

Cluj-Napoca
10 November 2014

CEMACON, 3rd quarter, also with net profit.

Report to the Bucharest Stock Exchange



CEMACON
EVO CERAMIC intelligent bricks

9-Month Performance

- ☑ **8% Net profit rate**
- ☑ **37% increase in gross turnover**
- ☑ **Operating profit on the rise by 57%**

Foreword by the General Manager

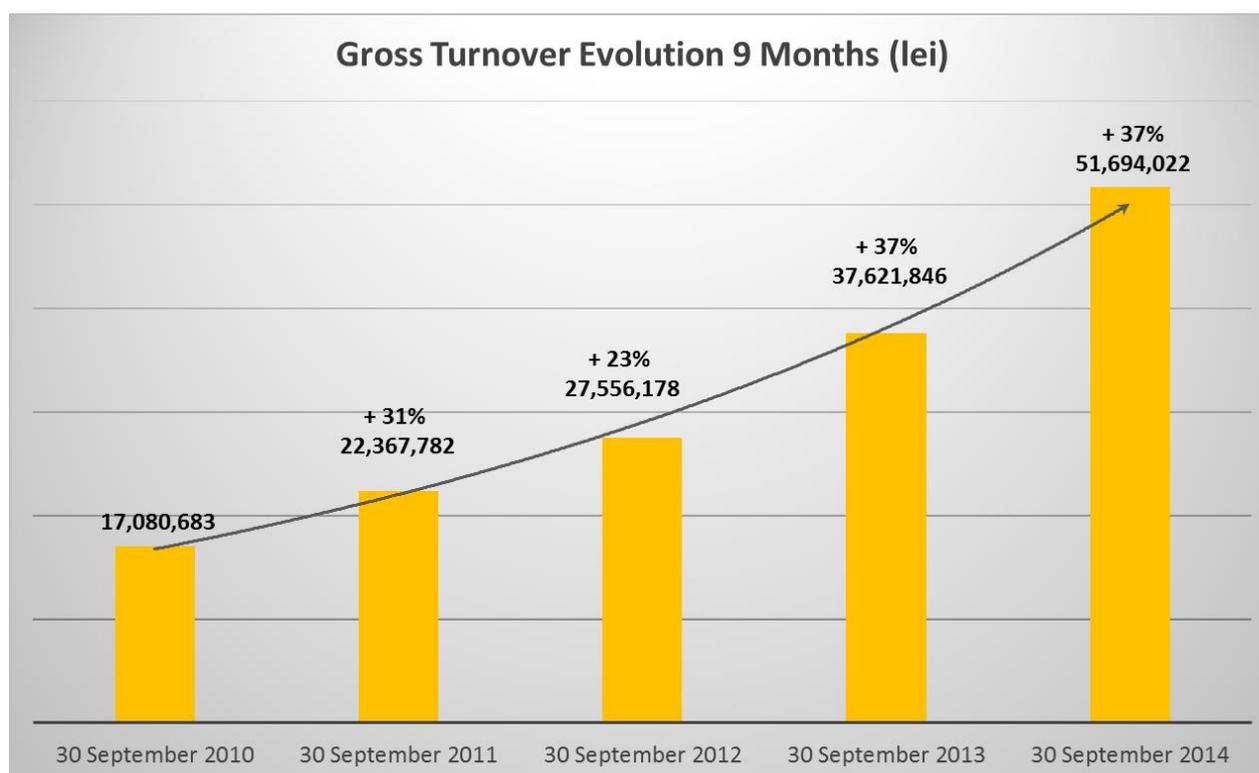
“The 9-month results confirm our goals. Cemacon maintains its net profit, after in the past 4 years it has recorded unprecedented operating increases in industry, despite the difficult market conditions. 8% Net profit rate is another performance that we achieved, which is a sign that our strategy to create value added through our product portfolio is yielding results.

The next step, which is a part of the short-term strategy to continue growth, will be to reopen the production line in Zalau, a decision which is probably hard to understand on a market where there is excess supply. The production capacity for EVOCERAMIC bricks will increase by 26%. Therefore, Cemacon becomes the second largest producer of ceramic blocks in Romania and the largest in the Transylvania region, our primary market.

We will continue to invest in research, and any additional volumes will be accompanied by the development and optimization of the products supplied to the market.

Continuing this operating performance will also have an impact on the structure of the company, and according to the agreement with the bank, next year the restructuring of the loan packages will be completed, with major balance sheet implications. The shareholding structure will include a new investment fund, which will make us stronger and prepared to implement the business growth strategy for the next 5 years.”

Key figures



As compared to the same period in 2013, the company's turnover has seen a 37% increase largely due to the selling of finished products. Therefore, Cemacon has also confirmed the upward trend in 2014.

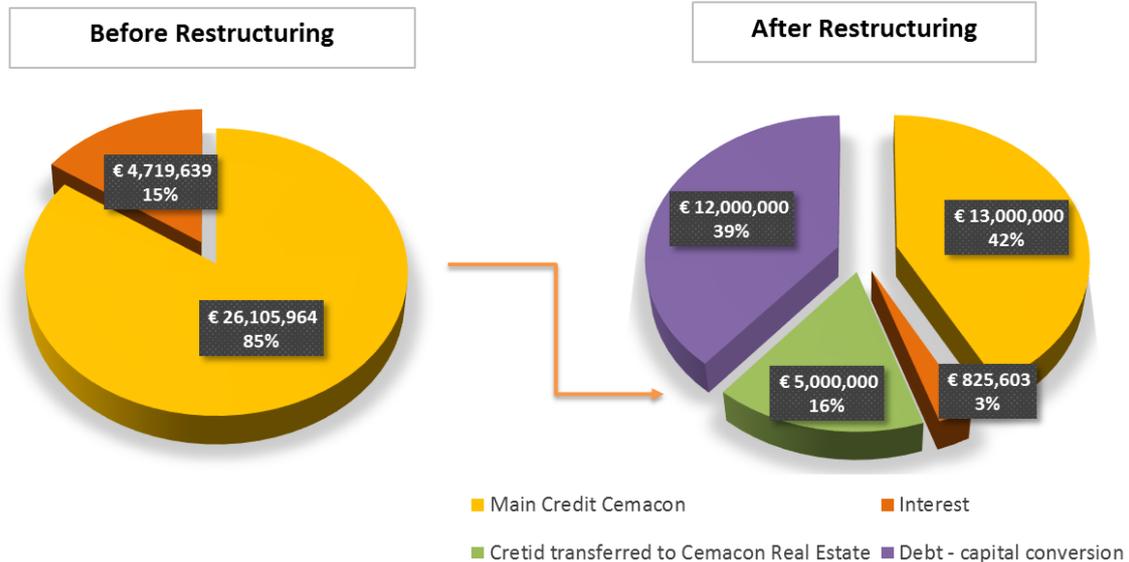
The new commercial strategy, which focuses both on the new portfolio of products EVO CERAMIC, with relevant benefits for end users and on motivating distributors to improve their margins in the brick trade, has made possible the effective use of the masonry market.

In 2014 Recea plant worked at full capacity, thus using the investments achieved in the first part of the year. The investments were aimed at increasing productivity, reducing costs and improving the quality of products, which has contributed to obtaining excellent results in 2014.

Profit and loss account - January -September 2014	Results 2014	Results 2013	Δ % 2014 vs 2013	Budgeted 2014	Δ % 2014 vs 2014e
Gross Turnover (lei)	51,694,022	37,621,846	37%	50,271,582	3%
Total operating income (lei)	48,505,706	35,319,063	37%	49,422,173	-2%
Total operating expenditure (lei)	(36,233,019)	(27,500,986)	32%	(41,608,179)	-13%
EBITDA (lei)	12,272,687	7,818,077	57%	7,813,994	57%
EBITDA %	25%	22%		16%	
Financial result (lei)	(4,457,002)	(7,045,385)	-37%	(6,719,713)	-34%
Net result (lei)	3,766,959	(2,823,900)	-233%	(3,054,541)	-223%

Stage of financial restructuring implementation

Implementation of the procedures agreed for loan restructuring has been carried on according to the schedule agreed with BCR in November 2013.



In the 3rd quarter, the operation to reduce the share capital from 26,287,248.6 lei to 525,796 lei was completed by reducing the number of shares from 262,872,486 shares to 5,257,960 shares. In October it started the share capital increase operation by issuing new shares with the maximum amount of 8,800,000 lei.

The completion of the subscription for the share capital increase is scheduled to take place in the 4th quarter, the signing of the new loan agreements and the transfer of assets and debt from CEMACON SA to CEMACON Real Estate.

Changes in the Share Capital

On 24 March 2014 the General Shareholders' Meeting of Cemacon SA decided to approve the reduction in the company's share capital in order to cover the losses incurred by the company in the past 5 years, from 26,287,248.6 lei to 525,796 lei, by reducing the number of shares from 262,872,486 to 525,796 shares based on art. 207 para. (1) a) of Law no. 31/1990.

On 4 September 2014, Depozitarul Central SA (Central Depository SA) registered in the register of the company Cemacon SA, a reduction in the share capital, according to the ASF Registration Certificate of Securities no. AC-3425-4/05.08.2014

The share capital decreased by a number of 257,614,526 shares, with a rate value of RON 0.10, from the value of RON 26,287,248.6 (divided into 262,872,486 shares), to the value of RON 525,796.00 (divided into 5,257,960 shares).

Following the recording of the share capital decrease, the company characteristics are the following

- Share capital: RON 525,796.00
- Number of shares: 5,257,960
- Share value: 0.10 lei/share

The reduction was recorded in the quota of all the shareholders registered in the shareholders' register, on April 15th 2014, proportionally to shares owned.

The operation to increase the share capital approved by Resolution of the General Extraordinary Shareholders' Meeting of Cemacon SA will be finalized in November 2014; this operation entails the issuing of a maximum number of 88,000,000 ordinary, registered shares, issued in dematerialized form, with a face value of RON 0.1/share, in exchange for cash inflows.

Profit and Loss Account – Results on September 30th 2014

The dynamics of the main operational indicators are presented in the table below:

Indicator	September 30 th 2014	September 30 th 2013	Δ %
Gross turnover	51,694,022	37,621,846	37%
Operational revenues	48,505,706	35,319,063	37%
Operational expenses	(36,233,019)	(27,500,986)	32%
EBITDA	12,272,687	7,818,077	57%
EBITDA %	25%	22%	
Amortizations and depreciations	(4,048,726)	(3,596,592)	13%
EBIT	8,223,961	4,221,485	95%
Financial revenues - Total	3,925,186	6,260,873	-37%
Financial expense - Total (of which)	(8,382,188)	(13,306,258)	-37%
Expenses related to interests	(6,289,055)	(6,010,583)	5%
Financial result	(4,457,002)	(7,045,385)	-37%
Total revenues	52,430,892	41,579,936	26%
Total expenses	(48,663,933)	(44,403,836)	10%
Gross result	3,766,959	(2,823,900)	-233%
Net result	3,766,959	(2,823,900)	-233%

Both turnover and operational profit recorded an upward trend, as compared to the third quarter of the previous year, and they are grounded on both the commercial performance and the factory performance, through the investments made.

The operational revenues increased by 37%, as compared to the same period of the year 2013, and they exceeded the dynamics of the operational expenses, leading to a strong improvement in the operational profitability: +57%.

Although affected by the increases in the price on energy, raw materials, packaging, fuel and taxes, reported for the past year, the production cost remained a highly competitive one, the effect of price increases being counterbalanced by a new optimization stage regarding the power consumption per unit, as a result of the network changes and flow improvements.

Despite the fact that the financial result continues to be negative, under the influence of costs of interests related to the credit package amounting to over EUR 26 million, undergoing restructuring procedures, the strongly favourable context of the exchange rate on September 30th 2014 resulted in a

positive impact on the exchange rate differences, of RON 3,925,186, which contributed to a 37% reduction in the financial result, as compared to the same period of the year 2013.

Thus, based on the high-performance operational result and of the financial result, due to the favourable context, CEMACON concluded the first 9 months, with a net result of RON 3,766,959. Thus creating the premises of obtaining a net positive result for the 2014 financial year, first after 2008

Assets and Liabilities – Results on September 30th 2014

Indicator – values in RON	September 30 th 2014	September 30 th 2013	Δ %
Fixed assets - Total (din care)	115,688,321	115,395,940	0%
Tangible assets	115,182,073	114,888,514	0%
Other assets	506,248	507,426	0%
Floating assets- Total	52,825,613	45,377,198	16%
Stock	10,009,424	8,658,968	16%
Assets held for sale	22,303,952	22,303,952	0%
Liabilities - Total	12,356,972	7,511,743	65%
Other financial assets	819,396	-	100%
Cash and cash equivalents	7,335,869	6,902,535	6%
Total Assets	168,513,934	160,773,138	5%
Total Current Assets (of which)	126,402,527	119,578,418	6%
Debts to credit loan institutions (up to a year)	90,212,796	87,298,911	3%
Debts credit institutions interests	27,104,494	21,253,787	28%
Commercial debts – suppliers (up to a year)	5,684,846	4,811,047	18%
Other current debts, Provisions	3,400,391	6,214,673	-45%
Floating assets/net current debts	42%	38%	
Total assets minus current debts	42,111,407	41,194,720	2%
Long-term debts (over a year) Total out of which	29,184,177	31,913,027	-9%
Debts credit institutions (over a year)	27,855,146	30,527,265	-9%
Other commercial debts and similar	-	-	0%
Subsidies and postponed tax	1,329,031	1,385,762	-4%
Share capital	7,663,402	33,424,855	-77%
Shareholder's equity - Total	12,927,230	9,281,693	39%

The increase recorded at the level of fixed assets is generated by the investments made during the first part of the year. Investments had the role of increasing productivity, increasing costs and improving product quality.

The expansion of the turnover attracted an increase in receivables, which led to a 16% increase in the current assets. As of 2013, Cemacon concluded a commercial loan insurance contract with the leader of the market, in order to secure the receivables generated by the increase in sales. At the same time, the company also implemented procedures specific to the credit control activity, as integrated part of the financial department.

At debt level, no significant modifications were recorded in comparison to December 31st 2013. Cemacon is taking the necessary measures to sign the new credit contracts, which will mark the restructuring of the current credit portfolio. The new credit contracts will place the restructured amount for a reimbursement period of 10 years, which is a financially sustainable period.

The shareholders' equity recorded modifications as a result of recording a reduction in the share capital, approved by Resolution of the General Extraordinary Shareholders' Meeting of Cemacon SA, on March 24th 2014.

The operational efficiency of the company had a positive impact on the financial indicators, improving the turnover speed of total assets, as well as the turnover speed of receivables; the average collection term saw an increase owed to the specific approach to this aspect, in the new commercial strategy for 2014.

Relevant financial indicators	2014	2013
1. Current liquidity indicator	42%	38%
2. Level of indebtedness indicator	215%	329%
3. Debt turnover speed – clients (days)	34	37
4. Turnover speed of total assets	42%	32%

The liquidity and indebtedness indicators are strongly influenced by the bank loans; after the finalization of the restructuring procedures on the BCR loans, in 2014, the values of these indicators will return to sustainable limits, for the basic activity of the company.

Market Context

Given the favourable weather conditions that determined an increase in the demand for ceramic blocks, during the first months of the year, as well as the increase in residential masonry operations of over 32%, during the first 8 months, according to the information provided by the National Statistics Institute, we estimate that the masonry market saw an increase during the first 9 months of the year. At the level of sale prices, a slight upward correction was recorded, based on the pressure of the production costs.

Objectives for 2014

By the end of the year, Cemacon maintains its increase objectives:

- › 31% increase in turnover, as compared to the previous year
- › 28% increase in the operational profit, as compared to the previous year
- › Achieving the market leading position, in the Transylvania area, including Banat and Crişana
- › Increase in the national market rate, from 16% to 18%
- › Assuming the role of innovator on the masonry market, with the responsibility to inform and convince the target consumers about the benefits of efficient constructions
- › Development and consolidation of partnerships with our customers, distributors and specialists
- › Completing the EVO CERAMIC portfolio with other products unique on the market, to add surplus value for the users.

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

The company operates the most modern and largest production capacity in Romania, with premium products, obtained with highly competitive production costs.

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