-Ionel Stoleru, General Manager of Cemacon SA, is the Director of Orion Strategy Solution Srl and representative of this entity in the Board of Directors of Cemacon SA.

- Cemacon Real Estate, with registered office in Salaj county, municipality of Zalau, 1 Fabricii str., CUI RO 32604048; 100% investee of the company Cemacon SA.

- Business Capital for Romania –Opportunity Fund Cooperatief U.A., Holland.

- RSL Capital Advisors Srl - Căpitan Gheorghe Mărășoiu str., Bucharest, CUI 33165056

- SC Dedeman SRL, with registered office in Bacau, Bacau county, 8 Alexei Tolstoi str., CUI 2816464

Transactions with affiliates (*Continued*)

The transactions with affiliates are summarized in the following table:

	Service sales		Service acquisitions	
Affiliates	**1 Jan – 30 Sep 2017**	**1 Jan – 31 Dec 2016**	**1 Jan - 30 Sep 2017**	**1 Jan – 31 Dec 2016**
Consultanta Andrei&Andrei Srl	-	-	102,929	193,038
KJK Fund II SICAV-SIF	-	-	-	127,868
Orion Strategy Solution Srl	-	-	283,458	666,488
Dedeman SRL	2,722,339	-	95,427	-
RSL Capital Advisors SRL	-	-	20,544	74,021
Cemacon Real Estate	-	1,062,550	397,506	739,944
Total	**2,722,339**	**1,062,550**	**899,865**	**1,801,359**

All amounts in Lei, if not otherwise stated

The balances with affiliates are summarized in the following table:

	Receivables from affiliates		Debts to affiliates		Loans granted	
Affiliates	**30-Sep-2017**	**31-Dec-16**	**30-Sep-2017**	**31-Dec-16**	**01.01.2017-30.09.2017**	**01.01.2017-30.12.2016**
Consultanta Andrei&Andrei Srl	-	-	-	-	-	-
KJK Fund II SICAV-SIF	-	-	-	-	-	-
Orion Strategy Solution Srl	-	-	-	-	-	-
Dedeman SRL	81,919	-	26,846	-	-	-
RSL Capital Advisors SRL	-	-	-	-	-	-
Cemacon Real Estate	749,071	749,071	397,506	-	558,339	1,149,339
Total	**830,990**	**749,071**	**424,352**	**0**	**558,339**	**1,149,339**

All amounts in Lei, if not otherwise stated

27. Cash and cash equivalents

Cash and cash equivalents	**30-Sep-17**	**31-Dec-16**
Cash at bank	32,904,307	28,732,178
Cash and cash equivalents	33,610	4,121
Total	**32,937,917**	**28,736,299**

All amounts in Lei, if not otherwise stated

On September 30, 2017 there are no financial instruments generating credit risk exposure.
The balances of the cash accounts denominated in currency on 30 September 2017 are not significant.

28. Other financial assets

On September 30, 2017 the Company had a number of 317 certificates of greenhouse gas emissions in amount of 8,405 lei entered at their market price. They are received on a free basis according to the regulations in force and to the plan of assigning the certificates of greenhouse gas emissions, for the period 2013-2020, or purchased by the company, depending upon the number of certificates corresponding to the company.

29. Adjustments of accounting errors

During the period January - September 2017 the Company did not have adjustments of accounting errors corresponding to the previous years.

Information on the Company's presentation:

Cemacon SA is a Romanian legal entity, established as joint stock Company under the Government Decision no. 1200/1991 with the registered office in Cluj-Napoca, 48 Dorobantilor St., Silver Business Center, 1st floor, Cluj County. The company's main activity is "Manufacture of bricks, roof tiles and construction products, in baked clay".

The bases of conversion used to express in national currency the assets and liabilities, income and expenses initially outlined in a foreign currency:

The way used to express the property items in national currency, income and expenses emphasized in a foreign currency is presented in Note 1. The main exchange rates used for RON conversion of balances expressed in foreign currency on the 31st of December, 2016, and 30st of September, 2017, are:

Foreign currency	Abbreviation	Exchange rate	
		30-Sep-17	**31-Dec-16**
US Dollar	USD	3,8977	4,3033
Euro	EUR	4.5991	4,5411

Fees paid to auditors

All paid fees refer to the audit services on the individual financial statements prepared by the Company under IFRS. The Company paid during the year concluded on the 31st of December, 2016, fees to auditors under the agreement concluded between the parties. The Company's audit is provided by SC Deloitte Audit SRL.

The Individual Financial Statements for the period closed in September 30, 2017 are not audited. The auditors report, the opinion and the audited financial statements will be prepared at the end of the year.

Amendments

The directors are not entitled to subsequently amend the financial statements.
The financial statements together with the notes to the financial statements are **authorised in order to be published on the 8th of November 2017**.

After they are published the consolidated financial statements can not be subject to any more amendments.

30. Contingents

Contingent debts

In the context of restructuring the Company's banking debts, completed in September 2015, Cemacon SA assumed to guarantee the payment obligation of Cemacon Real Estate SRL, 100% owned by Cemacon SA, so that the entity established a first lien mortgage in favor of the creditor (BCR) over all the shares owned by the Bank in Cemacon Real Estate, as well as a personal security (suretyship), in a maximum amount of EURO 3.000.000.
The net book value of the assets held for sale in Cemacon Real Estate SRL totalize RON 17,901,689 lei (3,942,148, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31st of December 2016) representing 102 % of the debt of Cemacon Real Estate SRL to Banca Comerciala Romana (Romanian Commercial Bank).
Based on the developed sales procedures (purchase offers received) and on the real estate market information, the management of Cemacon S.A considers improbable an outflow of resources as the suretyship existent between Cemacon S.A and Cemacon Real Estate SRL, at the end of the period of 5 years related to the credit of Cemacon Real Estate SRL.

Taxation

The Company deems that it paid on time and fully all taxes, fees, penalties and penalty interest, if applicable.
All amounts due to the State for taxes and fees were paid or registered on the balance date. The Romanian tax system is undergoing consolidation and harmonization with the European legislation, there being different interpretations of the authorities in connection with the tax legislation, which may give rise to taxes, fees and additional penalties. If the state authorities discover violations of the Romanian legal provisions, they may be determined as applicable: confiscation of the concerned amounts, imposition of additional tax liabilities, imposition of fines, application of delay increases (applied to remaining actual payment amounts).
Consequently, the fiscal sanctions resulted from breaching the legal provisions may rise to significant amount payable to the state.In Romania, the tax year is opened for verifications for a period of 5 years.

Transfer price

Under the relevant tax legislation, the tax assessment of a transaction with the affiliates is based on the market price concept related to that transaction. Under this concept, the transfer prices must be adjusted so as to reflect the market prices which would have been established between the entities between which there is no relation of affiliation and which act independently under “normal market conditions”.
It is likely that the transfer price verifications are carried out in the future by the tax authorities to determine whether these prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

General Manager	**Financial Manager**
Stoleru Liviu	Sologon Daniel
Signature ______________	Signature ______________

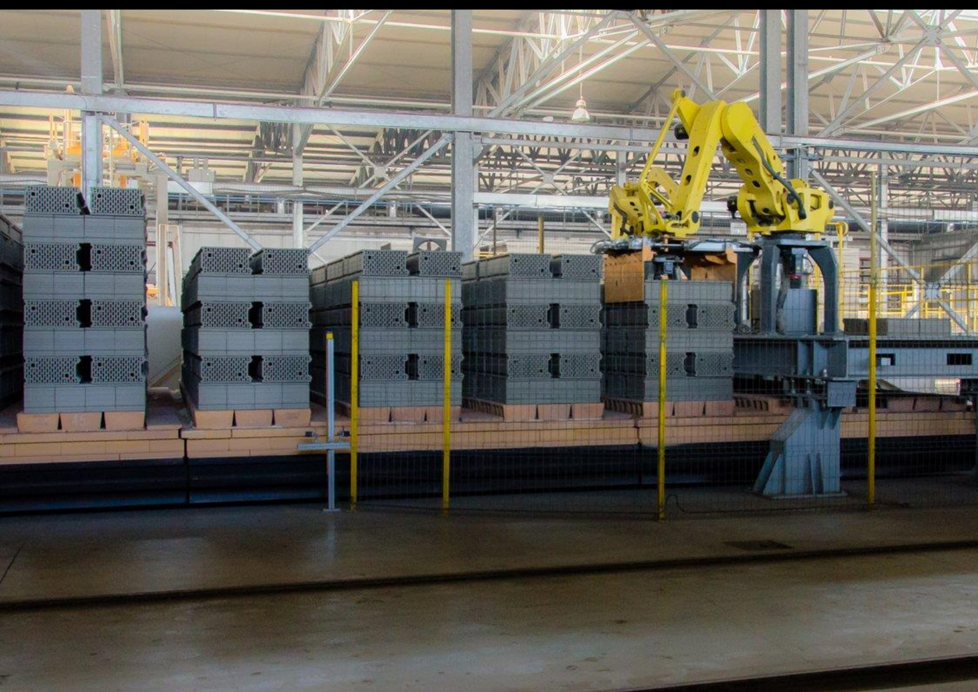
Company's stamp

*The information included in the present document is provided according to the International Financial Reporting Standards (IFRS) and were audited according to the legal regulations in force. The Company has made all the necessary efforts to guarantee that the information presented are complete, exact and without clerical errors. Both the Company and the management have used, where applicable, the professional reasoning in conjunction with the International Financial Reporting Standards, in order to present the information in a manner consistent with the specific character of the activity. The interpretation of the information presented in this document is to be carried out in accordance with mentioned standards. In case of omissions or interpretations different from the indicated regulations, the provisions included in the International Financial Reporting Standards shall be applied (IFRS).
** This document was translated from Romanian to English by an authorized translator. Cemacon SA is not responsible for any translation errors or misinterpretation of information contained in this document. Reporting language is Romanian and in case of misinterpretation the Financial Statements issued in Romanian shall apply.

Cluj-Napoca
8th of November 2017

CONSOLIDATED FINANCIAL STATEMENTS
FOR PERIOD ENDED 30th of September 2017

Drafted according to the International reporting standards (IRFS)



CEMACON
Cărămizi inteligente **EVO**CERAMIC

SC CEMACON SA
Fiscal Code 677858
Trade Registry Code J12/2466/2012

CEMACON SA

Situatia pozitiei financiare consolidate

(Consolidated statement of financial position)

pentru perioada incheiata la 30 September 2017

(for the period ended 30th of September 2017)

		30-Sep-17	31-Dec-16
		LEI	**LEI**
ACTIVE (ASSETS)			
Active imobilizate			
Non-current assets			
Imobilizari corporale	***11***	118,604,688	116,396,783
Property, plant and equipment			
Investitii imobiliare		-	-
Investment property			
Imobilizari necorporale	***12***	247,409	334,207
Intangible			
Investitii in actiuni	***14***	-	-
Investments			
Alte active imobilizate		120,352	112,752
Other non-current assets			
		118,972,449	**116,843,742**
Active circulante			
Current assets			
Stocuri	***15***	9,810,138	10,942,408
Inventories			
Creante comerciale si similare	***16***	17,490,411	9,489,074
Trade and other receivables			
Alte active financiare		8,405	490,721
Other financial assets			
Numerar si echivalente numerar	***27***	33,036,258	29,957,212
Cash and cash equivalents			
		60,345,212	**50,879,415**
Active clasificate drept detinute în vederea vânzării	***22***	**19,238,703**	**19,238,703**
Assets classified as held for sale			
TOTAL ACTIVE (TOTAL ASSETS)		**198,556,364**	**186,961,860**
DATORII (LIABILITIES)			
DATORII CURENTE			
CURRENT LIABILITIES			
Datorii comerciale si similare	***17***	13,492,936	12,856,779
Trade and other payables			
Imprumuturi	***18***	7,430,492	5,040,143
Loans and borrowings		-	-
Subventii pentru investitii			

		30-Sep-17 LEI	31-Dec-16 LEI
Grants received			
Datorii privind impozitul pe profit	8	1,130,901	64,496
Tax liability			
Provizioane	***20***	1,780,840	4,578,409
Provisions			
		23,835,169	**22,539,827**
Datoriile incluse în grupurile destinate cedãrii			
Liabilities directly associated with assets in disposal groups classified as held for sale			
DATORII PE TERMEN LUNG			
NON-CURRENT LIABILITIES			
Datorii comerciale si similare	***17***	-	-
Non-current trade and other liabilities			
Imprumuturi	***18***	62,080,248	65,567,579
Loans and borrowings			
Subventii pentru investitii		1,102,106	1,158,837
Grants received			
Impozit amanat	***21***	1,241,071	1,241,071
Deferred tax			
Provizioane	20	666,716	632,358
Provisions			
		65,090,141	**68,599,845**
TOTAL DATORII (TOTAL LIABILITIES)		**88,925,308**	**91,139,672**
ACTIVE NETE (NET ASSETS)		**109,631,056**	**95,822,189**
CAPITAL SI REZERVE (EQUITY)			
Capital social	***23***	20,613,371	20,613,371
Issued capital		-	-
Beneficii acordate angajatilor in instrumente de capitaluri proprii		2,465,038	2,024,226
Employee benefits granted in share capital			
Impozit profit amanat		(1,188,241)	(1,188,241)
Deffered Tax			
Actiuni proprii		-	-
Own Shares			
Prime legate de emiterea de actiuni		54,850,347	54,850,347
Share premium		-	-

CEMACON SA
Situatia pozitiei financiare consolidate
(Consolidated statement of financial position)
pentru perioada incheiata la 30 Septembrie 2017
(for the period ended 30th of September 2017)

		30-Sep-17	31-Dec-16
		LEI	**LEI**
Rezerve din reevaluare aferente active destinate vanzarii	24	1,139,240	5,629,211
Amountsrecognised in other comprehensive income and accumulated in equity relating to non-assets held for sale			
Rezerve	***24***	22,744,721	18,088,790
Reserves			
Rezultat reportat		9,006,579	(4,195,515)
Retained earnings			
Interesele care nu controleaza		**-**	**-**
Non-controling interest			
TOTAL CAPITALURI (TOTAL EQUITY)		**109,631,056**	**95,822,189**

Toate sumele sunt prezentate in lei, daca nu este specificat altfel / All amounts in Lei, if not otherwise stated

CEMACON SA
Situația rezultatului global consolidat
(Consolidated statement of financial position)
pentru perioada încheiată la 30 Septembrie 2017
(for the period ended 30th of September 2017

		30-Sep-17	30-Sep-16
		LEI	**LEI**
Venituri din vanzari	***3***	**73,998,432**	**72,283,410**
Sales revenues			
Alte venituri din exploatare	***4***	605,951	827,734
Other operating revenues			
Alte castiguri si pierderi	4	2,855,859	1,156,060
Other gains and losses			
Castiguri din vanzari de Active		-	-
Revenues related to Sale of Assets			
Variatia stocurilor		(2,318,702)	(6,845,101)
Change in inventories of FG & WiP			
Materii prime si consumabile	***15***	(14,173,339)	(14,044,759)
Raw material and consumables used			
Cheltuieli de personal	***6***	(12,631,538)	(12,013,417)
Personnel Expenses			
Amortizare si deprecieri		(5,187,363)	(4,950,196)
Depreciation and amortisation expenses			
Cercetare si dezvoltare		-	
Research and development			
Alte cheltuieli din exploatare	***5***	(25,200,570)	(26,485,439)
Other operating expenses			
Profit / (Pierdere) din exploatare		**17,948,729**	**9,928,292**
Profit / (Loss) from operation			
Venituri financiare	***7***	369,029	764,380
Financial income			
Cheltuieli financiare	***7***	(3,818,800)	(3,916,390)
Financial expenses			
Partea din profitul aferent entitãtilor asociate		-	
Income from associates			
Profit / (Pierdere) inainte de impozitare		**14,498,959**	**6,776,282**
Profit before tax			
Cheltuieli cu impozite	***8***	(1,130,901)	(438,706)
Income tax expenses			
Profit / (Pierdere) din activitati continue		**13,368,058**	**6,337,576**
Profit / (Pierdere) din activitati intrerupte, nete de impozit		-	

CEMACON SA

Situația rezultatului global consolidat

(Consolidated statement of financial position)

pentru perioada încheiată la 30 Septembrie 2017

(for the period ended 30th of September 2017

	30-Sep-17 LEI	30-Sep-16 LEI
Profit / (Pierdere) *Profit after tax*	**13,368,058**	**6,337,576**
Total alte elemente ale rezultatului global ***Tolat other elements of other comprehensive income***	**-**	**-**
Total rezultat global ***Comprehensive income total***	**13,368,058**	**6,337,576**

Toate sumele sunt prezentate in lei, daca nu este specificat altfel / All amounts in Lei, if not otherwise stated

1. Accounting policies

Drafting principles

The consolidated financial statements include the financial statements of SC Cemacon SA, as well as those of the investee company SC Cemacon Real Estate SRL, drafted on 30th of September 2017.
The consolidation of the two companies is required by the fact that SC Cemacon Real Estate is a 100% investee of the company SC Cemacon SA.

Information regarding the Group:

Cemacon SA is a Romanian legal person, established as a joint stock company based on the Government Decision HG no. 1200/1991, with headquarters in Cluj-Napoca city, 48 Dorobantilor street, Silver Business Center building, 1st floor, Cluj county. The company has as main field of activity „Manufacture of bricks, roof tiles and construction products, in bakes clay".

The company SC Cemacon Real Estate was established following the agreement signed by Cemacon SA and BCR (Banca Comerciala Romana) in order to transfer non-core assets under the restructuring process.
The individual financial statements of SC Cemacon Real Estate are drafted according to OMFP (Ordinance of the Public Finances Ministry) 1802/2012.
The consolidation of the financial statements of the parent company SC Cemacon SA and of the investee company SC Cemacon Real Estate has begun in year 2014 and shall continue until there is no control of the parent company over the investee company.

The financial statements of the investee company have been drafted for the same reporting period as those of the parent company, using the same accounting policies.
The International Financial Reporting Standards (IFRS) were applied in the preparation of the consolidated financial statements.

Even though the financial statements of SC Cemacon Real Estate have been prepared according to OMFP 1802/2012, the necessary adjustments have been carried out for the consolidation, in order to reflect the accounting policies of the parent company.

Consolidation procedures

Consolidated financial statements:

a) Combine the similar elements of assets, debts, equity, revenues, expenses and cash flow of Cemacon SA with those of Cemacon Real Estate Srl
b) Eliminates the accounting value of the investment made by Cemacon SA in Cemacon Real Estate Srl and the part of Cemacon SA from the equity of Cemacon Real Estate Srl
c) Completely eliminates the assets and debts, the equity, the revenues, the expenses and the cash-flow from the group, corresponding to the transactions among the companies within the Group (intercompany transactions) (profit and loss resulted from the intercompany transactions, which are recognized in assets, as well as the stocks and fixed assets, are completely eliminated). The loss resulted from the group may indicate a depreciation which requires the acknowledgment in the consolidated financial statements. IAS 12 shall be applied for the accounting of the temporary income tax differences resulting as a consequence of the elimination of profit and of the loss from the intergroup transactions.

Accounting policies (continued)

Within the consolidation the necessary adjustments have been carried out, in order to guarantee the conformity with the group's accounting policies.

In the consolidated financial statements are included the revenues and expenses as of the date of the audit.

The financial statements of Cemacon SA and Cemacon Real Estate Srl used for consolidation have the same reporting date (30th September 2017).

Drafting principles

The main accounting policies adopted in preparing the financial statements are listed below. These policies have been constantly applied, for all the reported years, unless otherwise provided.

The financial statements are expressed in the national currency (Lei), which is also the entity's functional currency.

Amounts are rounded up to the closest RON, unless otherwise provided.

These financial statements have been drafted in accordance with the Ordinance of the Public Finances Ministry OMF 2844/2016 approving the Accounting Regulations in accordance with the International Financial Reporting Standards (IFRS), applicable to trading companies whose securities are admitted to trading on a regulated market, as subsequently amended, and respectively in accordance with:

- the International Financial Reporting Standards (IFRS) adopted by the European Union;
- the Accounting Law 82/1991, as republished ("Law 82");
- Order no. 881/2012 of the Ministry of Finance on the application of the International Financial Reporting Standards ("IFRS") by trading companies whose securities are admitted to trading on a regulated market,

Drafting the financial statements in accordance with the IFRS requires using certain critical accounting estimates. Drafting the financial statements in accordance with Ordinance 2844/2016 of the Ministry of Finance requires that the Group's management makes estimates and hypotheses affecting the reported value of assets and liabilities, the presentation of contingent assets and liabilities upon drafting the financial statements, and the reported income and expenditure for the period. Although these estimates are made by the Group's management based on the best information available on the date of the financial statements, the results obtained may be different from these estimates.

Estimates and judgements are continuously assessed and rely on historic experience and other factors, including the forecasts on future events that are thought to be reasonable under the circumstances.

These financial statements have been drafted according to the principle of business continuity which means that the Group will continue doing its business in the predictable future. To assess the applicability of this assumption, the Group analyses the forecasts on future cash inflows.

Based on these analyses, the management believes that the Group will be able to continue doing its business in the predictable future and, therefore, the application of the principle of business continuity in drafting the financial statements is well-founded.

Accounting policies (continued)

Measurement basis

The consolidated financial statements have been drafted based on the historical cost, except for the items mentioned in the notes.

Change of accounting policies

Initial enforcement of the new amendments to the existing standards in force for the current reporting period

The following amendments to the existing standards and the new interpretations issued by the International Accounting Standards Board (IASB) and adopted by EU are in force for the current reporting period:

- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Information to be presented related to interests in other companies" şi IAS 28 "Investments in associated companies and in joint ventures" –** Investment companies: applying the consolidation exception – adopted by EU on the 22nd of September 2016 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IFRS 11 "Joint ventures"** – Accounting the acquisitions for joint operations – adopted by EU on the 24th of November 2015 (applicable for annual periods starting with or after the 1st of Juanuary 2016),
- **Amendments to IAS 1 "Presentation of financial statements"** – Initiative related to the presentation requirement – adopted by EU on the 18th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible assets" –** Clarifications related to the acceptable depreciation method – adopted by EU on the 2nd of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 16 "Tangible assets" and IAS 41 "Agriculture"** – Reproduction plants – adopted by EU on the 23rd of November 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to IAS 19 "Employee benefits"** – Determined benefit plans - Employee contributions – adopted by EU on the 17th of December 2014 (applicable for annual periods starting with or after the 1st of January of 2015),
- **Amendments to IAS 27 "Individual financial statements"** – equity method in the individual financial statements – adopted by EU on the 18th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016),
- **Amendments to various standards " Improvements of IFRS (cycle 2010-2012)"** resulting from the annual improvement project of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38) with the main purpose of eliminating the inconsistancies and clarifying certain forms – adopted by EU on the 17th of December 2014 (applicable for annual periods starting with or after the 1st of January of 2015),
- **Amendments to various standards "Improvements of IFRS (cycle 2012-2014)"** resulting from the annual improvement project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistancies and clarifying certain forms – adopted by EU on the 15th of December 2015 (applicable for annual periods starting with or after the 1st of January of 2016).

Adopting these amendments to the existing standards has not lead to significant changes in the financial statements of CEMACON Group.

Standards and amendments to the existing standards issued by IASB and adopted by EU, not entered into force yet

On the approval date of these financial statemenets, the following new standards and amendments to the standards issued by IASB and adopted by EU are not entered into force yet.

Accounting policies *(continued)*

- **IFRS 9 "Financial instruments"** – adopted by EU on the 22nd of November 2016 (applicable for annual periods starting with or after the 1st of January of 2018),
- **IFRS 15 "Revenues from contracts with customers"** and the amendments to IFRS 15 "Date of entering into force of IFRS 15" – adopted by EU on the 22nd pf September 2016 (applicable for annual periods starting with or after the 1st of January of 2018).

New standards and amendments to the existing standards issued by IASB, not adopted by EU yet

Currently, IFRS – as they were adopted by EU – do not differ significantly from the regulations adopted by the International Accounting Standards Board (IASB), except the following new standards, amendments to the existing standards and new interpretations, which have not been approved to be used in EU pn the publishing date of the financial statements (the following dates of entering into force are for all IFRS standards):

- **IFRS 14 "Regulatory deferral accounts"** (applicable for annual periods starting with or after the 1st of January of 2016) – The European Commission decided not to issue the approval process of this interim and wait for its finalization,
- **IFRS 16 "Leasing"** (applicable for annual periods starting with or after the 1st of January of 2019),
- **Amendments to IFRS 2 "Share-based payment"** – Classification and assessment of the transactions with share-based payment (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to IFRS 4 "Insurance contracts"** - Applying IFRS 9 Financial instruments, together with IFRS 4 Insurance contracts (applicable for annual periods starting with or after the 1st of January of 2018 or applying for the first time IFRS 9 "Financial Instruments"),
- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated companies and joint ventures"-** The sale of asset contribution between and an investor and his associated companies or joint ventures and the posterior amendments (the date of entry into force was postponed for an indefinite period, until the finalization of the research project related to the equity method),
- **Amendments to IFRS 15 "Revenues from contracts with customers"** – Clarifications to IFRS 15 Revenues from contracts with customers (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to IAS 7 "Cash-flow statements"** – Initiative related to the presentation requirements (applicable for annual periods starting with or after the 1st of January of 2017),
- **Amendments to IAS 12 "Corporate tax"** – Acknowledgment of assets with deferred tax for unrealised losses (applicable for annual periods starting with or after the 1st of January of 2017),
- **Amendments to IAS 40 "Investment properties"** – Transfer of investment properties (applicable for annual periods starting with or after the 1st of January of 2018),
- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)"** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 12 and IAS 28) with the main purpose of eliminating the inconsistencies and explaining certain formsi (the Amendments to IFRS 12 are applicable for annual periods starting with or after the 1st of January of 2017, and the amendments to IFRS 1 and IAS 28 are applicable for annual periods starting with or after the 1st of January of 2018),
- **IFRIC 22 "Currency transactions and advances"** (applicable for annual periods starting with or after the 1st of January of 2018).

CEMACON Group anticipates that the adoption of these standards and amendments to the existing standards will not have a significant impact on the financial statements of the Group during the initial period of implementation.

The hedge accounting against risks of a portfolio of assets and liabilities with principles not adopted by EU remains unregulated.

Accounting policies (continued)

According to the Group's estimates, using the hedge accounting against risks of of a portfolio of assets and liabilities, in accordance with **IAS 39: "Financial Instruments: acknowledgment and assessment"** does not significantly affect the financial statements, if it is applied on the balance sheet date.

Additional information related to certain standards, updates, amendments and interpretations, which can be used, where appropriate:

- **IFRS 9 "Financial Instruments"**, issued on the 24th of July 2014, is the standard which replaces IAS 39 Financial Instruments, Acknowledgment and Assessment. IFRS 9 includes requirements related to the financial instruments, regarding the acknowledgment, classification and assessment, impairment losses, derecognition and hedge accounting against risks.

  Classification and assessment - IFRS 9 introduces a new approach regarding the classification of the financial assets, determined by the characteristics of the cash flows and the business pattern containing the asset. This unique approach based on principles replaces the requirements of IAS 39 based on rules. The new pattern also determines the existence of a unique depreciation model applicable to the financial instruments.

  Impairement losses - IFRS 9 introduces a new pattern/model regarding the impairment losses, based on the expected losses, and which will impose a quicker acknowledgment of the expected losses from the impairment of receivables. The standard stipulates that the entities register the expected impairment losses corresponding to receivables from the moment of initial acknowledgment of the financial instruments, and at the same time recognize much more quickly the expected impairment losses for their entire life.

  Hedge accounting: IFRS 9 introduces an important improved pattern regarding the hedge accounting, including the additional requirements for the presentation of information related to the risk management activity. The new pattern represents an important revision of the hedge accounting principles, which allow the adjustment of the accounting treatment to the risk management activity.

  Own Credit: IFRS 9 eliminates the volatility from the profit and loss account caused by the change of the credit risk corresponding to the debts evaluated at fair value. The modification of the accpunting requirements of these debts means that the income generated by the deterioration of an entity's own credit risk is no longer recognized by profir or loss.

- **IFRS 14 "Deferral accounts corresponding to the regulated activities"** issued by IASB on the 30th of January 2014. This standard is intended to allow the entities which adopt for the first time IFRS, and currently recognize the deferral accounts corresponding to the activities regulated according to the foregoing generally accepted accounting principles, to continue doing it upon passing to IFRS.

- **IFRS 15 "Revenues from contracts with customers"** issued by IASB on the 28th of May 2014 (on the 11th of September 2015, IASB postponed the entry into force of the IFRS 15 to the 1st of January 2018, and on the 12th of April 2016 IASB came up with clarification of this standard). IFRS 15 specifies the way and the moment in which an entity reporting according to IFRS has to acknowledge the revenues, and stipulates that these entities must provide the users of the financial statements with clearer and more relevant information. The standard replaces IAS 18 "Revenues", IAS 11 "Construction agreements" and a number of interpretations related to revenues. The implementation of the standard is compulsory for all entities reporting according to IFRS and applies to almost all contracts with customers: the main exceptions are the lease contracts, the financial instruments and the insurance policies. The main principle of the new standard is that the companies should acknowledge the revenues in order to identify the transfer of goods and services to the clients for amounts reflecting the counterperformance (that is the payment) which the company expects in return for the mentioned goods or services. The new standard shall

Accounting policies (continued)

have as a result increased information related to income, shall offer guidance regarding the transactions not dealt with entirely in the past (for example, revenues from services and modifications/changes to the contracts) and offer a more efficient guidance regarding the multiple elements agreements.

- **IFRS 16 "Lease Contracts"** issued by IASB on the 13th of January 2016. According to IFRS 16, the lessee recognizes a right-of-use asset and a leasing payable. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The leasing debt is initially evaluated at the updated value of the lease payments due during the duration of the agreement, updated to the implicit rate in the agreement, if the latter cand be easily determined. If the implicit/default rate can not be easily determined, the lessee shall use the incremental borrowing rate. As in the case of the foregoing standard IFRS 16, IAS 17, the sellees classify the lease agreements as finance or operating lease. A lease agreement is classified as a finance lease if it transfers in a great measure all the risks and benefits arising from the ownership of an underlying support. On the contrary, the agreement is classified as an operating lease. In the finance leases, the lessee acknowledges the revenues during the period of the agreement, based on a model reflecting a constant periodic rate of the net return on investment. The lessee acknowledges the operating lease payments as a linear income or as another adjusted concept, if it is more representative for the model in which the benefit arising from using the underlying asset is reduced.

- **Amendments to IFRS 2 "Share-based payment"– Classification and assessment of the transactions with share-based payment** issued by IASB on the 20th of June 2016. The amendments stipulate accounting requirements for: (a) effects of the vesting and non-vesting conditions on the assessment of the cash-settled share-based payments; (b) share-based payments with a net settlement component for the liabilities related to withholding taxes; and (c) modifying the terms and conditions of a share-based payment which changes the classification of the transaction from a cash-settled transaction to an equity-settles transaction.

- **Amendments to IFRS 4 "Insurance policies" – Implementation of IFRS 9 Financial Instruments with IFRS 4 Insurance policies** issued by IASB on the 12th of September 2016. The amendments focus on the issues derived from the implementation of the new standard related to the financial instruments, IFRS 9, before replacing the standard by the Council to IFRS 4.

- **Amendments to IFRS 10 "Consolidated financial statements" and IAS 28 "Investments in associated entities and joint ventures"- Sale of or asset contribution between an investor and its associated entities or joint ventures** issued by IASB on the 11th of September 2014 (on the 17th of December 2015, IASB postponed the entry into force for an indefinite period). The amendments reconcile the contradiction between the requirements IAS 28 and IFRS 10, and explain the fact that in a transaction involving an associated entity or a joint venture the benefits or losses are recorded when the assets sold or presnted as contribution represent an enterprise.

- **Amendments to IFRS 10 "Consolidated financial statements", IFRS 12 "Information to be presented, regarding the interests in other entities" and IAS 28 "Investments in associated entities and joint ventures" – Investment companies: applying the consolidation exception** issued by IASB on the 28th of December 2014. The amendments with restricted applicability area to IFRS 10, IFRS 12 and IAS 28 introduce clarifications to the accounting requirements of the investment entities. The amendments also offer exceptions in certain situations.

- **Amendments to IFRS 11 "Joint ventures" – Accounting of purchases of interests in joint ventures** issued by IASB on the 6th of May 2014. The amendments add new guidelines regarding the accounting of the purchase of an interest in a joint venture representing an enterprise. The amendments specify the accounting treatment appropriate for such acquisitions.

- **Amendments to IAS 1 "Presentation of the financial statements" – Initiative related to the presentation requirements** issued by IASB on the 18th of December 2014. The amendments to IAS 1 have the purpose of encouraging the companies to apply the professional judgment in determining the information they disclose in

Accounting policies (continued)

their financial statements. For example, the amendments explain that materiality applies to the financial statements taken as a whole and that including insignificant information can make useless the presented information. Furthermore, the amendments explain that the companies must apply the professional judgment when determining the place and order of the presented financial statements.

- **Amendments to IAS 7 "Cash-flow statements"** – The initiative related to the presentation requirements issued by IASB on the 29th of January 2016. The amendments have the purpose to clarify IAS 7 in order to improve the information provided to the users of the financial statements regarding the financial activities of an entity. The amendments stipulate that an entity must provide information allowing the users of the financial statements to evaluate the changes of the obligations deriving from the financial activities, including the changes in the cash-flow and other changes.

- **Amendments to IAS 12 "Corporate tax" – Recognition of deferred tax assets for unrealised losses** issued by IASB on the 19th of January 2016. The amendments to IAS 12 clarify the accounting method of the deferred tax assets corresponding to the debts evaluated at their fair value.

- **Amendments to IAS 16 "Tangible assets" and IAS 38 "Intangible assets" – Clarifications related to the acceptable depreciation methods** issued by IASB on the 12th of May 2014. The amendments explain the fact that the use of the income-based methods in order to calculate the depreciation of an asset is not appropriate because the income generated by an activity including the use of an asset generally reflects other factors than the use of the economic benefits arising from the asset. The amendments also explain that the revenues are generally an inappropriate assessment basis of the use of economic benefits arising from a fixed asset. Nevertheless, this assumption can be fought in certain limited situations.

- **Amendments to IAS 16 "Tangible assets" and IAS 41 "Agriculture" – Agriculture: Reproduction plantsere** issued by IASB on the 30th of June 2014. The amendments include the reproduction plants, exclusively used for breeding products, in the applicability area of IAS 16, so that they are estimated similarly to the tangible assets.

- **Amendments to IAS 19 "Employee's benefits"– Plans of determined benefits: Contributions of employees** issued by IASB on the 21st of November 2013. The restricted applicability area of the amendments refers to the contributions of employees or third parties to the pre-defined benefit plans. The purpose of the amendments is simplifying the accounting of the contributions which are independent of the number of seniority (no. of years), such as the contributions of employees calculated based on a fixed wage rate.

- **Amendments to IAS 27 "Individual financial statements" – Equity method in the individual financial statements** issued by IASB on the 12th of August 2014. The amendments bring up the equity method as an accounting option for the investments in subsidiaries, joint ventures and associated entities, in the individual financial statements of a company.

- **Amendments to IAS 40 "Investment properties"** – Transfers of investment properties issued by IASB on the 8th of December 2016. The amendments stipulate that an entity may transfer a property/building to, or from, investment properties only when there is evidence for changing its use. A change in use appears when the building is defined or is not longer defined as investment property. The management's change of the use of the property does not represent evidence for the change of use. The amendments also stipulate that the list of evidence lista from paragraph 57 was drawn as a non-exhaustive example list, compared to the foregoing exhaustive list.

- **Amendments to various standards "Improvements of IFRS (cycle 2010-2012)"** issued by IASB on the 12th of December 2013. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 și IAS 38) with the main purpose of eliminating the inconsistencies

Accounting policies (continued)

and of clarifying certain forms. The most important changes include new or revised requirements related to: (i) defining „vesting condition"; (ii) accounting of a contingency in a combination of enterprises; (iii) aggregation of the operational segments and reconciliation of all the assets of the reportable segments with the assets of the entity; (iv) assessment of the short-time receivables and debts; (v) proportional restatement of the accumulated depreciation in the revaluation method, and (vi) clarifications related to the key-management personnel.

- **Amendments to various standards "Improvements of IFRS (cycle 2012-2014)"** issued by IASB on the 25th of September 2014. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34) with the main purpose of eliminating the inconsistencies and of clarifying certain forms. The changes include new or revised requirements related to: (i) changes in the de-recognition methods; (ii) service contracts; (iii) applicability of the amendments to IFRS 7 in the interim abbreviated financial statements; (iv) discount rate: the regional market issue; (v) disclosure of information "somewhere else in the interim financial report".

- **Amendments to various standards "Improvements of IFRS (cycle 2014-2016)"** issued by IASB on the 8th of December 2016. Amendments to various standards resulting from the annual project for the improvement of IFRS (IFRS 1, IFRS 12 and IAS 28), with the main purpose of eliminating the inconsistencies and of clarifying certain forms. The changes include: (i) eliminating the short-term exemptions from paragraphs E3–E7 of IFRS 1, for they have reached their purpose, (ii) clarifying the scope of IFRS 12 by specifying the fact that the presentation requirements in IFRS 12, except those in paragraphs B10–B16, apply to the interests of an entity mentioned in paragraph 5 classified as held for sale, held for distribution or as discontinued operations according to IFRS 5 "Fixed assets held for sale and discontinued operations", (iii) clarifying the selection of the fair value measurement method, by profit or loss, of an investment in an associated entity or a joint venture held by a risk capital entity, or another qualified entity, is available for any investment in an associated entity or a joint venture based on investment, at the moment of the initial acknowledgment.

- **IFRIC 22 "Currency Tranzactions and advances"** issued by IASB on the 8th of December 2016. The interpretation stipulates that – to the effect of determining the exchange date – the transaction date is the date of the initial acknowledgment of the asset for which the non-cash advance or the deferred income obligation was carried out. If there are payments or collections of multiple advances, a transaction date is to be determined for each payment or collection.

Revenue recognition

Revenues include the fair value of the amounts collected or to be collected as a result of selling the provided goods and services.

Sales revenues from selling goods are recognized if the following conditions are complied with:

- the significant risks and rewards resulting from the ownership of goods have been transferred to the purchaser;
- the company does not manage the sold goods as it would normally do in case of holding the ownership over them and does not have the effective control over them;
- the revenues can be reliably evaluated;
- it is probable that the economic benefits related to the transaction are generated by the company; and
- the costs borne or to be borne by in relation to the mentioned transaction can be reliably evaluated.

The revenues from „bill & hold" sales (escrow at seller) through which the purchaser becomes the owner of the goods and accepts their invoicing, but the delivery is deferred at its request.

Accounting policies (continued)

The revenues are recognized when the purchaser has the ownership of goods under the following conditions:

- a) it is probable that the delivery of goods takes place
- b) Upon the recognition of the sale, the goods are available, identified and ready to be delivered to the purchaser
- c) The purchaser clearly confirms the instructions for the deferment of delivery; and
- d) The usual payment conditions are complied with.
- The revenues are not recognized if there is only the intention of acquiring or producing the goods in due time in order to be delivered.
- If the Group registers significant risks related to the ownership, the transaction does not represent a sale and the revenue are not recognized.

If the group registers only an insignificant risk related to the ownership right, than the transaction represents a sale and the revenues are recognized.

Sales revenues from the provision of services are recognized if they can be credibly measured.

The revenues related to the transaction must be recognized depending on the execution phase of the transaction at the closing of the balance. The result of a transaction can be reliably evaluated if the following conditions are complied with:

a) the value of the revenues may be reliably evaluated;
b) it is probable that the economic benefits related to the transaction are generated for the Group;
c) the phase of transaction completed at the end of the reporting period may be reliably evaluated; and
d) the costs borne for the transaction and the cost of transaction completes may be reliably evaluated.

When the result of a transaction involving provision of services can not be reliably evaluated, the revenues are recognized only to the extent of the recognized expenses that can be recovered.

Rental and royalty revenues are recognized based on the principles of commitment accounting in accordance with the economic substance of the relevant contracts.

Interest revenues are recognized on a regular basis, proportionally, as such revenues are generated, based on the commitment accounting method.

Dividend revenues are recognized upon determining the right of the shareholder to receive the payment.

Revenues from reduction or cancellation of provisions, and from the adjustments for depreciation or impairment, are recognized if they are not justified any more, the risk or the expense becoming enforceable.

In these financial statements, the income and expenditure are presented as gross amounts. In the balance sheet, liabilities and receivables involving the same partners are presented as net amounts if there is a compensation right.

The gains from the sale of assets are presented at their fair value.

Conversion of foreign currency transactions

The Group's transactions in foreign currencies are booked based on the exchange rates announced by the National Bank of Romania (“NBR”) for the transaction date.

Accounting policies (continued)

At the end of each month, foreign currency balances are converted into Lei based on the exchange rates announced by the NBR for the last banking day of the month.

Gains and losses deriving from the settlement of foreign currency transactions and from the conversion of monetary assets and liabilities expressed in foreign currencies are recognized in the profit and loss account, as part of the financial result.

Financial Liabilities

The Group classifies the financial liabilities into one of the categories presented below, depending on the purpose they were engaged for.

- *Evaluation based on the fair value through the profit and loss account* – achieved only for categories of derivatives kept for sale. These are recognized in the balance sheet at their fair value, whereas changes in value are recognized in the profit and loss account.

- *Other financial liabilities: – this category includes the following*:

  Bank loans are initially recognized at their fair value less the transaction costs directly attributed to obtaining the loans.

  Liabilities and other short-term monetary liabilities are initially recognized at their fair value, being later presented at their cost value using the market interest rate method.

  Commercial liabilities are booked at the value of the amounts to be paid for the received assets or services.

Equity

The financial instruments issued by the Group are classified as equity only to the extent that they cannot be classified as financial liabilities or financial assets.

The ordinary shares of the Group are classified as equity instruments.

Indebtedness cost

Indebtedness costs are recognized as financial expenses according to the contractual provisions for the period when the indebtedness costs fall due or are actually engaged.

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset.

The production cost of assets having a long production cycle includes only indebtedness costs relating to the production period.
The indebtedness costs that are included in the production cost of assets having a long production cycle are the following:

- total interest expense;
- financial expense relevant to financial leasing contracts;
- exchange rate differentials relevant to foreign currency loans, as far as these are construed as an adjustment of the interest expense.

Accounting policies (continued)

The cost capitalization starts when:

- expenses for such asset are borne;
- indebtedness costs are borne, and
- the necessary activities for preparing the asset in view of using it as pre-established or selling it are on-going.

The indebtedness cost capitalization is interrupted during extended periods when no work is being conducted to achieve that asset.

The indebtedness cost capitalization is ceased when most of the necessary activities for preparing the asset that has a long production cycle in view of using it as pre-established or selling it are conducted, even if some of the administrative works may still continue.

The indebtedness costs borne during periods when capitalization is interrupted or after their capitalization ceases, are recognized in the financial expenditure entries.

Pensions and other post-retirement benefits

During the normal course of business, the Group makes payments to the public health fund, pensions fund, and unemployment fund on behalf of its employees, at the statutory rates. All the Group's employees are members of the pension scheme of the Romanian state. These costs are recognized in the profit and loss account at the same time wages are recognized.
According to the collective employment contract, the Group rewards the employees at their retirement age by giving them financial bonuses depending on their seniority in the company. The Group does not independently manage a private pension scheme.

Other long-term benefits

Other employee benefits expected to be settled entirely within 12 months after the end of the reporting period are presented as short-term liabilities.

Other employee benefits that are not extinguished within 12 months as of the end of the reporting period are presented as long-term liabilities and are calculated using discount rates. This is the case of employee benefits upon retirement. For more details, please refer to Note 19 – Employee Benefits.

Leasing contracts

The leasing contracts for tangible fixed assets whereby the Group undertakes all the risks and benefits relevant to the property are classified as financial leasing contracts.

The financial lease is the leasing operation which transfers the largest part of the risks and rewards corresponding to the ownership right to the asset and which complies with at least one of the following conditions:

a) the ownership right over the good is transferred to the lessee until the end of the period of the leasing contract;
b) the Group has the option to purchase the good at a price sufficiently low compared to the fair value when the option becomes exercisable, so that at the beginning of the lease contract there is reasonably the certainty that the option shall be applied;

Accounting policies *(continued)*

c) the duration of the leasing contract covers most of the useful life of the good, even if the title deed is not transferred;
d) at the beginning of the leasing contract, the updated value of the minimum lease payments is higher or equal to the original cost of the good in leasing system;
e) the goods representing the object of the leasing contract have a special nature, so that only the lessee may use them without major changes.

Financial leasing costs are capitalized at the estimated discounted value of payments. Each payment is divided between the principal component and the interest component in order to obtain a constant interest rate during the reimbursement period. The payable amounts are included in the short-term or long-term liabilities. The interest component is included in the profit and loss account during the contract period. Assets held based on financial leasing contracts are capitalized and amortized during their useful life.

The leasing contracts where a significant part of the risks and benefits associated to the property is withheld by the lessor are classified as operational leasing contracts. The payments made based on such a contract (net of any facilities granted by the lessor) are recognized in the profit and loss account on a linear basis during the contract period.

Intangible assets

a) Purchased intangible assets

Intangible assets include computer software created by entities or purchased from third parties for internal needs, such as recipes, formulas, patterns, projects and prototypes.

An intangible asset is recognized only if:

- the future economic benefits estimated to be attributable to the asset are obtained by the Group; and
- the cost of the asset may be credibly evaluated.

If an intangible asset is purchased separately, its cost may be evaluated with loyalty and is composed by:

- purchase price, import duties and other non-recoverable taxes, transport expenses, commissions, notary fees, permit related expenses and other expenses that may be directly attributable to the acquisition of those assets.
- Commercial discounts approved by the supplier and registered on the purchase invoice are deducted from the purchase price.

Other intangible assets can be subject to straight-line amortization for a period of 3 years.
Expenses allowing intangible fixed assets to generate future economic benefits beyond the originally foreseen performance are added up to their original cost.

b) Internally generated fixed assets (development costs)

Development is the application of the research discoveries or other knowledge in a plan or project focusing on the production of materials, devices, products, processes, systems or services, new or substantially improved, before the initiation of the commercial production or use.

Accounting policies (continued)

An asset generated by development is recognized if and only if all the following elements can be proved:

- technical feasibility for accomplishing the intangible fixed asset, so that it is available for use or sale;
- the company's intent of accomplishing the intangible fixed asset and of using or selling it;
- the capacity of using or selling the intangible fixed asset;
- the way the intangible fixed asset generates probable future economic benefits, the existence of a market for the production generated by the intangible fixed asset or for the intangible fixed asset as such;
- the availability of technical, financial or other resources suitable for complementing the development and for using or selling the intangible fixed asset;
- the capacity to credibly assess the expenses attributable to the intangible fixed asset during its development period.

The development expenses are recognized at their production cost.

The tangible and intangible fixed assets production activity requires a separation of the process into a research stage and a development stage.

When a distinction between the research stage and the development stage of an internal project for creating an intangible fixed asset cannot be made, the expenses relevant to that project are considered as having to do with the research stage, and are recognized in the profit and loss account.

No fixed asset deriving from research or from the research stage of an internal project is recognized. Research expenses are recognized as expenditure in the profit and loss account as soon as they are generated.

Research is the original and planned investigation conducted in view gaining new knowledge or scientific or technical meanings.

The production cost of the fixed assets originating from the development stage includes:

- direct expenses relevant to production, such as direct materials, power consumed for technological purposes, costs representing employee wages, legal contributions, testing costs regarding the correct operation of the asset, professional fees and charges paid in connection with the asset, the cost for obtaining the necessary authorizations;

Development expenses that are recognized as intangible fixed assets are amortized for the period during which the Group expects to obtain benefits following the developed products.

c) Concessions, patents, licenses, trade marks, rights and similar assets

Concessions, patents, licenses, trade marks, rights and similar assets representing contribution, purchased or acquired by other means, are recognized in the intangible assets account at their purchase cost or their contribution value, where appropriate.

When the concession agreement does not provide an amortizable value of the concession, but only the payment of some monthly royalties, the concession can not be recognized as an asset.

Accounting policies (continued)

When the concession agreement provides a duration and a total value of the concession, this is recognized as an intangible asset in the balance.

The depreciation of the concession is to be recognized during its period of use, established according to the contract.

The patents, licenses, trade marks, rights and other similar assets are depreciated during the period established for their use.

d) Goodwill

The internally generate goodwill is not recognized as an intangible asset.
Goodwill can be recognized as intangible asset only in the case of transferring all the assets or a part of them, and of debts and equity, as appropriate.

Goodwill may result from purchasing a business or as a consequence of some fusion operations.

For the recognition of the assets and debts received during this transfer, the Group must proceed to the evaluation of the fair value of the received elements, with the purpose of determining their individual value.
The goodwill resulting from a business acquisition represents the difference between the paid value and the fair value of the acquired net assets.

Tangible assets

a) Stripping costs, during the production stage of a surface mine.

The group Cemacon SA conducts Clay exploitation activities by performing mining works in the open in the exploitation perimeter Recea Cemacon, Varsolt commune, Salaj county. The clay deposit has the shape of a gentle hill, covered by a layer of vegetal soil having an average thickness of 0.3 m. In some areas of the deposit, under the vegetal soil layer, there is sandy clay that is not subject to exploitation. The thickness of the sandy clay layers varies between 1m and 5m. For the exploitation activity to be conducted under optimal conditions, the exploitation perimeter must be prepared by removing the covering consisting of vegetal soil and sandy clay, which cover the deposit.

The clay exploitation in the quarry is conducted in exploitation steps.

This asset must be recognized only if the following conditions are met:

1. It is likely that the future economic benefit relevant to the stripping activity devolves on the entity;
2. The Group can identify the component of the lode to which the access has been improved;
3. The costs relevant to the stripping activity regarding that component can be reliably evaluated**;**

The asset relevant to the stripping activity will be booked as an additional item or as an improvement of an existing asset.

The initial evaluation of the asset is made at the cost value, which is an accumulation of the costs directly borne for conducting the stripping activity through which the access to the identified ore component is improved, plus an allocation of the directly attributable management expenses.

b) The asset relevant to the stripping activity must be systematically depreciated or amortized, in accordance with the accounting policies regarding the amortization.

Purchased Tangible Assets

The assets complying with the following recognition conditions are recognized in the category of fixed assets:

- they are assets generating future economic benefits;
- the cost of the element may be reliably evaluated

The acquisition cost includes:

1) the purchase cost, import duties and other non-recoverable taxes, transport expenses, handling, commissions, notary fees, permit related expenses and other expenses that may be directly attributable to the acquisition of those assets.
2) Commercial discounts approved by the supplier and registered on the purchase invoice are deducted from the purchase price of the assets.
3) Transport expenses are also included in the acquisition cost when the provision function is outsourced end when is carried out by own means.
4) any costs directly attributable to adjusting the asset in order to function according to the company's rules.

c) Internally generated tangible assets

The production of the assets includes:

- costs representing the employee benefits, resulting directly from the building or purchasing the tangible assets element;
- costs resulting from the development of the location;
- initial delivery and handling costs;
- installation and assembly costs;
- testing costs regarding the correct operation of the asset, after deducting the net charges resulting from the sale of the elements produced during the transportation of the asset to the locations and during the adjustment of the asset for operation (for example the samples produced upon testing the equipment) and
- professional fees.

Indebtedness cost

Indebtedness costs that are directly attributable to the purchase, construction or production of an asset having long production cycle are included in the cost of that asset, just like it was presented in the present accounting policies.

The costs subsequent to tangible assets are recognized:

- as expenses at the moment of their occurrence, if they are considered repairs or their purpose is to guarantee the continuous use if the asset, keeping the initial technical parameters; or
- as a component of the asset, as subsequent expenses, if the conditions of being considered investments are complied with.

Accounting policies (continued)

Conditions for the recognition as investments in fixed assets:

- they are assets generating future economic benefits;
- the element cost may be reliably evaluated.

The purchased fixed assets are initially recognized at their acquisition or production cost depending on the modality of being registered in the patrimony. Later, they are recognized depending on the type of asset, at the following values:

- Lands are evaluated at their reevaluated value
- Buildings are evaluated at their reevaluated value
- Equipment is evaluated at its historical cost.

If a completely amortized tangible asset can still be used, upon doing its reevaluation a new value and a new economic useful life are established, relevant to the period during which it is estimated to continue being used.
In order to reflect the expected consumption rhythm of the future economic benefits of the assets, the company uses different amortization methods. The amortization methods applied to the assets are annually revised to see if there are significant changes compared to the initial estimates.

a) Straight-line amortization:

The amortization is calculated based on the entry value, using the straight-line method along the estimated useful life of assets, as follows:

Asset	**years**
Constructions	5 - 60
Technical plants and machinery	2 - 29
Other plants, equipment and furniture	2–24
Means of transport	3-25

The amortization is calculated starting with the month following their start-up, until the full recovery of their entry value.

Lands are not amortized because they are considered to have an indefinite useful life.

b) Amortization calculated per product unit

Regarding the equipment within the production factory at Recea, the Group’s management has decided that its amortization be calculated per product unit.

The amortization method calculated per product unit is applied because the nature of the tangible fixed asset justifies the application of such an amortization method, the useful life of fixed assets is expressed using the number of units produced expected to be obtained by the enterprise by using that asset.
According to this method, the amortization rate is determined by dividing the monthly/annual production to the total number of products.

Accounting policies (continued)

Since this type of amortization is difference from the fiscal (straight-line) depreciation, the company calculates and books a deferred tax relevant to the difference between the fiscal depreciation and the amortization per product unit.

Amortization is ceased for assets classified for sale.

Tangible fixed assets that are quashed or sold are eliminated from the balance sheet together with the relevant accumulated amortization. Any profit or loss resulting as a difference between the revenues generated by the quashing and its unamortized value, including the expenses caused by such an operation, is included in the profit and loss account under “Net value”, as gains from sale of assets.

When the Group recognizes the cost of a partial replacement (replacement of a part) in the book value of a tangible fixed asset, the book value of the replaced part, with its relevant amortization, is quashed.
When selling or quashing reevaluated assets, the amounts included in the reevaluation reserves are transferred to reevaluation surplus.

Depreciation of assets

Tangible and intangible fixed assets are tested for depreciation when facts and circumstances indicate that the book value may not be recoverable.

An impairment loss is recognized as the sum by which the book value of the asset exceeds the recoverable sum. The recoverable sum is the largest of the fair value of the asset less the sale costs and the utility value.

To evaluate the depreciation, assets are grouped down to the lowest level where separately identifiable cash flows exist.

Revaluation of assets

For assets whose value after recognition is reevaluated, the Group carries out sufficiently regular revaluations in order to guarantee that the book value is not significantly different from that determined by using the fair value at the end of the reporting period.
If an asset element is reevaluated, then the entire tangible assets class corresponding to that element must be reevaluated.

Upon the revaluation of a tangible asset, the book value of that asset is adjusted at the reevaluated value. On the revaluation date, the amortization accumulated is eliminated from the gross book value of the asset and the net value recalculated at the reevaluated value of the asset. For example, this method is used for the buildings reevaluated at their market value.

Revaluation differences are recognized according to the applicable standards (IAS 16 “Tangible assets” paragraphs 39, 40)

Accounting policies (continued)

Fixed assets held for sale

Fixed assets are classified as held for sale the moment they:

- are available for immediate sale
- the Group's management has committed a sale plan
- there are only slight chances that the sale plan suffer major changes or be withdrawn
- an active program for finding purchasers is started
- the asset group is traded at a reasonable price in comparison to the fair value
- the sale is expected to be concluded within 12 months as of classifying the assets as held for sale.

Assets held for sale are evaluated at the lowest of the book value and the fair value.
Assets held for sale are not amortized.

Dividends

Dividends are recognized when they can be duly paid:

- In the case of interim dividends, payable to the existing shareholders, the recognition is effective when they are declared by the Directors.
- In the case of final dividends, their recognition is effective when they are approved at a General Meeting of Shareholders

Deferred tax

The assets and liabilities regarding the deferred tax are recognized if the book value of an asset or liability in the statement of financial position differs from its taxation base, except for differences appearing on:

- the initial recognition of the goodwill
- the initial recognition of an asset or liability in a transaction that is not a combination of enterprises and at the transaction time does not affect the bookkeeping or the taxable profit, and
- investments in subsidiaries and jointly-controlled entities, if the group is capable of controlling the time of taking charge of the difference, and if it is likely that the difference does not reverse in the near future.

The recognition of receivables regarding the deferred tax is limited to cases where it is likely that the taxable profit is available as compared to the difference that can be used.

As regards the assets having to do with the deferred tax deriving from real estate investments evaluated at their fair value, it will be presumed that the recovery is achieved rather by sale than by utilization.

The value of the asset or of the liability is determined using the taxation rates already adopted or largely adopted until the reporting date and are expected to apply is the deferred tax liabilities / (assets) are discounted / (recovered).

Assets and liabilities regarding the deferred tax are compensated when the company has the legal right to compensate the current fiscal assets and liabilities and the deferred tax assets and liabilities when they refer to the taxes collected by the same fiscal authority from the Group.

Accounting policies (continued)

Inventories

Inventories are current assets:

- held in order to be sold along the normal development of the activity;
- in process of production, in order to be sold in the normal development of the activity; or
- as raw materials, materials and other consumables to be used in the production process or for providing services.

Inventories are originally recognized based on their cost value and later based on the lowest of the cost value and the net realizable value. The cost is composed of all the purchase costs, the conversion cost and other costs borne in order to bring the inventories to the current location, in their current condition.

In the case of end products, the production cost includes the acquisition cost of raw materials and consumables and the production expenses directly attributable to the asset.
The cost is determined based on the “First-in, First-out” (FIFO) method.

Where necessary, adjustments are made for stocks, physically and morally outdated. The net realizable value is estimated based on the sale price netted against the sale expenses.

If the book value of inventories is larger than the book value (net realizable value), the value of the inventories is reduced down to the net realizable value by making an impairment adjustment.

Assets in the form of inventories are evaluated based on the book value, less the acknowledged impairment adjustments.

Due to the nature and specificity of the activity, for certain categories of inventories such as raw materials, spare parts, auxiliary materials, and end products, the inventories are analysed on the balance sheet date and an adjustment is made for products that are deteriorated or morally outdated.

Subsidies

Subsidies received in view of purchasing assets such as tangible fixed assets are booked as investment subsidies and are recognized in the balance sheet as deferred income. The deferred income is recognized in the profit and loss account as the amortization expenses are booked or upon quashing or assigning the assets purchased using such subsidy.

Provisions

The Group will record a provision in its accounting books only when:
(a) it has a current liability (legal or implied) generated by a previous event;
(b) it is likely (there are more chances for it to happen than not to happen) that a resource outflow affecting the economic benefits be required in order to extinguish the liability; and
(c) a relevant estimate of the liability value can be made

The sum booked as a provision is the best estimate of the payments required for extinguishing the current liability on the balance sheet date; in other words, the amount the Group would normally pay on the balance sheet date in order to extinguish the liability or transfer it to a third party, at that particular time.

Accounting policies (continued)

In the provision evaluation process, the Group will take into account the following:

a) risks and uncertainties are taken into account. However, uncertainties do not justify the creation of excessive provisions or the deliberate overvaluation of liabilities.

b) discount the provisions if the effect of the time-value of money is significant, using a discount rate(s), before taxation, reflecting the current evaluations on the market of the time-value of money, and the liability-specific risks that have not been reflected in the best estimate of expenses. If a discount is used, the provision increase due to the passage of time is booked as an interest expense;

c) future events are taken into account, such as legislation amendments or technological changes, if there is sufficient proof that they would occur; and

d) not take into account gains from the forecasted assignment of assets, even if such prospective assignments are tightly related to the forecast generating event.

Provisions will be reanalyzed on each balance sheet date and will be adjusted so as to reflect the best current estimate. If it is no longer likely that resource outflows – affecting the economic benefits – are required to extinguish the liability, the provision will be canceled.

The provisions will only be used for the purposes they were originally formed.

The Group will not recognize provisions for future losses from the exploitation activity.

The value recognized as provision will be the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The best estimate of the necessary costs for extinguishing the current liability is the sum the Group will reasonably pay in view of extinguishing the liability on the balance sheet date or to transfer it to a third party at that particular time. Often, it can be impossible or highly expensive to extinguish or transfer a liability on the balance sheet date. However, the estimate of the amount the Group will reasonably pay in view of extinguishing or transferring a liability is the expression of the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the Group's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date. However, the estimate of the sum that the Group will reasonably pay to extinguish or transfer a liability is the expression of the best estimate of the necessary costs for extinguishing the current liability on the balance sheet date.

The estimates of the financial results and effects are determined by the analysis methods of the enterprise's management, considering the experience gained in similar transactions and, in some cases, the reports drafted by independent experts. The elements taken into account include any proof provided by events occurring after the balance sheet date.

Doubtful elements regarding the sum to be recognized as a provision are treated in different ways, depending on the circumstances. If the provision to be evaluated involves a wide range of elements, the liability is estimated by weighing all the possible results with the probabilities to achieve each of them. This statistical method of evaluation is called "forecasted value". Therefore, the provision will differ depending on the probability (e.g. 60% or 90%) for a certain loss to be suffered. If there is a continuous range of possible results and if the probability for each of them to occur is equal, the middle point of the range will be used.

Accounting policies (continued)

If a single liability is evaluated, the most probable individual result may form the best estimate of the debt. However, even in such situation, the entity will also take into account other possible results. Where other possible results are either higher or lower than the most probable result, the best estimate would be a larger or smaller amount.

The provision is evaluated before tax since the effects of taxation on the provision and changes of the latter are contemplated by IAS 12 “Profit Tax”.

If a part of or all the expenses necessary to extinguish a provision are expected to be reimbursed by a third party, the reimbursement must be recognized only when it is certain that it will be received if the company extinguishes its liability. The reimbursement must be considered as a separate asset. The sum recognized for reimbursement must not exceed the amount of the provision.

In the profit and loss account, costs related to a provision will be presented at its value reduced by the amount recognized for reimbursement.

Provisions will be revised with each balance sheet and adjusted so as to reflect the best current estimate if a resource outflow incorporating the economic benefits is no longer probable; to extinguish a liability, the provision must be cancelled. If a discount is used, the book value of a provision increases during each period in order to reflect the passage of time. This increase is recognized as indebtedness cost.

Affiliated parties

An affiliated party is an individual or a company associated to the Group preparing and presenting the financial statements.

Affiliated persons:

A person or a close member of the family is associated to the reporting Group if:
- Is in control or associative control of the reporting Group
- Has significant influence on the reporting Group
- Is a member of the key management of the reporting Group or of the parent company

Affiliated entities:

A company is an affiliated party if one of the following conditions is applicable:

- the entity and the reporting company belong to the same group (which means that each parent company, subsidiary and other subsidiary companies reporting to the same parent company are affiliated parties to one another).
- the entity is a shareholder or a partnership of the entity
- both companies are affiliated or associated in partnership with the same third party
- the entity is a joint venture of a third party and the other entity is a shareholder of the same third party
- the entity is controlled or controlled in a partnership by an affiliated person, as defined under affiliated persons.
- the affiliated party having control or associative control of the reporting entity has significant influence on the entity (which is considered to be an affiliated party) or is a member of the key management of the entity.

Accounting policies (continued)

Transactions with the affiliated parties are defined as a transfer of resources, services or liabilities between the reporting entity and the affiliated party, regardless of whether a price is paid.

All the transactions with the affiliated parties are made based on the transfer pricing principles.

Events after the reporting date

The events after the balance sheet date are those events, both favourable and unfavourable, occurring between the balance sheet date and the date until the financial statements are authorized for lodging. Two types of events can be identified:

a) Those proving the conditions existing on the balance sheet date (events determining an adjustment of the financial statements), and

b) Those providing indications about conditions having occurred after the balance sheet date (events that do not determine an adjustment of the financial statements).

The financial statements of the Group Cemacon SA are subject to approval by its shareholders after being issued, the approval date of the financial statements issue is the financial statements issue date, not the date when these were approved by the shareholders.

The events after the balance sheet date include all the events occurring until the date until the financial statements are authorized for lodging, even if such events occur after publishing an announcement on the profit or other financial information selected.

The Group will adjust the recognized values in its financial statements in order to reflect the events determining an adjustment of the financial statements.

The Group will not adjust the recognized values in its financial statements in order to reflect the events not determining an adjustment of the financial statements.
If the dividends of the holders of equity instruments (as defined in IAS 32, Financial instruments: presentation and description) are proposed or declared after the balance sheet date, the entity does not have to recognize such dividends as debt on the balance sheet date.

According to IAS 1 “Presentation of financial statements”, the Group must present the value of dividends proposed or declared after the balance sheet date, but before authorizing the financial statement for lodging.
The Group may make these presentations of information either:

a) in the balance sheet, as a separate component of the equity, or
b) in the notes to the financial statements.

The Group will not draft the financial statements based on the business continuity principle if the management bodies determine after the balance sheet date either that they intend to wind-up the Group or cease its trading activity, or that they have no other realistic variant besides these.

A deterioration of the operating results and of the financial position following the balance sheet date indicates the need to consider whether the business continuity principle is still suitable. If the business continuity principle is no longer suitable, the effect is so persistent that this IAS 10 Standard “Events after the reporting period” requires a fundamental change of the accounting basis rather than an adjustment of the values recognized on the initial accounting basis.

Accounting policies (continued)

The Group must present the date when the financial statements were authorized for lodging, as well as who gave such authorization. If the Group's owners or others have the power to amend the financial statements after their issue, the Group will state this fact.

The Group will publish the moment the financial statements were authorized for lodging because users must know that financial statements do not reflect events subsequent to that date.
If the Group receives, after the balance sheet date, information on the conditions having existed on the balance sheet date, the entity must update the information presented with regard to such conditions, in the light of the new information.
In some cases, the Group needs to update the information presented in its financial statements in order to reflect the information received after the balance sheet date, even if such information does not affect the values the Group recognizes in its financial statements.

Share-based payment

The Group will apply the provisions of IFRS 2 "Share-based payment" to distribute to accounts the following share-based payment transactions, including:

4. Equity-settled share-based payment transactions, in which the Group receives goods or services as a counterperformance for the equity instruments of the entity (shares or stock options),
5. Cash-settled share-based payment transactions, in which the Group purchases by debts towards the supplier of the goods or services for the amounts based on the price (or value) of the entity's shares or other equity instruments of the Group, and
6. Transactions where the Group receives or purchases goods or services and the contractual terms confer the Group or the provider of goods/supplier of services the possibility to settle the transaction in cash (or other assets) or by issuing equity instruments.

EUA Certificates

Pursuant to the environment regulations in force, the Group receives certification of greenhouse gas emissions (EUA Emission Unit Allowance), according to the program developed during the years 2013 – 2020.

In order to recognize these certificates, the Group has developed an accounting policy based on the treatment described in OMFP 1802, section 4.5.4. Green certificates in accounting, as follows:

The certificates to be received are to be booked based on a Receivable (461 = 758), similar to the note suggested by OMFP. The evaluation is carried out depending on the quantity to be received and the transaction price upon the recognition of receivable, on the exchange rates announced by the National Bank of Romania NBR for the transaction date.

The reception of certificates is completed by the extinguishing the receivable and its recognition in the 508 account (Other short term investments and similar receivables). The evaluation is carried out based on the quantity to be received and the transaction price upon the recognition of receivable, on the exchange rates announced by the National Bank of Romania BNR for the transaction date.

Accounting policies (continued)

The price difference between the estimate on the date of entering the receivable and the reception date shall be recognized as expense /income.

At the end of the financial year, the green certificates registered in the 508 account (Other short term investments and similar receivables) are evaluated at the transaction price from the last day of the financial year, based on the exchange rate of NBR communicated for the end of the financial year.
The compliance with the EUA certificates is carried out the next year for the previous year, that is why the company books in the current year an operating cost corresponding to a debt (658=462). The evaluation shall be carried out depending on the refunded amount, at the transaction price of the last day of the financial year, evaluated on the exchange rate of NBR communicated for the end of the financial year.

The return of the certificates is carried out the year after the extinguishing of debt and deducts the certificates from the balance. The evaluation shall be carried out depending on the refunded amount and the transaction price at the return date, evaluated on the exchange rate of NBR communicated for the return date.

The price difference between the estimate on the date of debt entering and on the date of its return shall be recognized as expense/income.

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* The accounting policies presented in the explanatory notes to the financial statements are not exhaustive. They present the main elements according to which the company develops its financial activity and they are drafted according to IFRS (International Financial reporting Standards). Their interpretation shall be carried out according to the present standards. In case of omissions or different interpretations compared to the above mentioned regulations the dispositions presented in the International Financial reporting Standards (IFRS) shall apply.

2. Accounting Estimates

The Group carries out some estimates and assumptions relative to the future. The estimates and judgments are continuously evaluates based on the historical experience and on other factors, including expectations regarding the future events considered to be reasonable under the given circumstances. In the future, the actual experience may differ from these estimates and assumptions. The estimates and assumptions with a significant risk to cause an important adjustment of the accounting values of the assets and liabilities in the next financial exercise are presented below.

Estimates and Assumptions

IFRS 13 Fair value Measurement

A number of assets and liabilities in the financial statements of the Group require a fair value measurement and / or presentation.

IFRS 13 defines fair value as the price that would be charged by selling an asset or paid by transferring a liability in a transaction regulated between market participants at the assessment date (i.e. an exit price). The definition of fair value emphasizes that fair value is a market-based assessment, not a Group-specific value.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements except for the following cases:

a) Share-based payment transactions covered by IFRS 2
b) Lease transactions that fall under IAS 17
c) Assessments which are similar to fair value, without being fair value, such as net realizable value which falls under IAS 2.
d) Assets in the charts of accounts measured at fair value in accordance with IAS 19.
e) Investment in pension schemes assessed at fair value in accordance with IAS 26.
f) Assets the recoverable amount of which is fair value less costs related to transfer in accordance with IAS 36.

The Fair Value Hierarchy – in order to improve the consistency and comparability of fair value measurements and related disclosures, this hierarchy is classified in 3 levels:

- Level 1 Input Data - quoted prices unadjusted in active markets for identical assets and liabilities, to which the company has access to the assessment data.
- Level 2 Input Data – input data different from quotation prices included in Level 1 that are observable directly or indirectly for the asset or liability.
- Level 3 Input Data – unobservable input data for the asset or liability.

Litigation

The Group analyses existing disputes subsequent events existing at the reporting date to assess the need for provisions or disclosures in the financial statements.

Among the factors considered in making decisions on provisions are: the nature of the dispute, claim or assessment, the proceedings and potential level of damages in the jurisdiction in which the dispute was brought, the progress of

Accounting Estimates (continued)

the case (including the progress as of the date of the financial statements, and before those statements are issued), the views and opinions of legal advisors, experience in similar cases and any decision of the Group management on how to respond to the litigation.

Depreciation at product level

For the equipment in Recea production plant, the Group's management decided that depreciation should be calculated per unit of product.
The depreciation method calculated per unit of product is applied because the nature of the tangible fixed asst justifies such depreciation method, the useful life of the fixed assets is expresses by the number of the produced units expected to be obtained by the Group using the mentioned asset.

According to this method, the depreciation rate shall be determined dividing the monthly /annual production to the total number of products.

Corporate tax

The Group believes that its commitments to tax liabilities are adequate for all years open to review, based on the evaluation of many factors including past experience and interpretations of tax laws.

This assessment is based on estimates and assumptions and may involve a number of complex judgments about future events. To the extent that the final tax outcome of these transactions is different than the amounts recorded, such differences will impact the corporate tax expense in the period in which such determination is made.

Provision for pensions

Provisions for pensions: according to the collective labour agreement valid in 2016, the Group's employees will receive on retirement, according to the seniority in the company the following compensation only once:

< 5 years	0
5 – 20 years	1 individual salary on retirement date
> 20 years	2 individual salaries on retirement date

Provisions for unused leaves

Provisions for unused leaves: the Group registered provisions for leave-related expenses unused by the employees in 2016. The provisioned amounts were estimated based on the number of leave days related to 2016 which remained to be used by the Group’s employees and related leave indemnities. The Group estimates that the amounts related to such provisions shall be done in 2017.

Environmental reclamation provisions

Environmental reclamation provisions: due to the fact that the Group also carries out activities related to mineral resource exploitation (clay) under the operating permits and licenses, it is liable to make environmental reclamation

Accounting Estimates (continued)

expenses related to the exploited perimeters. The related expenses are estimated to be achieved by the end of the exploitation period, which is why the Group established provisions related to such expenses.

Other provisions

Within such categories, various provisions are included for which the Group is expected to achieve short-term cash outflows but with uncertain value. To estimate such amounts, the Group used the best estimates and knowledge on the generating facts on the 30th of September, 2017, which are updated in order to reflect the value in time of the money, for they are long term settled amounts.

Valori estimate	**30-Sep-17**
Litigation Provision	54,666
Untaken holiday provision	195,709
Pension provision	182,352
Enviroment recovery provision	484,364
Employees bonus provision	494,935
Management bonus provision	744,411
Administrators bonus provision	51,841
Other provisions	239,279
Payment based on shares	2,465,038
Deffered tax	1,241,071
Total valori estimate	**6,153,666**

All amounts in Lei, if not otherwise stated

3. Revenues

Sales revenues	30-Sep-17	30-Sep-16
Sales of finished products	68,685,041	68,534,902
Sales of goods	7,301,943	6,211,449
Sales of services	296,362	187,063
Trade discounts	-2,284,913	-2,650,004
Total	**73,998,432**	**72,283,410**

All amounts in Lei, if not otherwise stated

4. Other operational revenues

Other operating revenues are generated by activities that are not part of the overall scope of activity of the Group and are therefore presented separated from sales revenue.

Other operating income	30-Sep-17	30-Sep-16
Revenues from various activities	57,356	96,262
Revenues from indemnifications	33,579	104,492
Revenues from subsidy to asset values	56,731	56,731
Miscellaneous	458,285	570,249
Total	**605,951**	**827,734**

All amounts in Lei, if not otherwise stated

Other gains and losses	30-Sep-17	30-Sep-16
Revenue from the sale of assets	83,104	11,602
Expenses from the sale of assets	-80,970	-3,745
Cancellation of other provisions	4,018,753	2,438,039
Expenses from establishing provisions	-1,165,028	-1,289,836
Total gains /losses	**2,855,859**	**1,156,060**

All amounts in Lei, if not otherwise stated

Income corresponding to the reversal of provisions has numbered 4 mil lei (for more details, see Note 20 “Provisions”).

5. Operating expenses

Other operating expenses	30-Sep-17	30-Sep-16
Utilities	6,534,195	7,647,783
Repairs	893,022	1,107,805
Rent	228,457	349,825
Insurances	625,323	457,927
Fees	483,794	584,516
Publicity	1,379,867	938,642
Travel and transport	9,045,613	10,527,406
Post and telecommunications	106,032	111,992
Other services provided by third parties	3,703,551	2,755,220
Taxes to the state budget	1,156,662	1,243,368
Miscellaneous	1,044,054	760,955
Total	**25,200,570**	**26,485,439**

All amounts in Lei, if not otherwise stated

6. Personnel expenses

The Group has implemented since 2014 a complex employee performance management system. The performance management system is based on the Balanced Scorecard methodology and is 100% implemented at the individual level of each employee. The individual goals are determined by cascading at the department / subdepartment / person level of the annual goals of Cemacon.

Personnel expenses without key management	30-Sep-17	30-Sep-16
Salaries	5,702,538	5,291,030
Bonuses	2,345,437	2,223,894
Civil contracts	-	0
Tax and social insurance	1,891,304	1,738,394
Other benefits	475,401	300,289
Total	**10,414,680**	**9,553,607**
Outstanding salaries at the end of the period	**428,043**	**422,955**

All amounts in Lei, if not otherwise stated

Key Management

Key Management consists of those persons having the authority and responsibility to plan, direct and control the activities of the Group.

a) Allowances granted to members of administration, management and supervision boards.

All amounts in Lei, if not otherwise stated

Indemnities expense:	**30-Sep-17**	**30-Sep-16**
Administrators	458,854	212,946
Remuneration of managers	566,101	400,399
Bonuses of Managers	785,834	796,082
Share-based Payment	-	716,577
Tax and social insurance	406,069	333,806
Total	**2,216,858**	**2,459,810**

All amounts in Lei, if not otherwise stated

Outstanding salaries at the end of the period	**30-Sep-17**	**30-Sep-16**
Administrators	32,854	97,827
Managers	16,076	10,372
Total	**48,930**	**108,199**

All amounts in Lei, if not otherwise stated

During year 2017 the Group has had 2 directors: General Manager – Stoleru Liviu-Ionel, Financial Manager - Sologon Daniel.

The Group's managers are represented by:

The Group CEMACON SA has the following Board of Directors (starting from 28.04.2017):

1. Mr. Liviu Stoleru (President of Board of Directors);
2. Mrs. Anca Manitiu;
3. Mrs. Ana Bobirca;
4. Mrs. Dana-Rodica Beju;
5. Mr. Rudolf Paul Vizental.

*Note (history) : During the period 20.02.2017 – 27.04.2017 the composition of the Board of Directors of the Group CEMACON SA was the following:

1. ORION STRATEGY SOLUTION SRL – legally represented by Mr. Liviu Stoleru (President of the Board of Directors);
2. CONSULTANTA ANDREI&ANDREI – represented by Mrs. Anca Manitiu;
3. Mrs. Ana Bobirca;
4. Mr. Tiberiu Stratan;
5. Mr. Rudolf Paul Vizental.

*Note (history) : During the period 18.05.2016 – 08.02.2017 the composition of the Board of Directors of the Group CEMACON SA was the following :

1. ORION STRATEGY SOLUTION SRL – legally represented by Mr. Liviu Stoleru (President of the Board of Directors);
2. CONSULTANTA ANDREI&ANDREI – represented by Mrs. Anca Manitiu;
3. Mrs. Ana Bobirca;
4. Mr. Tiberiu Stratan;
5. RSL CAPITAL ADVISORS SRL – legally represented by Mr. Lefter Razvan.

b) Advances and loans granted to members of the administrative, management and supervisory boards:

During year 2017 were not granted any advances or loans to the members of the administrative, management and supervisory boards.

Employees

The structure and average number of employees is: 195

Număr mediu salariați	**30-Sep-17**	**30-Sep-16**
Personal administrativ	57	62
Personal în producţie	138	129
Total	**195**	**191**

7. Financial income and expenses

Financial income	**30-Sep-17**	**30-Sep-16**
Interest income	38,927	23,242
Exchange differences	330,102	741,138
Total	**369,029**	**764,380**

All amounts in Lei, if not otherwise stated

Financial expenses	**30-Sep-17**	**30-Sep-16**
Interest costs	1,608,846	2,106,324
Discounts Granted	1,164,986	1,438,823
Exchange differences	604,156	371,244
Other financial expenses	440,812	
Total	**3,818,800**	**3,916,390**

All amounts in Lei, if not otherwise stated

The structure of income and expenses from exchange differences corresponding to the period from January to September of 2017:

	Supplier Reevaluation	**Leasing Reevaluation**	**Cash Reevaluation**	**Loan Reevaluation**	**Total**
Cheltuieli privind diferentele de curs valutar	(14,307)	(52,760)	(34,146)	(502,942)	(604,155)
Veniturii privind diferentele de curs valutar	19,516	25,417	8,618	276,551	330,102
Total	**5,209**	**(27,343)**	**(25,528)**	**(226,391)**	**(274,053)**

All amounts in Lei, if not otherwise stated

8. Taxes

Current tax	30-Sep-17	30-Sep-16
Expenses with year profit tax	1,130,901	438,706
Adjustments for profit of previous years	-	-
Total current tax	**1,130,901**	**438,706**

Deferred corporate tax	30-Sep-17	30-Sep-16
Total deferred tax at the beginning of period	1,241,071	-
Reversed temporary differences	-	-
Recognition of deferred tax that was not previously recognized	-	-
Total deferred corporate tax	**1,241,071**	**-**
Total tax	**1,241,071**	**-**

During the ordinary course of business, transactions and calculations are made for which the determination of final is uncertain. As a result, the Group recognizes tax liabilities based on estimates regarding the certainty that additional taxes and interest will be due. These debts or liabilities are recognized, and despite the fact that the company believes that tax return is probable, the Group believes that certain positions are likely to be challenged and not be fully supported by a possible revision of tax authorities.The Group believes that its commitments to tax liabilities are adequate for all years open to review, based on the evaluation of many factors including past experience and interpretations of tax laws.

This assessment is based on estimates and assumptions and may involve a number of complex judgments about future events. To the extent that the final tax outcome of these transactions is different than the amounts recorded, such differences will impact the corporate tax expense in the period in which such determination is made.

9. Earnings per share

Castig pe Actiune	30-Sep-17	30-Sep-16
Numar de actiuni emise	113,990,218	113,990,218
Profitul/ (pierderea) total	13,368,058	6,337,576
Profitul/ (pierderea) total pe actiune	**0.1173**	**0.0556**

The basic earnings per share have been calculated dividing the profit to the weighted average of the outstanding ordinary shares issued during the period.For details relative to the number of shares, see ***Note 23 – "Issued Capital"***

10. Dividends

In 2017 the Group did not pay any dividends.

According to the credit contract no. RQ16086906837361 of 20th of December 2016, signed between Cemacon SA and Cec Bank SA, the dividends may be paid only with the bank's consent.

11. Tangible assets

Gross Value of Assets as at 30th of September 2017

Tangible assets	Initial balance	Acquisitions	Value Increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	5,734,626	-	59,489	-	-	3,349,153	-	5,794,115
Land improvements	437,209	-	34,358	-	-	-	-	471,567
Buildings	34,728,829	5,186	336,157	-	-	5,778,511	-	35,070,172
Machinery, Plant and Equipment	104,265,680	3,189,409	2,065,117	-	369,038	10,102,653	-	109,151,167
Furniture and office equipment	230,074	47,461	18,349	-	-	8,386	-	295,884
Fixed assets in progress	1,758,418	7,359,317	-	-	5,730,811	-	-	3,386,924
Total	**147,154,836**	**10,601,373**	**2,513,469**	**-**	**6,099,849**	**19,238,703**	**-**	**154,169,829**

All amounts in Lei, if not otherwise stated

Gross Value of Assets as at 31st of December 2016

Tangible assets	Initial balance	Acquisitions	Value Increase	Revaluation increase	Disposals	Revaluation movements (held for sale)	Revaluation decreases	Final balance
Land	5,136,018	598,608	-	-	-	3,349,153	-	5,734,626
Land improvements	388,922	-	48,287	-	-	-	-	437,209
Buildings	33,741,093	945,526	325,805		283,595	5,599,292	-	34,728,829
Machinery, Plant and Equipment	102,205,574	2,152,605	136,107		228,606	10,102,653	-	104,265,680
Furniture and office equipment	216,666	13,408	-	-	-	8,386	-	230,074
Fixed assets in progress	1,846,382	4,206,365	-	-	4,294,329	179,219	-	1,758,418
Total	**143,534,655**	**7,916,512**	**510,199**	**-**	**4,806,530**	**19,238,703**	**-**	**147,154,836**

All amounts in Lei, if not otherwise stated

Tangible assets (*Continued*)

Depreciation of Assets as at 30th of September 2017

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	224,483	22,232	-	-	-	-	246,715
Depreciation of buildings	1,516,334	1,150,673	-	-	-	-	2,667,007
Depreciation of machinery, plant, equipment	28,863,869	3,901,852	283,903	-	-	-	32,481,818
Depreciation of furniture and office equipment	85,241	20,400	4,165	-	-	-	101,476
Adjustments for impairment of land	68,124	-	-	-	-	-	68,124
Adjustments for impairment of machines, equipment and plant	-	-	-	-	-	-	-
Total	**30,758,051**	**5,095,157**	**288,068**	**-**	**-**	**-**	**35,565,141**

All amounts in Lei, if not otherwise stated

Depreciation of Assets as at 31st of December 2016

Depreciation	Initial balance	Depreciation and impairments during the year	Depreciation related to fixed assets transferred	Depreciation of fixed assets held for sale	Adjustments established during the year	Adjustments resumed on income	Final balance
Depreciation of land arrangements	183,909	40,574	-	-	-	-	224,483
Depreciation of buildings	-	1,546,589	30,255	-	-	-	1,516,334
Depreciation of machinery, plant, equipment	24,065,089	4,974,023	175,243	-	-	-	28,863,869
Depreciation of furniture and office equipment	61,529	23,712	-	-	-	-	85,241
Adjustments for impairment of land	68,124	-	-	-	-	-	68,124
Adjustments for impairment of machines, equipment and plant	4,653,447	-	-	-	-	4,653,447	-
Total	**29,032,098**	**6,584,898**	**205,498**	**-**	**-**	**4,653,447**	**30,758,051**

Tangible assets (*Continued*)

Net Value of Assets as at 30th of September 2017

Tangible assets	Gross Value	Reclassifications for sale	Depreciation	Adjustments	Net Value
Land	5,794,115	-	-	68,124	5,725,991
Land improvements	471,567	-	246,715	-	224,852
Buildings	35,070,172	-	2,667,007	-	32,403,164
Machinery, Plant and Equipment	109,151,167	-	32,481,818	-	76,669,349
Furniture and office equipment	295,884	-	101,476	-	194,409
Fixed assets in progress	3,386,924	-	-	-	3,386,924
Total	**154,169,829**	**-**	**35,497,016**	**68,124**	**118,604,688**

All amounts in Lei, if not otherwise stated

Net Value of Assets as at 31st of December 2016

Tangible assets	Gross Value	Reclassifications for sale	Depreciation	Adjustments	Net Value
Land	5,734,626	-	-	68,124	5,666,502
Land improvements	437,209	-	224,483	-	212,726
Buildings	34,728,829	-	1,516,334	-	33,212,495
Machinery, Plant and Equipment	104,265,680	-	28,863,869	-	75,401,811
Furniture and office equipment	230,074	-	85,241	-	144,833
Fixed assets in progress	1,758,418	-	-	-	1,758,418
Total	**147,154,836**	**-**	**30,689,927**	**68,124**	**116,396,783**

All amounts in Lei, if not otherwise stated

Tangible assets (*Continued*)

Asset relevant to the stripping activity

The Group conducts Clay exploitation activities by performing mining works in the open in the exploitation perimeter Recea Cemacon, Varsolt commune, Salaj county (Group's own quarry)

Following the activity conducted in the quarry, the following types of materials may result:

- Rubbish: vegetal soil and sandy clay – as a result of the stripping activity, unused in the production activity or capitalized in any other way.
- Useful substance: yellow clay and blue clay – as a result of the exploitation activity, used in the production activity.

The fixed asset will be called "***Stripping activity asset***", being included in the fixed assets register at Constructions.

The costs relevant to the stripping activity include:

a) costs of materials and services used or consumed for the stripping works;
b) costs of employee benefits, generated from the stripping asset.

Net value of the stripping asset as of 30th of September 2017

Assets September 2017	**Initial balance**	**Amortization and depreciation**	**Addition of value**	**Final balance**
Stripping	672,297	102,554	111,440	681,184
Total	**672,297**	**102,554**	**111,440**	**681,184**

All amounts in Lei, if not otherwise stated

In 2017, the Group did not recognize an ***Asset relevant to the stripping activity***.
This asset is booked under Constructions category. The stripping shall be depreciated using the straght-line depreciation method during a period of 12 years.

Revaluation of fixed assets

As a consequence of this analysis made by the independent appraiser, on the 31st of December 2016 there are no significant changes compared to the previous year (31st of Dec. 2015), when the assets held by the Group were reevaluated. The last revaluation was carried out on 31.12.2015 by the appraisal company SC CS INVEST CONSULTING SRL, independent appraiser.

The revaluation has been carried out for lands and buildings.

For the assets in Zalau classified for sale the evaluation has been prepared, and the recognition has been made at the lowest value between the revaluated value and the book value.

In order to determine fair value the following methods were used:

Locations	The valuation procedure
Recea (Factory)	The **land** was appraised by direct comparison technique (Level 2 property) and the **buildings** by the cost - net replacement cost approach, and the results were checked by the income approach (Level 3 property)
Panic plot of land (locality of Hereclean)	The **land** was appraised by direct comparison technique. (Level 2 property)
Beltiug (warehouse land)	The **land** was appraised by direct comparison technique (Level 2 property), and **buildings** by the cost - net replacement cost approach. (Level 3 property)

Revaluation differences were recorded either on account of capital in the revaluation reserve, either in the profit and loss account.

By applying these methods and related techniques, a set of values was obtained, which was interpreted by the appraiser and by their reconciliation was formed the appraiser’s opinion on the possible market value obtainable in the relevant area on the appraisal date.

Changes of the revaluation reserve during the financial year are presented below:

Movements of revaluation reserves	**2017**	**2016**
Revaluation reserve at the beginning of financial year	19,284,657	25,926,562
Increases from the revaluation reserve	-	-
Deductions from the revaluation reserve	-	-
Amounts transferred from the reserve during the financial year	-	6,101,905
Revaluation reserve at the end of the financial year	19,824,657	19,284,657

All amounts in Lei, if not otherwise stated

Impairment losses according to IAS 36, as reflected in the profit and loss account

Tangible assets are tested for impairment when facts and circumstances indicate that the carrying value may not be recoverable.
An impairment loss is recognized as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of the asset's fair value less sales costs and value in use. In order to appraise impairment, assets are grouped at the lowest level at which separately identifiable cash flows exist.

12. Intangible assets

Structure of intangible assets:

Gross Book Value as at 30th of September 2017

Intangible assets	Initial balance	Internal development	Acquisitions	Final balance
Development expenses	771,343	-	-	771,343
Concessions, patents, licenses	119,316	-	5,408	124,724
Other intangible assets	106,411	-	-	106,411
Total	**997,070**	**-**	**5,408**	**1,002,478**

All amounts in Lei, if not otherwise stated

Gross Book Value as at 31st of December 2016

Intangible assets	Initial balance	Internal development	Acquisitions	Final balance
Development expenses	771,343	0	0	771,343
Concessions, patents, licenses	96,413	0	22,903	119,316
Other intangible assets	106,411	0	0	106,411
Total	**974,167**	**0**	**22,903**	**997,070**

All amounts in Lei, if not otherwise stated

The structure of depreciation and value adjustments for intangible assets is as follows:

Depreciation and adjustments for assets 30 September 2017	Initial balance	Depreciation by year	Adjustments for depreciation	Final balance
Development expenses	481,886	69,235	-	551,121
Concessions, patents, licenses	87,658	13,914	-	101,572
Other intangible assets	93,320	9,057	-	102,377
Total	**662,864**	**92,206**	**-**	**755,070**

All amounts in Lei, if not otherwise stated

Depreciation and adjustments for assets 31 December 2016	Initial balance	Depreciation by year	Adjustments for depreciation	Final balance
Development expenses	389,573	92,313	-	481,886
Concessions, patents, licenses	70,943	16,715	-	87,658
Other intangible assets	76,053	17,267	-	93,320
Total	**536,569**	**126,294**	**-**	**662,864**

All amounts in Lei, if not otherwise stated

Net value of intangible assets:

Asset Type	2017 Stock value	2017 Net value	2016 Stock value	2016 Net value
Development expenses	771,343	220,222	771,343	289,457
Concessions, patents, licenses	124,724	23,152	119,316	31,659
Other intangible assets	106,411	4,034	106,411	13,091
Total	**1,002,478**	**247,409**	**997,070**	**334,207**

All amounts in Lei, if not otherwise stated

In 2017 the Group has not capitalized research and development costs.

The accounting treatment of depreciation of development costs extends over a period of 5 years.
The remaining intangible assets shall be depreciated linearly over a period of 3 years.
The depreciation cost is recorded in the profit and loss account of the period in which it is made, in the position of Amortization and impairment in the statement of comprehensive income.

13. Goodwill and Depreciation

The Group does not hold on 30th of September 2017 any intangible assets as goodwill.

Tangible and intangible assets are tested for depreciation when facts and circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the higher value of the asset's fair value less sales costs and value in use. To appraise impairment, assets are grouped at the lowest level at which separately identifiable cash flows exist.

14. Financial assets

Investments in shares	September 2017	December 16
Investments in associates	-	-
Investments in jointly controlled entities	-	-
Investments available for sale	1.278.223	1.278.223
Depreciation	(1.278.223)	(1.278.223)
Amounts payable for investments	-	-
Total	**200**	**200**

All amounts in Lei, if not otherwise stated

Long-term securities are valued at historical cost less possible adjustments for impairment. Classification of securities in financial assets or short-term investments is made depending on the intention of the Group of holding securities up to a year or more than a year.

Activities and the percentage of the share capital held by the Group in businesses representing securities held as financial assets are summarized below:

Name of company	Country of registration	Date of registration	Object of activity	Percentage held
Cercon Ariesul SA	Romania	2004	Production of construction materials	11,45%

On September 30, 2017, the Group had has granted guarantees for leased spaces and guarantees for environmental rehabilitation to the ANRM and security for the surrender of shares, in the total amount of 120,352 lei.

On September 30, 2017, the Group had no loans granted at SC Cercon Aries S. A. and it did not guarantee for any of the loans contracted by SC Cercon Aries S.A.

The net book value of the assets held for sale in Cemacon Real Estate SRL totalize RON 17,901,689 lei (euro 3,942,148, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31st of December 2016) representing 102% of the debt of Cemacon Real Estate SRL to Banca Comerciala Romana (Romanian Commercial Bank). Based on the sales procedures (purchase offers) developed in 2016 and on the real estate market information, the management of Cemacon S.A considers improbable an outflow of resources as the suretyship existent between Cemacon S.A and Cemacon Real Estate SRL, at the end of the period of 5 years related to the credit of Cemacon Real Estate SRL.

15. Inventory

Inventory	**30-Sep-17**	**31-Dec-16**
Raw materials and consumables	4,994,256	3,393,551
Packaging	2,036,209	2,045,412
Adjustments	(67,251)	(67,752)
Production in progress	53,695	72,549
Adjustments	-	-
Semi-products and finished products	2,139,393	4,726,541
Adjustments	(55,194)	(45,618)
Goods	736,792	884,486
Adjustments	(27,762)	(66,760)
Total	**9,810,138**	**10,942,408**

All amounts in Lei, if not otherwise stated

The cost of inventories recognized in the profit and loss account has the following structure:

Raw materials and consumables	**30-Sep-17**	**30-Sep-16**
Raw materials	3,647,093	3,503,311
Additional material	2,967,966	3,066,071
Packaging	1,826,502	1,955,598
Goods	5,632,735	5,381,726
Inventory items	87,734	122,900
Other supplies	11,309	15,153
Total	**14,173,339**	**14,044,759**

All amounts in Lei, if not otherwise stated

Adjustments for inventory

If necessary, adjustments shall be carried out for stocks, physically or morally used. The probable value of completion is estimated based on the sale price less the sale expenses.

16. Trade receivables and other receivables

Trade receivables and other receivables	**30-Sep-17**	**31-Dec-16**
Trade receivables	17,622,298	10,255,678
Adjustments for trade receivables	(1,627,813)	(1,654,046)
Intragroup receivables	-	-
Adjustments for intragroup receivables	-	-
Receivables to partners / shareholders	-	-
Employees	-	-
Corporate tax	-	-
Other debts against the State Budget	507,477	435,003
Subsidies	-	-
Sundry debtors and other receivables	11,369	(1,505)
Adjustments for other receivables	-	-
Interest receivable	-	-
Total financial assets other than cash, classified as loans and receivables	**16,513,331**	**9,035,130**
Advances	977,080	453,944
Total	**17,490,411**	**9,489,074**

All amounts in Lei, if not otherwise stated

The structure of receivables according to their age on September 30, 2017 is as follows:

Analysis of age		**30-Sep-17**	**31-Dec-16**
Receivables not yet		14,466,795	6,426,919
Unadjusted outstanding receivables:			
	Up to 3 months	2,103,855	2,759,088
	months 3 to 6	(26,574)	198,341
	months 6 to 12	875,296	38,940
	over 12 months	71,040	65,786
Total		**17,490,411**	**9,489,074**

All amounts in Lei, if not otherwise stated

Adjustments	**30-Sep-17**	**31-Dec-16**
At the beginning of the period	1,654,046	1,357,302
Established during the year	30,685	357,291
Cancellation of unused adjustments	(56,918)	(60,547)
Exchange differences	-	-
At the end of the period	**1,627,813**	**1,654,046**

All amounts in Lei, if not otherwise stated

Date	Element	not due	until 3 months	between 3 and 6 months
30-Sep-17	Trade and other receivables	14,516,324	2,103,855	(26,574)
30-Sep-17	Cash and cash equivalents	33,036,258	-	-
30-Sep-17	Trade and other liabilities	13,135,979	43,903	192,497
30-Sep-17	Loans	-	1,921,513	1,702,993

Date	Element	between 6 and 12 months	over 12 months	Total
30-Sep-17	Trade and other receivables	875,296	21,511	17,490,411
30-Sep-17	Cash and cash equivalents	-	-	33,036,258
30-Sep-17	Trade and other liabilities	86,673	33,884	13,492,936
30-Sep-17	Loans	3,805,986	62,080,248	69,510,740

All amounts in Lei, if not otherwise stated

The Group's policy on liquidity is to maintain sufficient liquid resources in order to comply with its obligations as they become due. The Group monitors the liquidity by a regular budget process.

17. Trade and other liabilities

Trade and other liabilities	**30-Sep-17**	**31-Dec-16**
Trade liabilities	7,994,034	7,246,038
Suppliers of fixed assets	566,891	1,165,448
Intra-group liabilities	-	-
Lease liabilities	21,170	19,575
Debt related to employees	497,141	575,876
Taxes and social contributions	549,362	501,782
Other tax liabilities	1,976,809	1,051,333
Other liabilities	318,851	835,666
Interest to pay	1,010,543	762,422
Total debt less loans classified as measured at amortized cost	**12,934,801**	**12,158,140**
Dividends	-	-
Advances	558,135	211,379
Revenue in advance		487,260
Total	**13,492,936**	**12,856,779**

All amounts in Lei, if not otherwise stated

18. Loans

The classification of short-term and long-term loans on the 30st of September 2017 is the following:

Current loans	30-Sep-17	31-Dec-16
Short-term loans and overdraft	-	-
Current long-term loans	5,351,317	4,055,150
Bonds	-	-
Loans from non-banking institutions	-	-
Financial lease	2,079,175	984,993
Loans from affiliates	-	-
Total current loans	**7,430,492**	**5,040,143**

Partea pe termen lung	30-Sep-17	31-Dec-16
Long term loans	60,712,469	64,497,747
Bonds	-	-
Financial lease	1,367,779	1,069,832
Loans from affiliates	-	-
Total long term loans	**62,080,248**	**65,567,579**
Total	**69,510,740**	**70,607,722**

All amounts in Lei, if not otherwise stated

On the 30st of September 2017 the Group Cemacon SA has are contracted two loans from Cec Bank, in lei, and one loan from BCR in euro, as follows:

3. Investment loan agreement Contract contracte don the 20.12.2016 in amount of 54,000,000 lei for a period of 54 months, maturity date 31.12.2023, with the purpose of refinancing the loan from Romanian Commercial Bank (Banca Comerciala Romana). The refinancing process was concluded until the end of the reporting period, so that the Company is discharged from the payment obligation to Romanian Commercial Bank. The cost of the new contracted loan is Robor 6M + Margin.
4. Credit facility agreement contracte don the 20.12.2016 with a cap amount of 4,000,000 lei for a period of 12 months, maturity date 20.12.2017. The destination of the Facility is the financing of the current activity. The cost of the loan is Robor 6M + Margin. On the 31st of Dec. 2016 Cemacon SA did not have amounts used from the contracted credit facility.
5. Long-term loan from the Romanian Commercial Bank, by credit agreement no. 3 of 19 March 2015, in amount of EURO 5,000,000, maturity date 31.12.2019, with annual margin interest + EURIBOR 6M

On the 30st of September 2017, following the loan restructuring, the loan structure is as follows:

	30-Sep-17		31-Dec-16	
Credit institution	**Lei**	**Currency-euro**	**Lei**	**Currency-euro**
Banca Comercială Română	16,994,619	3,695,205	16,780,297	3,695,205
CEC Bank	49,069,167	-	51,772,600	-
Interest	1,007,612	219,089	759,491	167,248
TOTAL	**67,071,398**	**3,914,294**	**69,312,388**	**3,862,453**

All amounts in Lei, if not otherwise stated

The bank guarantees consisting in non-current assets on the 30st of September, 2017 related to the contracted loans have the following structure:

Pledged and restricted tangible assets	30-Sep-17	31-Dec-16
Land	8,999,725	9,008,360
Land arrangements	224,852	388,922
Buildings	38,018,356	40,344,021
Machines, plants and equipment	71,964,346	101,672,783
Furniture and office appliance	202,793	8,386
Assets in progress	3,566,143	179,218
Total	122,976,215	151,601,690

All amounts in Lei, if not otherwise stated

Other bank securities related to loans:

Security interest in real property without dispossession of the credit balance of the accounts/ subaccounts opened by the Group at the Bank, in the Electronic Archive for Security Interests in Movable Property registered;

First Colateral security of the inventories of raw material, semi-finished goods, finished goods of CEMACON Group, having on 30 May 2016 the value of 11.898.485 lei

Assignments of all future and present debts and collections, coming from or related to the present and future commercial contracts of the company.

First lien mortgage over: banking accounts, amounts of money from accounts, insurances, debts, tangible assets, intellectual property rights.

19. Employee's benefits

For this type of indemnity, the Group established a provision with the value of benefits granted at retirement. For details, see note 20 Provisions.

Employee's benefits	Jun-17	Dec-16
Benefits upon retirement	182,352	182,352
Provision related to the annual leave	195,709	257,889
Employee Bonuses	494,935	1,184,332
Management bonuses	744,411	1,135,945
Total	**1,617,407**	**2,760,518**

Structure of Benefits	Jun-17	Dec.2016
Short-term	1,435,055	2,578,166
Long-term	182,352	182,352
Total	**1,617,407**	**2,760,518**

All amounts in Lei, if not otherwise stated

20. Provisions

The structure of provisions on the 30st of September 2017 is the following:

Provision	Initial balance	Used amounts	Reversal unused amounts	Increases regarding the discount of amounts	Final balance
Litigation	1,486,031	54,666	(1,486,031)	-	54,666
Untaken holidays	257,889	-	(62,180)	-	195,709
Pensions	182,352	-	-	-	182,352
Environmental reclamation provision	450,006	-	-	34,358	484,364
Bonus provision for employees	1,184,332	469,266	(1,158,663)	-	494,935
Bonus provision for management	1,135,945	572,056	(963,590)	-	744,411
Bonus provision for administrators	282,562	-	(230,721)	-	51,841
Other provisions	231,650	7,629	-	-	239,279
Total	**5,210,767**	**1,103,617**	**(3,901,185)**	**34,358**	**2,447,557**

All amounts in Lei, if not otherwise stated

Short and long-term presentation of provisions is as follows:

Structure of provisions	Short term	Long term
Litigation	54,666	-
Untaken holidays	195,709	-
Pensions	-	182,352
Environmental reclamation provision	-	484,364
Other provisions	1,530,467	-
Total	**1,780,842**	**666,716**

All amounts in Lei, if not otherwise stated

During the year 2017 the company reversed a series of provisions referring to the following elements:

- Provision for employee bonuses amounting 1.1 mil. Lei;
- Provision for management bonuses amounting 0.96 mil.lei;
- Provision for litigation related to Mrs Pop Ana amounting 0.075 mil.lei, as a settlement for the trial;
- Provision for Vizental Money Management amounting 1.4 mil.lei, as a settlement for the trial;

On 30st of September 2017 the company had provisions established for risks and expenses in amount of 2.44 mil lei. The main sums refer to:

1. Provision for employee and management bonuses in amount of 1.29 mil lei
2. Litigation with Szakacs Janos, through which the complainant request the amount of 54.666 RON – salaries expenses and trial expenses, following the trial opened for contestation of the decision of cancellation of the individual labour agreement.
3. Provision for untaken holidays in amount of 0.19 mil lei
4. Other provisions in amount of 0.9 mil lei.

List of Disputes on 30th of September 2017

Number of file	Plaintiff	Defendant	Object	Court	Stage	Value of dispute	Explanations
1223/102/2017	SZAKACS JANOS PRIN AV. BORTOS CRISTIAN	CEMACON	Work dispute	Mures Court	Fond	54.666	Dispute in claims related to the total amount related to salaries estimated for the period 17.03-31.12.2017 – caused by the decision made by the entity of cancellation of the individual labour agreement

21. Deferred tax

Deferred income tax	**Sep-17**	**Dec-16**
Total deferred tax at the beginning of the period	(1,241,071)	187,824
Temporary reversed differences		(1,613,012)
Acknowledgment of the deferred tax receivables which were not previously acknowledged		184,117
Total Deferred income tax	(1,241,071)	(1,241,071)
Total deferred tax	(1,241,071)	(1,241,071)

All amounts in Lei, if not otherwise stated

The deferred income tax is calculated over the temporary differences existent between the tax base of assets and debts and their book values from the financial statements.

For the equipment in Recea production factory, the Group calculates depreciation per product unit, case in which there is a difference between the calculated depreciation according to the fiscal model and the applicable one. For this difference, the Group calculates and registers the deferred income tax.

22. Assets classified as for sale

The assets representing lands, buildings and equipment from Zalau were reclassified for sale, starting from year 2015, considering the Group's intention to sell them.
Each each the Group's management analyzes the intention of selling the assets so that they can be treated as assets classified as for sale; in 2016 a land of 25315 sqare meters was sold to Dedeman SRL.
On 30 September 2017 the following groups of assets are classified as for sale:

Fixed assets	**Book value on 31 December 2016**	**Outflows**	**Inflows**	**Book value on 30 September 2017**
Fields	3,349,153	-	-	3,349,153
Buildings	5,599,292	-	179,219	5,778,511
Machinery, Plant, Equipment	10,102,653	-	-	10,102,653
Furniture and office equipment	8,386	-	-	8,386
Tangible assets in progress	179,219	179,219	-	-
Total	**19,238,703**	**179,219**	**179,219**	**19,238,703**

All amounts in Lei, if not otherwise stated

23. Issued Capital

On the 30st of June 2017 the structure of issued capital was as follows:

Structure of issued capital	30-Jun-17	31-Dec-16
Number of authorized shares	113,990,218 buc	113,990,218 buc
Number of subscribed and paid-up shares	113,990,218 buc	113,990,218 buc
Number of subscribed and unpaid-up shares	-	-
Nominal value of a share	0.10 lei	0.10 lei
Issued capital value	**11,399,022**	**11,399,022**

All shares of the company are common and have the same voting right.

The movements of the capital structure in 2017 are presented in the following table:

	30-Sep-17		31-Dec-16	
	Number	**Value**	**Number**	**Value**
Ordinary shares of RON 01 each	113,990,218	11,399,022	113,990,218	11,399,022
Reduction by entrainment of losses	-	-	-	-
Emissions during the year	-	-	-	-
Purchase of own shares	-	-	-	-
TOTAL	**113,990,218**	**11,399,022**	**113,990,218**	**11,399,022**

Shareholding structure of the 30th of June 2016:

Sareholder	No of Shares	Percent
Business Capital For Romania-Opportunity Fund Cooperatief loc. AMSTERDAM NLD	37,616,768	32.9999%
S.C. DEDEMAN S.R.L. loc. BACAU jud. BACAU	33,057,163	29.0000%
SC CONSULTANTA ANDREI&ANDREI SRL loc. ARAD jud. ARAD	17,039,927	14.9486%
alti actionari / others	13,821,411	12.1252%
S. CIT RESOURCES S.A. loc. BUCURESTI jud. SECTOR 2	12,454,949	10.9263%
TOTAL	**113,990,218**	**100.0000%**

Source: CENTRAL DEPOSITORY, Date: 6/30/2017

Shareholding structure of the 31st of December 2016:

Shareholder	Number of shares	Percent
BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COOPERATIEF U.A. loc. AMSTERDAM NLD	31.799.068	27.8963%
KJK CARAMIDA SRL, BUCHAREST, 1st district	31.799.065	27.8963%
SC CONSULTANTA ANDREI&ANDREI SRL, ARAD, ARAD county	17.586.728	15.4283%
S.S.I.F. BROKER S.A., CLUJ-NAPOCA, CLUJ county	16.657.252	14.6129%
Other shareholders / others	16.148.105	14.1662%
TOTAL	**113.990.218**	**100.0000%**

Source: CENTRAL DEPOSITORY, Date: 12/31/2016

24. Reserves

The following describe the nature and type of each reserve from own capitals:

Type of reserve	Description and purpose
Legal reserve	They are annually established from the company's profit in the quantities and limits provided by the law. In 2016, the limits are 5% applied on the accounting profit until it reaches 20% of the paid-up subscribed capital. At the end of 2016, the company's reserves reached 20% of the subscribed capital, which is why in 2016 there are reserves in amount of 517.189 lei and in 2017 amounting 165.922
Revaluation reserve	The revaluation reserves are established from the differences resulted from the revaluation of tangible and intangible assets. The presentation of the revaluation reserves shall be done according to each type of non-current asset and on each revaluation operation which took place. In 2016, the company did not make the revaluation and did not register reserves from revaluation.
Other reserves	There are other reserves not provided by the law which were optionally established on the net profit to cover the accounting losses or for other purposes, under the decision of the general meeting of shareholders, by complying with the legal provisions. In 2016, the company registered at other reserves the amount of 78.526, representing the profit for which the tax exemption for reinvested profit was applied.

Type of reserve	Initial balance	Increases	Reduction	Final balance
Legal reserves	2,113,883	165,922	-	2,279,804
Revaluation reserves	19,824,659	-	-	19,824,659
Other reserves	1,779,459	-	-	1,779,459
Total	**23,718,001**	**165,922**	**-**	**23,883,961**

All amounts in Lei, if not otherwise stated

25. Lease

On September 30, 2017 the Group concluded financial lease agreements with the following lease companies:

Lease company	Type of lease	Leased property
PORSCHE LEASING ROMANIA IFN	Financial lease	Vehicles
IMPULS LEASING	Financial lease	Machines, equipment
BT LEASING TRANSILVANIA IFN SA	Financial lease	Equipment
UNICREDIT LEASING CORPORATION IFN SA	Financial lease	Equipment and production line

The situation of debts regarding the financial lease on the 30th of September, 2017 is the following:

Leased assets	Initial balance	Increases	Reduction	Final balance
Vehicles	449,288	260,039	262,274	447,053
Equipment	1,544,112	2,090,999	696,635	2,938,476
Total	**1,993,400**	**2,351,038**	**958,909**	**3,385,529**

The due date of the lease payments during 2016-2017 is presented in the following table:

30 September 2017

Lease payment due date	Total value	Interest	Net value
less than 1 year	1,423,427	117,073	1,306,354
between 1-5 years	2,211,144	131,969	2,079,175
over 5 years	0	0	0
Total	**3,634,571**	**249,042**	**3,385,529**

All amounts in Lei, if not otherwise stated

31 December 2016

Lease payment due date	Total value	Interest	Net value
less than 1 year	985,330	61,763	923,567
between 1-5 years	1,099,644	29,811	1,069,833
over 5 years	0	0	0
Total	**2,084,974**	**91,574**	**1,993,400**

All amounts in Lei, if not otherwise stated

26. Transactions with affiliates

The company's affiliates in 2017 are:

- Consultanta Andrei&Andrei Srl with registered office in Bucharest, 1st district, 14 Jandarmeriei str., building A2, 3rd entrance, ap. 2; tax identification no. CIF: RO 17345454, Trade Register no J40/14670/2011; Director of Cemacon SA

- Orion Strategy Solution Srl with the registered office in Cluj County, Cluj-Napoca, 7 Artelor Str.; Tax identification number RO 26118990; Trade Register number J12/3026/2013; Chairman of Cemacon SA Board of Directors, Liviu-Ionel Stoleru, General Manager of Cemacon SA, is the Director of Orion Strategy Solution Srl and representative of this entity in the Board of Directors of Cemacon SA.

- Business Capital for Romania –Opportunity Fund Cooperatief U.A., Holland.

- RSL Capital Advisors Srl - Căpitan Gheorghe Mărășoiu str., Bucharest, CUI 33165056

- SC Dedeman SRL with registered office in Bacau, Bacau county, 8 Alexei Tolstoi str., CUI 2816464

Transactions with affiliates (*Continued*)

The transactions with affiliates are summarized in the following table:

	Sales		Acquisition of Services	
Affiliates	**1 Jan - 30 Sep 2017**	**1 Jan - 31 Dec 2016**	**1 Jan - 30 Sep 2017**	**1 Jan - 31 Dec 2016**
Consultanta Andrei&Andrei Srl	-	-	102,929	193,038
KJK Fund II SICAV-SIF	-	-	-	127,868
Orion Strategy Solution Srl	-	-	283,458	666,488
Dedeman SRL	2,722,339	-	95,427	-
RSL Capital Advisors SRL	-	-	20,544	74,021
Total	**2,722,339**	**-**	**502,359**	**1,061,415**

All amounts in Lei, if not otherwise stated

The balances with affiliates are summarized in the following table:

	Receivables from affiliates		Debts to affiliates	
Affiliates	**30-Sep-17**	**31-Dec-17**	**30-Sep-17**	**31-Dec-17**
Consultanta Andrei&Andrei Srl	-	-	-	-
KJK Fund II SICAV-SIF	-	-	-	-
Orion Strategy Solution Srl	-	-	-	-
Dedeman SRL	81,919	-	26,846	-
RSL Capital Advisors SRL	-	-	-	-
Total	**81,919**	**0**	**26,846**	**0**

All amounts in Lei, if not otherwise stated

27. Cash and cash equivalents

Cash and cash equivalents	**30-Sep-17**	**31- Dec -2016**
Cash at bank	32,999,530	29,953,057
Cash and cash equivalents	36,728	4,155
Total	**33,036,258**	**29,957,212**

All amounts in Lei, if not otherwise stated

On the 30th of September 2017 there are no financial instruments generating credit risk exposure.
The balances of the cash accounts denominated in currency on 30 of September 2017 are not significant.

28. Other financial assets

On the 30 of September, the Group had a number of 317 certificates of greenhouse gas emissions in amount of 8,405 entered at their market price. They are received on a free basis according to the regulations in force and to the plan of assigning the certificates of greenhouse gas emissions, for the period 2013-2020, or purchased by the Group, depending upon the number of certificates corresponding to the Group.

29. Adjustments of accounting errors

In 2017 the Group did not have adjustments of accounting errors corresponding to the previous years.

The bases of conversion used to express in national currency the assets and liabilities, income and expenses initially outlined in a foreign currency:

The way used to express the property items in national currency, income and expenses emphasized in a foreign currency is presented in Note 1. The main exchange rates used for RON conversion of balances expressed in foreign currency on the 30th of September, 2017, and the 31st of December, 2016, are:

Foreign currency	Abbreviation	Exchange rate	
		30- Sep - 17	**31- Dec-16**
US Dollar	USD	3.8977	4.3033
Euro	EUR	4.5991	4.5411

Fees paid to auditors

All paid fees refer to the audit services on the individual financial statements prepared by the Group under IFRS. The Group paid during the year concluded on the 31st of December, 2016, fees to auditors under the agreement concluded between the parties. The Company's audit is provided by SC Deloitte Audit SRL.
The Consolidated Financial Statements for the period closed in September 30, 2017 are not audited. The auditors report, the opinion and the audited financial statements will be prepared at the end of the year.

Amendments

The directors are not entitled to subsequently amend the financial statements.

The consolidated financial statements together with the notes to the financial statements are authorised in order to be published on the 8th of November 2017.
After they are published the consolidated financial statements can not be subject to any more amendments.

30. Contingents

Taxation

The Group deems that it paid on time and fully all taxes, fees, penalties and penalty interest, if applicable. All amounts due to the State for taxes and fees were paid or registered on the balance date. The Romanian tax system is undergoing consolidation and harmonization with the European legislation, there being different interpretations of the authorities in connection with the tax legislation, which may give rise to taxes, fees and additional penalties. If the state authorities discover violations of the Romanian legal provisions, they may be determined as applicable: confiscation of the concerned amounts, imposition of additional tax liabilities, imposition of fines, application of delay increases (applied to remaining actual payment amounts). Therefore, the tax sanctions resulted from violations of the legal provisions may lead to important amounts to be paid to the State. In Romania, the tax year is opened for verifications for a period of 5 years.

Transfer price

Under the relevant tax legislation, the tax assessment of a transaction with the affiliates is based on the market price concept related to that transaction. Under this concept, the transfer prices must be adjusted so as to reflect the market prices which would have been established between the entities between which there is no relation of affiliation and which act independently under "normal market conditions". It is likely that the transfer price verifications are carried out in the future by the tax authorities to determine whether these prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

General Manager | **Financial Manager**

Stoleru Liviu | Sologon Daniel

Signature ______________ | Signature ______________

Company's stamp

*The information included in the present document is provided according to the International Financial Reporting Standards (IFRS) and were audited according to the legal regulations in force. The Compania has made all the necessary efforts to guarantee that the information presented are complete, exact and without clerical errors. Both the Company and the management have used, where applicable, the professional reasoning in conjunction with the International Financial Reporting Standards, in order to present the information in a manner consistent with the specific character of the activity. The interpretation of the information presented in this document is to be carried out in accordance with mentioned standards. In case of omissions or interpretations different from the indicated regulations, the provisions included in the International Financial Reporting Standards shall be applied (IFRS).
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