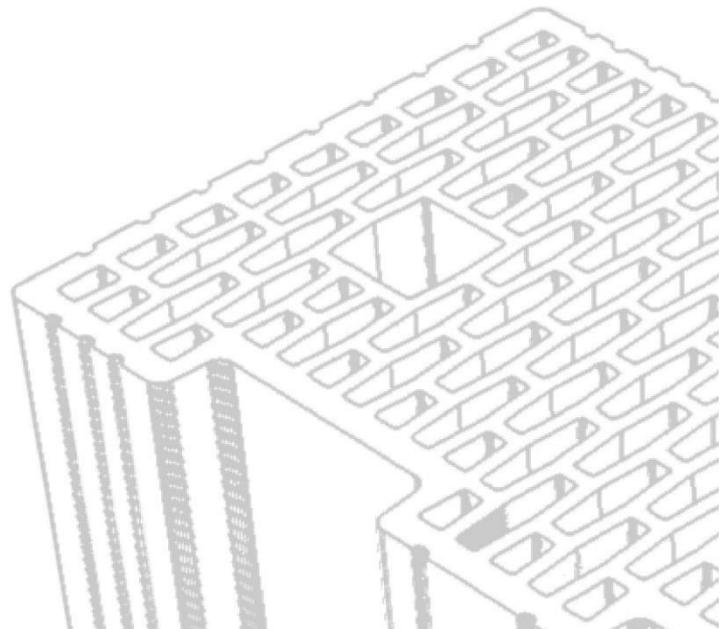




# BVB Report Results Quarter 1 2017

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CLUJ-NAPOCA  
MAY 10, 2017



## Performance Q1 2017

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- ☑ **+35% Sale of goods**
- ☑ **+8% Net turnover**
- ☑ **+38% Operating income (EBITDA)**

## General Manager's Statement

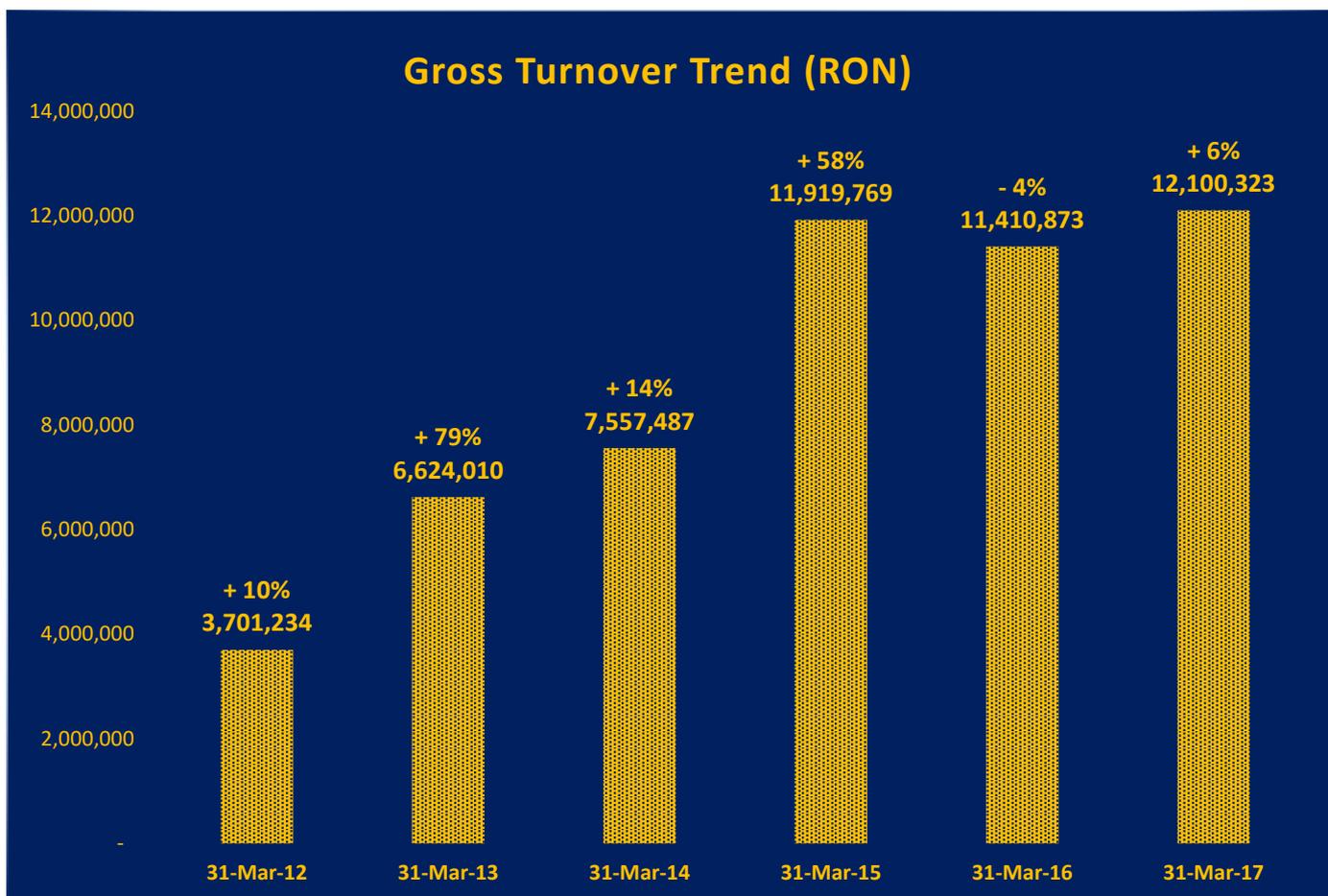
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*"We have started 2017 in a favorable, increasing market climate, as confirmed by the first quarter of the year. Typically for our industry, the first 3 months prepare the implementation of the strategic plan for the season, when business grows at a considerably rapid pace. As compared to Q1 2016, our net turnover grew by 8%, representing a 38% EBITDA increase, up to RON 2 million.*

*We have an ambitious budget for this year, based on a moderate turnover growth and a substantial operating profit increase. We focus on business consolidation and on boosting sales efficiency in the sector of premium ceramic blocks, and the company's results so far have followed our strategic direction. Another important pillar resides in sales development within the complementary product portfolio - stacks and lintels. We have succeeded in increasing sales revenues by 35% in Q1.*

*As regards the rest of the year, we are confident in the trend of masonry material consumption and existing market opportunities. Our business growth plans reside in portfolio diversification and the launching of new, competitive and performing products on the Romanian market and in the establishment of new business lines.*

**Profit and Loss Account - March 31, 2017**



During the 1<sup>st</sup> quarter of 2017 the company improved its performance with a net turnover 8% higher as compared to 2016, the quarterly gross turnover exceeding RON 12 million.

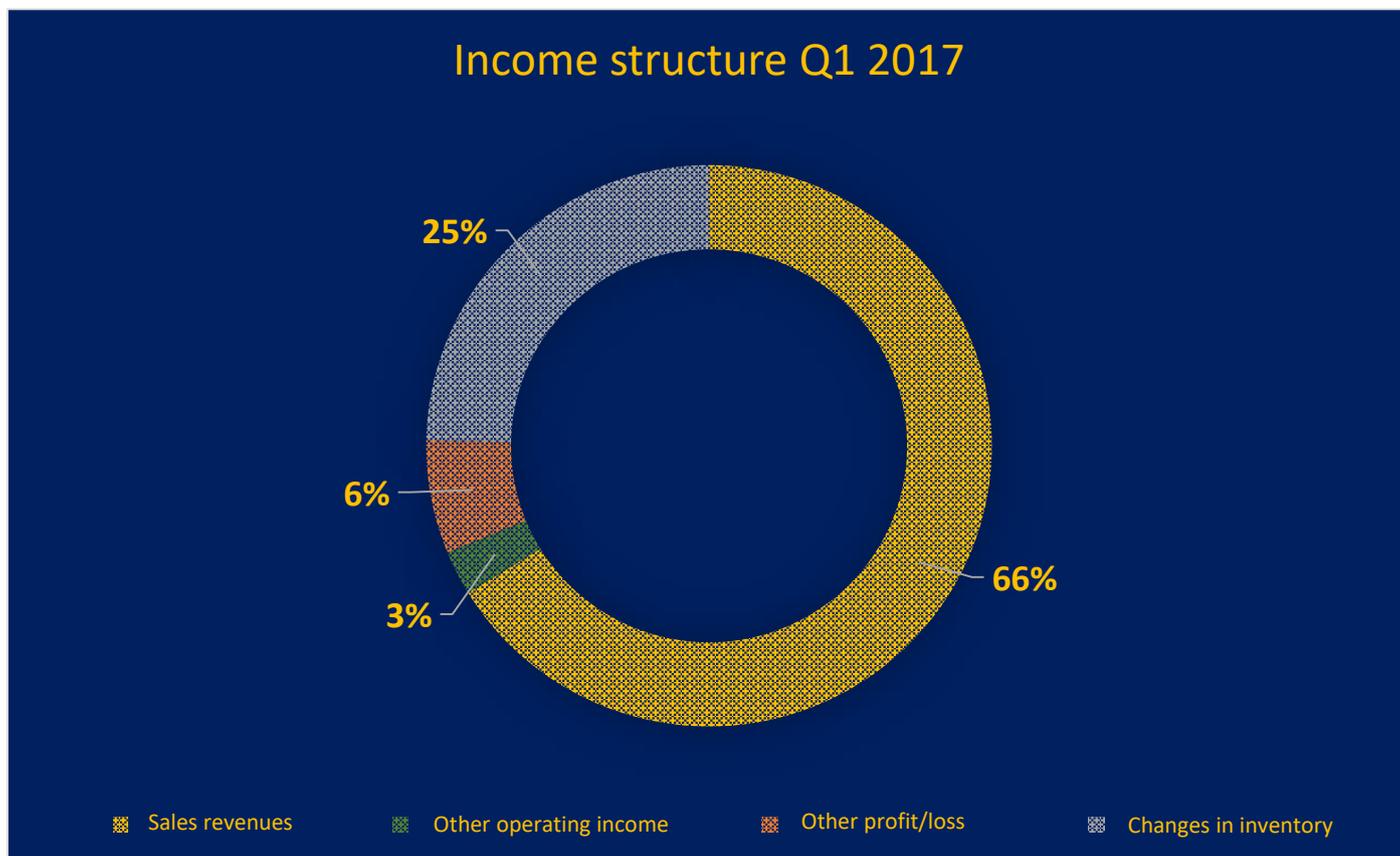
No significant changes in other operating income were registered vs. 2016, the main income resulting from the free-of-charge EUA certificates. The main amounts under 'other profit and loss' represent provision reversals.

The 8% growth in terms of changes in stocks is determined by the production and sales structure during the period, as product range and production location.

Changes in expenses with raw materials and consumables particularly consist of spare part expenses, as well as expenses with goods which grew by 20% (RON 163.374) vs. 2016, in correlation with the increase in goods sale revenues.

The changes in salary expenses, as compared to the same period in 2016, are mainly determined by the increase in the number of employees, as well as by the annual salary raise implemented by the company within the context of the labor market dynamics.

The main cost savings at the level of other operating expenses result from production process and manufacturing recipe optimizations.



The financial result is 36% higher as compared to the same period in 2016, following the decrease in interest expenses by 32% (RON 214.209) and in discounts by 44% (RON 153.518).

In view of the above aspects, the company registered an increase in operating profit **EBITDA** by **38% vs. 2016**, amounting to **RON 2 million** as at the end of the period, i.e. **March 31, 2017**.

**The net result was RON 929.979**, which is **88% higher** than that in 2016.

|                                   | 31-Mar-17<br>RON  | 31-Mar-16<br>RON   | 2017 vs 2016<br>RON | 2017 vs 2016<br>% |
|-----------------------------------|-------------------|--------------------|---------------------|-------------------|
| <b>Net turnover</b>               | <b>11,758,004</b> | <b>10,900,888</b>  | <b>857,116</b>      | <b>8%</b>         |
| <b>Gross turnover</b>             | <b>12,100,323</b> | <b>11,410,873</b>  | <b>689,450</b>      | <b>6%</b>         |
| <b>Sales revenues</b>             | <b>11,757,881</b> | <b>10,900,767</b>  | <b>857,114</b>      | <b>8%</b>         |
| Other operating income            | 455,630           | 543,037            | (87,408)            | -16%              |
| Other profit/loss                 | 1,155,445         | 1,139,342          | 16,103              | 1%                |
| Changes in stocks                 | 4,385,203         | 4,050,996          | 334,207             | 8%                |
| Raw materials and consumables     | (3,829,784)       | (3,429,676)        | (400,108)           | 12%               |
| Personnel expenses                | (4,446,904)       | (3,947,912)        | (498,992)           | 13%               |
| Other operating expenses          | (7,433,257)       | (7,773,511)        | 340,254             | -4%               |
| <b>EBITDA</b>                     | <b>2,044,213</b>  | <b>1,483,043</b>   | <b>561,170</b>      | <b>38%</b>        |
| Depreciation and amortisation     | (1,533,648)       | (1,551,653)        | 18,005              | -1%               |
| <b>EBIT</b>                       | <b>510,565</b>    | <b>(68,610)</b>    | <b>579,175</b>      | <b>-844%</b>      |
| Financial income                  | 36,199            | 42,047             | (5,848)             | -14%              |
| Financial expenses                | (673,367)         | (1,030,019)        | 356,652             | -35%              |
| <b>Financial result</b>           | <b>(637,168)</b>  | <b>(987,972)</b>   | <b>350,804</b>      | <b>36%</b>        |
| <b>Profit / (Loss) before tax</b> | <b>(126,603)</b>  | <b>(1,056,582)</b> | <b>929,979</b>      | <b>88%</b>        |
| Tax expenses                      | -                 | -                  | -                   | 0%                |
| <b>Profit / (Loss)</b>            | <b>(126,603)</b>  | <b>(1,056,582)</b> | <b>929,979</b>      | <b>88%</b>        |

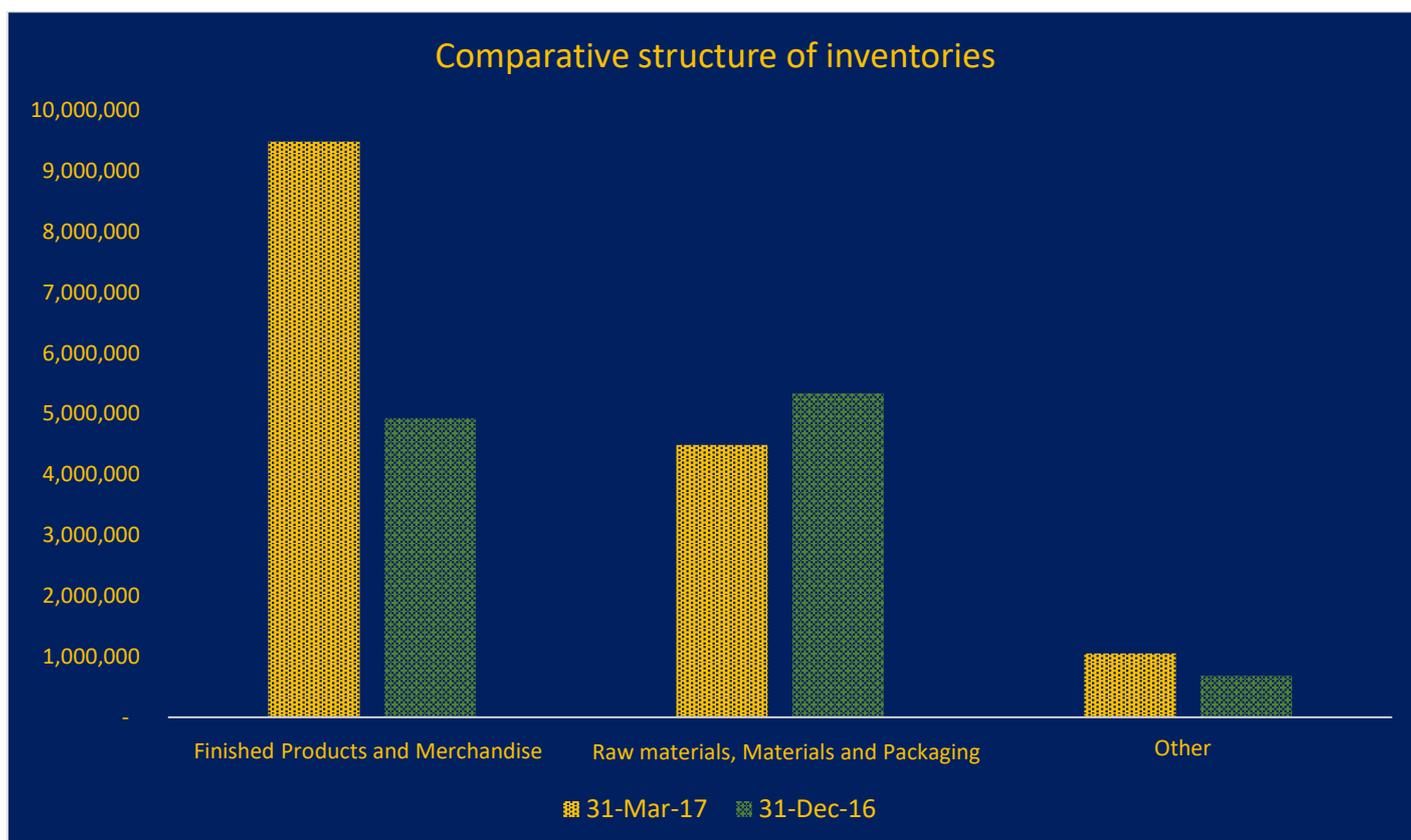
\*As at the date of the financial statements for Q1, no other elements of comprehensive income and deferred tax were calculated.

## Balance Sheet - March 31, 2017

| ASSETS                                | 31-Mar-17          | 31-Dec-16          | 2017 vs 2016       | 2017 vs 2016 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------|
| FIXED ASSETS                          | RON                | RON                | RON                | %            |
| Tangible assets                       | 115,578,607        | 116,396,783        | (818,176)          | -1%          |
| Intangible assets                     | 302,805            | 334,207            | (31,402)           | -9%          |
| Investments in shares                 | 200                | 200                | -                  | 0%           |
| Other fixed assets                    | 701,702            | 112,752            | 588,950            | 522%         |
| <b>Total fixed assets</b>             | <b>116,583,314</b> | <b>116,843,942</b> | <b>(260,628)</b>   | <b>0%</b>    |
| <b>CURRENT ASSETS</b>                 |                    |                    |                    |              |
| Inventories                           | 15,021,558         | 10,942,409         | 4,079,150          | 37%          |
| Accounts receivable and similar items | 9,417,420          | 11,076,927         | (1,659,507)        | -15%         |
| Other financial assets                | 245,577            | 490,721            | (245,144)          | -50%         |
| Cash & cash equivalents               | 24,386,617         | 28,736,299         | (4,349,682)        | -15%         |
| <b>Total current assets</b>           | <b>49,071,172</b>  | <b>51,246,356</b>  | <b>(2,175,184)</b> | <b>-4%</b>   |
| <i>Available-for-sale assets</i>      | <i>1,277,495</i>   | <i>1,277,495</i>   | <i>-</i>           | <i>0%</i>    |
| <b>TOTAL ASSETS</b>                   | <b>166,931,981</b> | <b>169,367,793</b> | <b>(2,435,811)</b> | <b>-1%</b>   |
| <b>LIABILITIES</b>                    |                    |                    |                    |              |
| <b>CURRENT LIABILITIES</b>            |                    |                    |                    |              |
| Accounts payable and similar items    | 11,053,922         | 11,859,442         | (805,520)          | -7%          |
| Loans                                 | 6,361,134          | 5,040,143          | 1,320,991          | 26%          |
| Deferred tax liability                | -                  | 64,496             | (64,496)           | -100%        |
| Provisions                            | 3,419,745          | 4,578,409          | (1,158,664)        | -25%         |
| <b>Total current liabilities</b>      | <b>20,834,801</b>  | <b>21,542,490</b>  | <b>(707,689)</b>   | <b>-3%</b>   |
| <b>LONG-TERM LIABILITIES</b>          |                    |                    |                    |              |
| Accounts payable and similar items    | -                  | -                  | -                  | 0%           |
| Loans                                 | 47,204,675         | 48,787,282         | (1,582,607)        | -3%          |
| Subsidies for investments             | 1,139,927          | 1,158,837          | (18,910)           | -2%          |
| Deferred tax                          | 1,262,668          | 1,262,668          | 0                  | 100%         |
| Provisions                            | 632,358            | 632,358            | -                  | 0%           |
| <b>Total long-term liabilities</b>    | <b>50,239,628</b>  | <b>51,841,145</b>  | <b>(1,601,517)</b> | <b>-3%</b>   |
| <b>TOTAL LIABILITIES</b>              | <b>71,074,429</b>  | <b>73,383,635</b>  | <b>(2,309,206)</b> | <b>-3%</b>   |
| <b>NET ASSETS</b>                     | <b>95,857,552</b>  | <b>95,984,158</b>  | <b>(126,606)</b>   | <b>0%</b>    |
| <b>EQUITY AND RESERVES</b>            |                    |                    |                    |              |
| Share capital                         | 20,613,371         | 20,613,371         | -                  | 0%           |
| <b>TOTAL EQUITY</b>                   | <b>95,857,552</b>  | <b>95,984,158</b>  | <b>(126,606)</b>   | <b>0%</b>    |

Fixed assets did not register any significant changes by reference to December 31, 2016, as the reduction following the depreciation is partially compensated by the commissioning of the fixed assets purchased during the period. Other fixed assets comprise the amounts related to the guarantees for share redemption, in accordance with the Decision of the EGMS dated 30.01.2017.

Current assets were impacted by the company's specific activity, influenced by the seasonal nature of the construction sector, as follows: inventories grew by 37% (RON 4 million as absolute value) compensated by a cash decrease in amount of RON 4.3 million (15%). Accounts receivables dropped by 15% (RON 1.6 million) due to the collections during the period and the strict monitoring of the commercial policy. The amounts under 'Other financial assets' represent EUA certificates in stock as at March 31, 2017, which decreased as a consequence of the compliance process for 2017.



Banking liabilities did not change significantly as compared to 2016, less the modification of the Long-term/Short-term structure generated by the modification of the repayment schedule. Accounts payable are in line with the company's needs for the performance of the current activity, and provisions decreased due to the reversal in Q1, 2017.

The share capital remained constant, the decrease in equity being generated by the result for the period.

| <b>Relevant financial ratios</b>        | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|---|------------------|------------------|
| 1. Current liquidity ratio              | 2.42             | 2.60             |
| 2. Indebtedness degree ratio            | 56%              | 61%              |
| 3. Debt rotation speed – clients (days) | 78               | 84               |
| 4. Total assets rotation speed          | 10%              | 10%              |

## **Objectives for 2017**

---

In 2017, CEMACON shall focus on business consolidation and on strengthening its position as top player on the construction material market, aiming at the achievement of the following objectives:

- 5% turnover increase;
- Consolidation of the leader position on the market of ceramic blocks.
- Investments meant to support sustainable growth;
- Leverage of the growth opportunities on the construction material market;
- Continuing the realization of the non-productive assets in the Group's portfolio.

## Consolidated results of the CEMACON SA Group

Information regarding the presentation of the CEMACON SA Group:

CEMACON SA is a Romanian legal entity, established as a joint stock company pursuant to Government Decision no. 1200/1991, having its registered office in Cluj-Napoca, str.Dorobantilor, nr.48, cladirea Silver Business Center, etaj 1, Cluj county. The company's main field of activity resides in the "Manufacturing of bricks, roof tiles and other construction materials made of burnt clay".

SC CEMACON Real Estate has been established based on the agreement concluded between SC CEMACON SA and Banca Comerciala Romana in order to take over part of the liabilities and assets, according to the restructuring process.

The separate financial statements of SC CEMACON Real Estate are prepared in accordance with OMFP (Order of the Ministry of Public Finance) 1802/2012.

The financial statements of the controlled subsidiary have been prepared for the same reporting period with the parent company, applying the same accounting policies.

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS).

Although the financial statements of SC CEMACON Real Estate have been prepared in accordance with OMFP 1802/2012, necessary adjustments have been made for consolidation purposes, so as to be able to reflect the accounting policies of the parent company.

### Consolidated Balance Sheet - March 31, 2017

| ASSETS                                | 31-Mar-17          | 31-Dec-16          | 2017 vs 2016       | 2017 vs 2016 |
|---------------------------------------|--------------------|--------------------|--------------------|--------------|
| FIXED ASSETS                          | RON                | RON                | RON                | %            |
| Tangible assets                       | 115,578,607        | 116,396,783        | (818,176)          | -1%          |
| Intangible assets                     | 302,805            | 334,207            | (31,402)           | -9%          |
| Investments in shares                 | -                  | -                  | -                  | 0%           |
| Other fixed assets                    | 701,702            | 112,752            | 588,950            | 522%         |
| <b>Total fixed assets</b>             | <b>116,583,114</b> | <b>116,843,742</b> | <b>(260,628)</b>   | <b>0%</b>    |
| CURRENT ASSETS                        |                    |                    |                    |              |
| Inventories                           | 15,021,880         | 10,942,408         | 4,079,472          | 37%          |
| Accounts receivable and similar items | 7,588,758          | 9,489,074          | (1,900,316)        | -20%         |
| Other financial assets                | 245,577            | 490,721            | (245,144)          | -50%         |
| Cash & cash equivalents               | 25,676,444         | 29,957,212         | (4,280,768)        | -14%         |
| <b>Total current assets</b>           | <b>48,532,659</b>  | <b>50,879,415</b>  | <b>(2,346,756)</b> | <b>-5%</b>   |
| <i>Available-for-sale assets</i>      | <i>19,238,703</i>  | <i>19,238,703</i>  | <i>(0)</i>         | <i>0%</i>    |
| <b>TOTAL ASSETS</b>                   | <b>184,354,476</b> | <b>186,961,860</b> | <b>(2,607,384)</b> | <b>-1%</b>   |
| LIABILITIES                           |                    |                    |                    |              |
| CURRENT LIABILITIES                   |                    |                    |                    |              |
| Accounts payable and similar items    | 11,958,451         | 12,856,779         | (898,328)          | -7%          |
| Loans                                 | 6,361,134          | 5,040,143          | 1,320,991          | 26%          |
| Deferred tax liability                |                    | 64,496             | (64,496)           | -100%        |
| Provisions                            | 3,419,745          | 4,578,409          | (1,158,664)        | -25%         |
| <b>Total current liabilities</b>      | <b>21,739,330</b>  | <b>22,539,827</b>  | <b>(800,497)</b>   | <b>-4%</b>   |

### LONG-TERM LIABILITIES

|                                    |                   |                   |                    |            |
|------------------------------------|-------------------|-------------------|--------------------|------------|
| Accounts payable and similar items |                   |                   | -                  | 0%         |
| Loans                              | 64,021,925        | 65,567,579        | (1,545,654)        | -2%        |
| Subsidies for investments          | 1,139,927         | 1,158,837         | (18,910)           | -2%        |
| Deferred tax                       | 1,241,071         | 1,241,071         | -                  | 100%       |
| Provisions                         | 632,358           | 632,358           | -                  | 0%         |
| <b>Total long-term liabilities</b> | <b>67,035,281</b> | <b>68,599,845</b> | <b>(1,564,564)</b> | <b>-2%</b> |

|                          |                   |                   |                    |            |
|--------------------------|-------------------|-------------------|--------------------|------------|
| <b>TOTAL LIABILITIES</b> | <b>88,774,611</b> | <b>91,139,672</b> | <b>(2,365,061)</b> | <b>-3%</b> |
|--------------------------|-------------------|-------------------|--------------------|------------|

|                   |                   |                   |                  |           |
|-------------------|-------------------|-------------------|------------------|-----------|
| <b>NET ASSETS</b> | <b>95,579,865</b> | <b>95,822,188</b> | <b>(242,323)</b> | <b>0%</b> |
|-------------------|-------------------|-------------------|------------------|-----------|

### EQUITY AND RESERVES

|                     |                   |                   |                  |           |
|---------------------|-------------------|-------------------|------------------|-----------|
| Share capital       | 20,613,371        | 20,613,371        | (0)              | 0%        |
| <b>TOTAL EQUITY</b> | <b>95,579,865</b> | <b>95,822,188</b> | <b>(242,323)</b> | <b>0%</b> |

### Consolidated Profit and Loss Account - March 31, 2017

|                                   | 31-Mar-17<br>RON  | 31-Mar-16<br>RON  | 2017 vs 2016<br>RON | 2017 vs 2016<br>% |
|-----------------------------------|-------------------|-------------------|---------------------|-------------------|
| <b>Sales revenues</b>             | <b>11,762,749</b> | <b>10,900,767</b> | <b>861,982</b>      | <b>8%</b>         |
| Other operating income            | 485,663           | 575,426           | (89,763)            | -16%              |
| Other profit/loss                 | 1,155,445         | 1,137,665         | 17,780              | 2%                |
| Changes in stocks                 | 4,385,203         | 4,050,996         | 334,207             | 8%                |
| Raw materials and consumables     | (3,834,677)       | (3,429,705)       | (404,972)           | 12%               |
| Personnel expenses                | (4,455,756)       | (3,949,847)       | (505,909)           | 13%               |
| Other operating expenses          | (7,453,726)       | (7,762,518)       | 308,792             | -4%               |
| <b>EBITDA</b>                     | <b>2,044,901</b>  | <b>1,522,784</b>  | <b>522,117</b>      | <b>34%</b>        |
| Depreciation and amortisation     | (1,533,648)       | (1,551,653)       | 18,005              | -1%               |
| <b>EBIT</b>                       | <b>511,253</b>    | <b>(28,869)</b>   | <b>540,122</b>      | <b>-1871%</b>     |
| Financial income                  | 180,269           | 369,521           | (189,252)           | -51%              |
| Financial expenses                | (933,842)         | (1,205,605)       | 271,763             | -23%              |
| <b>Financial result</b>           | <b>(753,573)</b>  | <b>(836,084)</b>  | <b>82,511</b>       | <b>-10%</b>       |
| <b>Profit / (Loss) before tax</b> | <b>(242,320)</b>  | <b>(864,953)</b>  | <b>622,633</b>      | <b>-72%</b>       |
| Tax expenses                      | -                 | -                 | -                   | 0%                |
| <b>Profit / (Loss)</b>            | <b>(242,320)</b>  | <b>(864,953)</b>  | <b>622,633</b>      | <b>-72%</b>       |

\*As at the date of the financial statements for Q1, no other elements of comprehensive income and deferred tax were calculated.

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**\*The presented results have been prepared in accordance with IFRS and are to be considered as preliminary results to be audited in accordance with the legal provisions.**

***CEMACON SA is the second largest manufacturer of ceramic masonry systems in Romania and the market leader in Transylvania.***

***The company operates the most modern and the highest production capacity in Romania, with innovative, differentiated products obtained at very competitive production costs, generating added value for our clients.***

***CEMACON SA is a company listed on the Bucharest Stock Exchange and predominantly held by institutional shareholders, Romanian and foreign investment funds; the company's management is professional, independent and highly experienced.***

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***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 report*** 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.

***issued in Romanian shall apply.***

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**As of May 10, 2017, 8.00 a.m.,** the report together with the related documents are available at the company's headquarters in Str.Dorobantilor, Nr.48, Cluj-Napoca or electronically on the company's website: [www.cemacon.ro](http://www.cemacon.ro) and on the website of the Bucharest Stock Exchange: [www.bvb.ro](http://www.bvb.ro). and on Issuers Reporting Informational System accessing the link below: [IRIS](#)

Cluj-Napoca  
10th of May 2017

**INDIVIDUAL FINANCIAL STATEMENTS  
FOR PERIOD ENDED 31st of March 2017**

Drafted according to the International reporting standards (IFRS)



**CEMACON**

Căramizi inteligente **EVO**CERAMIC

SC CEMACON SA  
Cod Fiscal 677858  
Cod Registrul Comertului J12/2466/2012

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**CEMACON SA**

Situatia Individuala a pozitiei financiare  
(*Individual Statement of financial position*)  
pentru perioada incheiata la 31 Martie2017  
(*for the period ended 31<sup>st</sup>Martie 2017*)

|   | 31-Mar-17          | 31-Dec-16          |
|---|--------------------|--------------------|
|   | LEI                | LEI                |
| <b>ACTIVE (ASSETS)</b>                                |                    |                    |
| <b>Active imobilizate</b>                             |                    |                    |
| <b>Non-current assets</b>                             |                    |                    |
| Imobilizari corporale                                 | 115,578,607        | 116,396,783        |
| <i>Property, plant and equipment</i>                  |                    |                    |
| Investitii imobiliare                                 | -                  | -                  |
| <i>Investment property</i>                            |                    |                    |
| Imobilizari necorporale                               | 302,805            | 334,207            |
| <i>Intangible</i>                                     |                    |                    |
| Investitii in actiuni                                 | 200                | 200                |
| <i>Investments</i>                                    |                    |                    |
| Alte active imobilizate                               | 701,702            | 112,752            |
| <i>Other non-current assets</i>                       |                    |                    |
|   | <b>116,583,314</b> | <b>116,843,942</b> |
| <b>Active circulante</b>                              |                    |                    |
| <b>Current assets</b>                                 |                    |                    |
| Stocuri   | 15,021,558         | 10,942,409         |
| <i>Inventories</i>                                    |                    |                    |
| Creante comerciale si similare                        | 9,417,420          | 11,076,927         |
| <i>Trade and other receivables</i>                    |                    |                    |
| Alte active financiare                                | 245,577            | 490,721            |
| <i>Other financial assets</i>                         |                    |                    |
| Numerar si echivalente numerar                        | 24,386,617         | 28,736,299         |
| <i>Cash and cash equivalents</i>                      |                    |                    |
|   | <b>49,071,172</b>  | <b>51,246,356</b>  |
| Active clasificate drept detinute în vederea vânzării | <b>1,277,495</b>   | <b>1,277,495</b>   |
| <i>Assets classified as held for sale</i>             |                    |                    |
| <b>TOTAL ACTIVE (TOTAL ASSETS)</b>                    | <b>166,931,981</b> | <b>169,367,793</b> |
| <b>DATORII (LIABILITIES)</b>                          |                    |                    |
| <b>DATORII CURENTE</b>                                |                    |                    |
| <b>CURRENT LIABILITIES</b>                            |                    |                    |
| Datorii comerciale si similare                        | 11,053,922         | 11,859,442         |
| <i>Trade and other payables</i>                       |                    |                    |

**CEMACON SA**

Situatia Individuala a pozitiei financiare  
*(Individual Statement of financial position)*  
 pentru perioada incheiata la 31 Martie 2017  
*(for the period ended 31<sup>st</sup> Martie 2017)*

|                                     |                   |                   |
|-------------------------------------|-------------------|-------------------|
| Imprumuturi                         | 6,361,134         | 5,040,143         |
| <i>Loans and borrowings</i>         |                   |                   |
| Subventii pentru investitii         | -                 | -                 |
| <i>Grants received</i>              |                   |                   |
| Datorii privind impozitul pe profit | -                 | 64,496            |
| <i>Tax liability</i>                |                   |                   |
| Provizioane                         | 3,419,745         | 4,578,409         |
| <i>Provisions</i>                   |                   |                   |
|                                     | <b>20,834,801</b> | <b>21,542,490</b> |

Datoriile incluse în grupurile destinate cedării

*Liabilities directly associated with assets in disposal groups classified as held for sale*

**DATORII PE TERMEN LUNG****NON-CURRENT LIABILITIES**

|  |                   |                   |
|--|-------------------|-------------------|
| Datorii comerciale si similare                 | -                 | -                 |
| <i>Non-current trade and other liabilities</i> |                   |                   |
| Imprumuturi                                    | 47,204,676        | 48,787,282        |
| <i>Loans and borrowings</i>                    |                   |                   |
| Subventii pentru investitii                    | 1,139,927         | 1,158,837         |
| <i>Grants received</i>                         |                   |                   |
| Impozit amanat                                 | 1,262,668         | 1,262,668         |
| <i>Deferred tax</i>                            |                   |                   |
| Provizioane                                    | 632,358           | 632,358           |
| <i>Provisions</i>                              |                   |                   |
|  | <b>50,239,629</b> | <b>51,841,145</b> |

**TOTAL DATORII (TOTAL LIABILITIES)****71,074,430****73,383,635****ACTIVE NETE (NET ASSETS)****95,857,551****95,984,158****CAPITAL SI REZERVA (EQUITY)**

|   |             |             |
|---|-------------|-------------|
| Capital social  | 20,613,371  | 20,613,371  |
| <i>Issued capital</i>   |             |             |
| Beneficii acordate angajatilor in instrumente de capitaluri proprii | 2,024,226   | 2,024,226   |
| <i>Benefits granted to employees in equity instruments</i>          |             |             |
| Impozit profit amanat   | (1,188,241) | (1,188,241) |
| <i>Deferred Tax</i>   |             |             |
| Actiuni proprii   | -           | -           |

**CEMACON SA**

Situatia Individuala a pozitiei financiare  
*(Individual Statement of financial position)*  
pentru perioada incheiata la 31 Martie 2017  
*(for the period ended 31<sup>st</sup> Martie 2017)*

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|  |                   |                   |
|--|-------------------|-------------------|
| <i>Own Shares</i>  |                   |                   |
| Prime legate de emiterea de actiuni  | 54,850,347        | 54,850,347        |
| <i>Share premium</i>   |                   |                   |
| Ajustari din retratare   | -                 | -                 |
| <i>Translation adjustments</i>   |                   |                   |
| Rezerve din reevaluare aferente active destinate vanzarii  | 1,139,240         | 1,139,240         |
| <i>Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale</i> |                   |                   |
| Rezerve  | 17,554,482        | 17,554,482        |
| <i>Reserves</i>  |                   |                   |
| Rezultat reportat  | 864,127           | 990,732           |
| <i>Retained earnings</i>   |                   |                   |
| <br>   |                   |                   |
| <b>Interesele care nu controleaza</b>  | -                 | -                 |
| <b><i>Non-controlling interest</i></b>   |                   |                   |
| <br>   |                   |                   |
| <b>TOTAL CAPITALURI (TOTAL EQUITY)</b>   | <b>95,857,551</b> | <b>95,984,158</b> |

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*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 31 Martie 2017  
(for the period ended 31<sup>st</sup> Martie 2017)

|  | 31-Mar-17         | 31-Mar-16          |
|--|-------------------|--------------------|
|  | LEI               | LEI                |
| <b>Venituri din vanzari</b>                      | <b>11,757,881</b> | <b>10,900,767</b>  |
| <b><i>Sales revenues</i></b>                     |                   |                    |
| Alte venituri din exploatare                     | 455,630           | 543,037            |
| <i>Other operating revenues</i>                  |                   |                    |
| Alte castiguri si pierderi                       | 1,155,445         | 1,139,342          |
| <i>Other gains and losses</i>                    |                   |                    |
| Variatia stocurilor                              | 4,385,203         | 4,050,996          |
| <i>Change in inventories of FG &amp; WiP</i>     |                   |                    |
| Materii prime si consumabile                     | (3,829,784)       | (3,429,676)        |
| <i>Raw material and consumables used</i>         |                   |                    |
| Cheltuieli de personal                           | (4,446,904)       | (3,947,912)        |
| <i>Personnel Expenses</i>                        |                   |                    |
| Amortizare si deprecieri                         | (1,533,648)       | (1,551,653)        |
| <i>Depreciation and amortisation expenses</i>    |                   |                    |
| Cercetare si dezvoltare                          | -                 | -                  |
| <i>Research and development</i>                  |                   |                    |
| Alte cheltuieli din exploatare                   | (7,433,257)       | (7,773,511)        |
| <i>Other operating expenses</i>                  |                   |                    |
| <b>Profit / (Pierdere) din exploatare</b>        | <b>510,565</b>    | <b>(68,610)</b>    |
| <b><i>Profit / (Loss) from operation</i></b>     |                   |                    |
| Venituri financiare                              | 36,199            | 42,047             |
| <i>Financial income</i>                          |                   |                    |
| Cheltuieli financiare                            | (673,367)         | (1,030,019)        |
| <i>Financial expenses</i>                        |                   |                    |
| <b>Rezultat financiar</b>                        | <b>(637,168)</b>  | <b>(987,972)</b>   |
| <b><i>Financial Result</i></b>                   |                   |                    |
| <b>Profit / (Pierdere) inainte de impozitare</b> | <b>(126,603)</b>  | <b>(1,056,582)</b> |
| <b><i>Profit before tax</i></b>                  |                   |                    |
| Cheltuieli cu impozite                           | -                 | -                  |
| <i>Tax expenses</i>                              |                   |                    |
| <b>Profit / (Pierdere)</b>                       | <b>(126,603)</b>  | <b>(1,056,582)</b> |
| <b><i>Profit after tax</i></b>                   |                   |                    |

**CEMACON SA**

Situatia Individuala Rezultatului Global  
*(Individual Statement of Comprehensive Income)*  
pentru perioada incheiata la 31 Martie 2017  
*(for the period ended 31<sup>st</sup> Martie 2017)*

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Alte elemente ale rezultatului global care nu pot fi reclassificate in contul de profit si pierdere

*Other elements of comprehensive income which can not be re-classified in the profit and loss account*

Reevaluarea imobilizarilor corporale

*Fixed assets revaluation*

Impozit Amanat Aferent Diferentelor din reevaluare

*Deferred tax related to revaluation*

Ajustari din retratare (IAS 29) -

*Adjustments from restatement*

Total alte elemente ale rezultatului global - -

*Totality of other elements of comprehensive income*

---

|                              |                  |                    |
|------------------------------|------------------|--------------------|
| <b>Total rezultat global</b> | <b>(126,603)</b> | <b>(1,056,582)</b> |
|------------------------------|------------------|--------------------|

***Comprehensive income total***

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

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### **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**

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” și IAS 28 “Investments in associated companies and in joint ventures”** – Investment companies: applying the consolidation exception – adopted by EU on the 22<sup>nd</sup> of September 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IFRS 11 “Joint ventures”** – Accounting the acquisitions for joint operations – adopted by EU on the 24<sup>th</sup> of November 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January 2016),
- **Amendments to IAS 1 “Presentation of financial statements”** – Initiative related to the presentation requirement – adopted by EU on the 18<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 2<sup>nd</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IAS 16 “Tangible assets” and IAS 41 “Agriculture”** – Reproduction plants – adopted by EU on the 23<sup>rd</sup> of November 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IAS 19 “Employee benefits”** – Determined benefit plans - Employee contributions – adopted by EU on the 17<sup>th</sup> of December 2014 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2015),
- **Amendments to IAS 27 “Individual financial statements”** – equity method in the individual financial statements – adopted by EU on the 18<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 inconsistencies and clarifying certain forms – adopted by EU on the 17<sup>th</sup> of December 2014 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 inconsistencies and clarifying certain forms – adopted by EU on the 15<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> 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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### Accounting policies *(continued)*

#### ***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 statements, 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 22<sup>nd</sup> of November 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 22<sup>nd</sup> of September 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 on 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> of January of 2017),
- **Amendments to IAS 40 “Investment properties”** – Transfer of investment properties (applicable for annual periods starting with or after the 1<sup>st</sup> 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 forms (the Amendments to IFRS 12 are applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2017, and the amendments to IFRS 1 and IAS 28 are applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2018),

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

- **IFRIC 22 “Currency transactions and advances”** (applicable for annual periods starting with or after the 1<sup>st</sup> 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.

***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.

***Impairment 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 accounting requirements of these debts means that the income generated by the deterioration of an entity’s own credit risk is no longer recognized by profit or loss.

- **IFRS 14 “Deferral accounts corresponding to the regulated activities”** issued by IASB on the 30<sup>th</sup> 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

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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 28<sup>th</sup> of May 2014 (on the 11<sup>th</sup> of September 2015, IASB postponed the entry into force of the IFRS 15 to the 1<sup>st</sup> of January 2018, and on the 12<sup>th</sup> 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 13<sup>th</sup> 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 can 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 lessees 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 20<sup>th</sup> 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 12<sup>th</sup> 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 11<sup>th</sup> of September 2014 (on the

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

17<sup>th</sup> 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 presented 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 28<sup>th</sup> 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 6<sup>th</sup> 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 18<sup>th</sup> 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 29<sup>th</sup> 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 19<sup>th</sup> 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 12<sup>th</sup> 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 plants** issued by IASB on the 30<sup>th</sup> 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.

## CEMACON SA

Notes to the Individual Financial Statements  
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- **Amendments to IAS 19 “Employee’s benefits” – Plans of determined benefits: Contributions of employees** issued by IASB on the 21<sup>st</sup> 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 12<sup>th</sup> 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 8<sup>th</sup> 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 12<sup>th</sup> 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 25<sup>th</sup> 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 8<sup>th</sup> 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

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### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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 Transactions and advances”** issued by IASB on the 8<sup>th</sup> 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.

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:

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### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

- 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

#### **Accounting policies** (continued)

- 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.

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.

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### **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.

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### **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.

### **Accounting policies (continued)**

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### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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;

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Notes to the Individual Financial Statements  
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### Accounting policies (*continued*)

- 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 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)*

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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:

- 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.

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### *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.

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.

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

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Waste: vegetal soil and sandy clay – as a result of the stripping activity, unused in the production activity or capitalised in any other way.

Useful substance: yellow clay and blue clay – as a result of the exploitation activity, used in the production activity.

Waste (stripping) – as a result of the stripping activity, unused in the production activity, will be registered according to the International Financial Reporting Standards IFRIC 20.

The fixed asset will be called “**Stripping activity asset**”.

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 activity associated 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.

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*

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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 of 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.

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.

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### Accounting policies (continued)

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:

| <u>Asset</u>                          | <u>Years</u> |
|---------------------------------------|--------------|
| 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, namely 8,470,000 m<sup>3</sup> in the Company's case.

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 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.

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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 )

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### **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 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.

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

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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.

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.

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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.

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

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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.

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:***

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 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.

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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 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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 2. Accounting estimates

The entity makes certain estimates and assumptions concerning the future. The estimates and judgements are assessed continuously, based on historical experience and other factors, including expectations regarding future events, deemed reasonable given the circumstances. In the future, actual experience may differ from these estimates and assumptions. Estimates and assumptions having a significant risk of causing an important adjustment of the accounting values of assets and debt over 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

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### **Accounting estimates** *(Continued)*

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.

### **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, in the company's case, 8,470,000 m3.

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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 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 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 31<sup>st</sup> of March 2017, the Entity reanalysed the factors which might lead 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 31<sup>st</sup> of March 2017

| <b>Estimated values at the end of the reporting period</b> | <b>31.Mar.17</b> |
|--|------------------|
| Provisions related to employees and administrators         | 1,884,416        |
| Share based payment  | 2,024,226        |
| Provision Litigations                                      | 1,486,031        |
| Deferred tax   | 1,262,668        |
| Provision environmental reclamation                        | 450,006          |
| Other Provisions   | 231,650          |
| <b>Total estimated values</b>                              | <b>7,338,997</b> |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 3. Revenues

| <b>Sales revenues</b>      | <b>31-Mar-17</b>  | <b>31-Mar-16</b>  |
|----------------------------|-------------------|-------------------|
| Sales of finished products | 10,747,626        | 10,407,636        |
| Sales of goods             | 1,317,868         | 973,567           |
| Sales of services          | 34,706            | 29,549            |
| Trade discounts            | (342,319)         | (509,985)         |
| Rental income              | -                 | -                 |
| <b>Total</b>               | <b>11,757,881</b> | <b>10,900,767</b> |

*All amounts in Lei, if not otherwise stated*

The main revenues earned by the Company in 2017 are considered the sales of finished products 10.74 mil lei, sales of merchandise 1.31 mil lei and the provision of services 0,3 mil lei, and the value of the commercial discounts, corresponding to the product sales was of 0.34 mil lei.

As a consequence of the specificity of the activity during the year 2017, the Company has has "Bill & Hold"-type sales. These sales have complied with the principles of recognition the income from finished product sale as a consequence of applying this kind of policy; furthermore, the products have been delivered to the customers, in compliance with the medium delivery dates, that is 60 days, and the medium collection dates, which in 2017 were between 30 and 60 days, depending on the customer.

### 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.

| <b>Other operating income</b>         | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|---------------------------------------|------------------|------------------|
| Revenues from various activities      | 123              | 121              |
| Revenues from indemnifications        | 10,503           | 186              |
| Revenues from subsidy to asset values | 18,910           | 18,910           |
| Miscellaneous                         | 426,094          | 523,820          |
| <b>Total</b>                          | <b>455,630</b>   | <b>543,037</b>   |

*All amounts in Lei, if not otherwise stated*

In Miscellaneous is included the income from the reception of greenhouse gas emissions certificates in value of 0.40 mil lei, according to the accounting policy described in the notes.

In 2010 the Company received a subsidy for investments in amount of 1.6 mil lei, and in 2017 the company has recognized as income corresponding to these subsidies the amount of 0.018 mil lei. Income from subsidies is recognized related to the depreciation of the corresponding fixes assets. The subsidy recognized refers to the 15% of the credit received by the Group from BERD sources, for the energy efficiency project started during year 2009, together with the new brick factory in Recea.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

| <b>Other revenues and losses</b>      | <b>31.mar. 17</b> | <b>31.mar.16</b> |
|---------------------------------------|-------------------|------------------|
| Revenue from the sale of assets       | 77,751            | 9,285            |
| Expenses from the sale of assets      | (80,970)          |                  |
| Cancellation of other provisions      | 1,158,664         | 1,130,057        |
| Expenses from establishing provisions | 0                 | 0                |
| <b>Total gains /losses</b>            | <b>1,155,445</b>  | <b>1,139,342</b> |

*All amounts in Lei, if not otherwise stated*

Income corresponding to the reversal of provisions has numbered 1.15 mil lei (for more details, see Note 20 "Provisions").

### 5. Operating expenses

| <b>Other operating expenses</b>          | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--|------------------|------------------|
| Utilities                                | 2,335,294        | 2,801,330        |
| Repairs                                  | 278,146          | 272,235          |
| Rent                                     | 194,196          | 239,793          |
| Insurances                               | 289,249          | 179,156          |
| Fees                                     | 130,324          | 176,099          |
| Publicity                                | 460,959          | 222,620          |
| Travel and transport                     | 2,329,596        | 2,781,339        |
| Post and telecommunications              | 31,515           | 39,331           |
| Other services provided by third parties | 701,810          | 615,929          |
| Taxes to the state budget                | 400,511          | 223,517          |
| Miscellaneous                            | 281,657          | 222,162          |
|  | <b>7,433,257</b> | <b>7,773,511</b> |

*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.

The level of achievement of the objectives is assessed periodically, following the assessment the employees receive a monthly/quarterly and annual performance bonus, proportional to the assessment and depending on the company's overall performance.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

| <b>Personnel expenses without key management</b>     | <b>31.mar.17</b> | <b>31.mar.16</b> |
|--|------------------|------------------|
| Salaries   | 1,832,305        | 1,701,180        |
| Bonuses  | 1,430,687        | 1,235,022        |
| Civil contracts                                      | 0                | 0                |
| Tax and social insurance                             | 769,205          | 678,301          |
| Other benefits                                       | 158,601          | 100,066          |
|  | <b>4,190,798</b> | <b>3,714,569</b> |
| <hr/>  |                  |                  |
| <b>Outstanding salaries at the end of the period</b> | <b>457,001</b>   | <b>495,883</b>   |

*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.*

| <b>Indemnities expense:</b>                          | <b>31.mar.17</b> | <b>31.mar.16</b> |
|--|------------------|------------------|
| Administrators                                       | 69,243           | 56,120           |
| Remuneration of managers                             | 140,054          | 134,258          |
| Bonuses of Managers                                  | 0                | 0                |
| Share-based Payment                                  | 0                | 0                |
| Tax and social insurance                             | 46,809           | 42,965           |
|  | <b>256,106</b>   | <b>233,343</b>   |
| <hr/>  |                  |                  |
| <b>Outstanding salaries at the end of the period</b> |                  | <b>31.mar.16</b> |
| Administrators                                       | 19,977           | 13,180           |
| Managers   | 10,678           | 9,349            |
|  | <b>30,655</b>    | <b>22,529</b>    |

*All amounts in Lei, if not otherwise stated*

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

The directors' income consists of the monthly compensation and the annual bonus calculated based on the operational profit.

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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.
- 

\* Note (history): During the period 01.01.2016 – 18.05.2016 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. KJK Fund II by affiliate KJK CARAMIDA SRL – by Jaakko Salmelin.
- 

*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.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**Employees**

The structure and average number of employees is: 193

| <b>Average number of employees</b> | <b>31.mar.17</b> | <b>31.dec.16</b> |
|------------------------------------|------------------|------------------|
| Management staff                   | 58               | 58               |
| Production staff                   | 135              | 130              |
|                                    | <b>193</b>       | <b>188</b>       |

**7. Financial income and expenses**

| <b>Financial income</b> | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|-------------------------|------------------|------------------|
| Interest income         | 13,987           | 11,789           |
| Exchange differences    | 22,212           | 30,258           |
| <b>Total</b>            | <b>36,199</b>    | <b>42,047</b>    |

*All amounts in Lei, if not otherwise stated*

| <b>Financial expenses</b> | <b>31-Mar-17</b> | <b>31-Mar-16</b>   |
|---------------------------|------------------|--------------------|
| Interest costs            | (448,705)        | (662,914)          |
| Other financial expenses  | (195,084)        | (348,601)          |
| Exchange differences      | (29,578)         | (18,504)           |
| <b>Total</b>              | <b>(673,367)</b> | <b>(1,030,019)</b> |

*All amounts in Lei, if not otherwise stated*

The financial expenses consist mainly of the following categories: Interest expenses 0.44 mil lei, financial discounts expenses (according to the sales policy) 0.19 mil Lei, Exchange differences 0.02 mil lei.

Financial income is represented by interest income of 0.01 mil lei, Exchange differences of 0.02 mil lei.

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

|  | <b>Revaluatio<br/>n Suppliers</b> | <b>Revaluatio<br/>n Leasing</b> | <b>Reevaluatio<br/>n available</b> | <b>Total</b> |
|--|-----------------------------------|---------------------------------|------------------------------------|--------------|
| Expenditure on foreign exchange differences      | (3,083)                           | (21,380)                        | (5,115)                            | (29,578)     |
| Revenues regarding exchange currency differences | 6,097                             | 15,753                          | 362                                | 22,212       |

*All amounts in Lei, if not otherwise stated*

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**8. Taxes**

| <b>Current tax</b>   | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--|------------------|------------------|
| Expenses with year profit tax                                  | -                | -                |
| Adjustments for profit of previous years                       | -                | -                |
| <b>Total current tax</b>                                       |                  |                  |
| <b>Deferred corporate tax</b>                                  | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
| Total deferred tax at the beginning of period                  | 1,262,668        | 35,975           |
| <u>Reversed temporary differences</u>                          | -                | -                |
| Recognition of deferred tax that was not previously recognized | -                | -                |
| <b>Total deferred corporate tax</b>                            | <b>1,262,668</b> | <b>35,975</b>    |
| <b>Total tax</b>   | <b>1,262,668</b> | <b>35,975</b>    |

*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**

| <b>Earnings per share</b>             | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|---------------------------------------|------------------|------------------|
| Number of outstanding shares          | 113,990,218      | 92,790,775       |
| Total profit/ (loss)                  | (126,603)        | (1,056,582)      |
| <b>Total profit/ (loss) per share</b> | <b>(0.0011)</b>  | <b>(0.0114)</b>  |

## **CEMACON SA**

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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 – “Capital stock”**

#### **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.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**11. Tangible assets**

**Gross value of assets as at 31<sup>st</sup> of March 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            |                |                |                      |                  |                                       |                       | 437,209            |
| Buildings                      | 34,728,829         |                |                |                      |                  | (216,046)                             |                       | 34,728,829         |
| Machinery, Plant and Equipment | 104,265,680        | 30,663         |                |                      | ( 310,214 )      |                                       |                       | 103,986,129        |
| Furniture and office equipment | 230,074            | 20,661         |                |                      |                  |                                       |                       | 250,735            |
| Fixed assets in progress       | 1,758,418          | 765,040        |                |                      | ( 110,814)       |                                       |                       | 2,412,644          |
| <b>Total</b>                   | <b>147,154,836</b> | <b>816,364</b> | <b>59,489</b>  | <b>0</b>             | <b>(421,028)</b> | <b>( 1,277,494 )</b>                  | <b>0</b>              | <b>147,609,661</b> |

**Gross value of assets as at 31<sup>st</sup> 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          |
| <b>Total</b>                   | <b>143,534,655</b> | <b>7,916,512</b> | <b>510,199</b> | <b>0</b>             | <b>(4,806,530)</b> | <b>(1,277,494)</b>                    |                       | <b>147,154,836</b> |

*All amounts in Lei, if not otherwise stated*

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

Amount of depreciation and impairment as of 31<sup>st</sup> of March 2017

| <b>Depreciation</b>   | <b>Initial balance</b> | <b>Depreciation and impairments during the year</b> | <b>Depreciation related to fixed assets transferred</b> | <b>Depreciation of fixed assets held for sale</b> | <b>Adjustments established during the year</b> | <b>Adjustments resumed on income</b> | <b>Final balance</b> |
|---|------------------------|---|---|---|--|--------------------------------------|----------------------|
| Depreciation of land arrangements                           | 224,483                |   |   |   |  |                                      | 224,483              |
| Depreciation of buildings                                   | 1,516,334              | 384,046   |   |   |  |                                      | 1,900,380            |
| Depreciation of machinery, plant, equipment                 | 28,863,869             | 1,111,935   | 225,078   |   |  |                                      | 29,750,726           |
| Depreciation of furniture and office equipment              | 85,241                 | 6,265   | 4,165   |   |  |                                      | 87,341               |
| Adjustments for impairment of land                          | 68,124                 |   |   |   |  |                                      | 68,124               |
| Adjustments for impairment of machines, equipment and plant | -                      |   |   |   |  |                                      | -                    |
| <b>Total</b>  | <b>30,758,051</b>      | <b>1,502,246</b>                                    | <b>229,243</b>  |   |  | <b>-</b>                             | <b>32,031,054</b>    |

Amount of depreciation and impairment as of 31<sup>st</sup> of December 2016

| <b>Depreciations and adjustments</b>                        | <b>Initial balance</b> | <b>Depreciation and impairments during the year</b> | <b>Depreciation related to fixed assets transferred</b> | <b>Depreciation of fixed assets held for sale</b> | <b>Adjustments established during the year</b> | <b>Adjustments resumed on income</b> | <b>Final balance</b> |
|---|------------------------|---|---|---|--|--------------------------------------|----------------------|
| 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)                          |                      |
| <b>Total</b>  | <b>29,032,098</b>      | <b>6,584,898</b>                                    | <b>205,498</b>  |   |  | <b>(4,653,447)</b>                   | <b>30,758,051</b>    |

*All amounts in Lei, if not otherwise stated*

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**Tangible assets (Continued)**

Net value of tangible assets on 31<sup>st</sup> of March 2017

| <b>Tangible assets March 2017</b> | <b>Gross value at 31 March 2017</b> | <b>Reclassifications for sale</b> | <b>Depreciation</b>  | <b>Adjustments</b> | <b>Net value at 31 Mar. 2017</b> |
|-----------------------------------|-------------------------------------|-----------------------------------|----------------------|--------------------|----------------------------------|
| Land                              | 5,794,115                           | -                                 | -                    | (68,124)           | 5,725,991                        |
| Land improvements                 | 437,209                             | -                                 | (224,483)            | -                  | 212,726                          |
| Buildings                         | 34,728,829                          | -                                 | (1,900,380)          | -                  | 32,828,449                       |
| Machinery, Plant and Equipment    | 103,986,129                         | -                                 | (29,750,726)         | -                  | 74,235,403                       |
| Furniture and office equipment    | 250,735                             | -                                 | (87,341)             | -                  | 163,394                          |
| Fixed assets in progress          | 2,412,644                           | -                                 | -                    | -                  | 2,412,644                        |
| <b>Total</b>                      | <b>147,609,661</b>                  | <b>-</b>                          | <b>( 31,962,930)</b> | <b>(68,124)</b>    | <b>115,578,607</b>               |

Net value of tangible assets on 31<sup>st</sup> of Dec. 2016

| <b>Tangible assets 2016</b>    | <b>Gross value at 31. Dec 2016</b> | <b>Reclassifications for sale</b> | <b>Depreciation</b> | <b>Adjustments</b> | <b>Net value at 31 dec 2016</b> |
|--------------------------------|------------------------------------|-----------------------------------|---------------------|--------------------|---------------------------------|
| 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                       |
| <b>Total</b>                   | <b>147,154,836</b>                 | <b>-</b>                          | <b>(30,689,929)</b> | <b>(68,124)</b>    | <b>116,396,783</b>              |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### Tangible assets (Continued)

#### Fixed assets held for sale

Following the completion of the restructuring process for the loans with Banca Comerciala Romana in 2015, the assets held for sale were mostly transferred to Cemacon Real Estate SRL.

Thus, the assets, consisting of lands, buildings and equipment in the municipality of Zalau, with a value of 21.7 mil lei, were transferred from Cemacon SA to Cemacon Real Estate at the same time as the novation of an amount of 5 mil EUR of the bank loan.

From the set of assets that were the transfer object, a plot of land worth 1.061 mil lei, as well as a piece of real estate worth 0.216 mil lei, could not be transferred in 2015 and will be subsequently transferred, when transfer conditions are met.

#### 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 stopping 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 31.03.2017

| Assets March 2017 | Initial balance | Amortisations and depreciations | Value additions | Final balance  |
|-------------------|-----------------|---------------------------------|-----------------|----------------|
| Stripping         | 672,297         | (34,185)                        |                 | 638,112        |
| <b>Total</b>      | <b>672,297</b>  | <b>(34,185)</b>                 | -               | <b>638,112</b> |

All amounts in Lei, if not otherwise stated

During the period January - March 2017, the company Cemacon has not recorded **deStripping-related asset**. This asset is booked under Buildings category.

Stripping is amortized using a linear amortization method over a period of 12 years.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### Revaluation of fixed assets

On the 31<sup>st</sup> of December 2016 the Company requested the evaluation of an independent appraiser, represented by the company SC INVEST CONSULTING SRL, a market analysis – opinion on the market value on the 31.12.2016 (compared to the situation on 31.12.2015) for the assets of Cemacon S.A. and of Cemacon Real Estate S.R.L, in view of informing the users.

As a consequence of this analysis, on the 31<sup>st</sup> of December 2016 there are no significant changes compared to the previous year (31<sup>st</sup> 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 <b>land</b> was appraised by direct comparison technique (Level 2 property) and the <b>buildings</b> 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 <b>land</b> was appraised by direct comparison technique. (Level 2 property)   |
| Beltiug (warehouse land)                   | The <b>land</b> was appraised by direct comparison technique (Level 2 property), and <b>buildings</b> 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 |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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### **Treatment of revaluation reserve for tax purposes**

Subsequently to changing the tax code, starting May 1, 2009 revaluation reserves of fixed assets made after January 1, 2004, which are deducted from the calculation of the taxable income through tax depreciation or expenditure on sold assets and / or retired, taxation is made at the same time with deduction of tax depreciation, that is at the discharge of these fixed assets, as appropriate.

The impact of the revaluation reserve in the deferred tax of year 2016 is presented as a debt related to deferred tax in amount of 580.689 lei.

### **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.

On the 31st of Dec. 2012 the Company registered an impairment loss from the depreciation of equipment from Recea factory. The impairment loss was recognized in the retained earnings for the previous year (i.e. 2011) and in the profit and loss account for 2012.

Currently from all the assets, the income generating activity is focused on Recea factory assets, land, buildings and equipment representing a clay quarry exploitation, preparation and production halls, production line (press, dryer, oven etc), storage area.

In order to determine the recoverable value of the assets, for the income generating unit "Recea Factory", an updated cash flow pattern was used, based on the Company forecast for a period of 5 years.

In 2011 the Company registered an impairment loss of 7,673,080 lei, and in 2012 the Group registered a reversal of the impairment loss in amount of 3,019,633 lei.

The value in use for year 2011 was calculated updating the future cash flows, using a discount rate of 15.11%.

The value in use for year 2012 was calculated updating the future cash flows, using a discount rate of 16.77%

The discount rates were calculated according to the Weighted Average Cost of Capital (WACC) method, adding elements as Market risk premium, Risk premium of the share, Country risk premium, Company specific risk premium, beta coefficient, using information sources like Damodaran, available public information and information specific to the activity. The cash flows were designed for a period of 5 years, and the residual value is calculated for the rest of the period.

On the 31st of December 2016, the entity re-analyzed the factors which might lead to indications related to depreciation, using the same method of the updated cash flows as follows:

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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The entity considered in the depreciation analysis the assets existent on the 31<sup>st</sup> of Dec. 2016 in the income generating entity "Recea Factory".

Based on the results obtained in the current year (i.e. 2016) and on the estimates for year 2017, a 7 year forecast was drawn, with the purpose of reaching a stable cash flow, used for calculating the terminal value. Taking into consideration that in 2016 the Company's activity was also influenced by the production line in Zalau, the income generated by Zalau production line were eliminated from the future cash flows.

In order to calculate the updated value of the cash flows a discount rate of 12% after taxation was used, calculated according to the WACC method (Weighted Average Cost of Capital - Costul Mediu Ponderat al Capitalului).

At the end of the 7 year forecast, the entity's value was determined by the perpetuity growth method, using a growth rate of 2%.

In order to guarantee the certitude of the information related to the obtained values, a sensitivity analysis was carried out with 9 results of the terminal value, considering different discount rates (WACC 10.5%, 11.2%, 12%), as well as different perpetuity growth rates (2%, 2.5%, 3%).

Upon using the net working capital in the calculation, only the investments for replacing the existent fixed assets were taken into account, and not the additional ones.

In the analysis the adjustments for impairment, the Company has a discrete attitude, considering the smallest output (WACC 12%) and the perpetuity growth rate of 2%).

Another element considered for the improvement of the result is the loading of production capacity at Recea Factory from 67% in year 2011 to 100% beginning with 2014.

The Company's sales have constantly increased along the years, so that in 2016 the Company's turnover is 218% higher than in 2011. (86,992,221 lei in 2016 vs 27,370,101 lei in 2011)

The ceramic blocks market registered a growth of 16%, compared to its values of 2011.

**Considering the aspects analysed, the entity believes that there is no evidence on impairment of assets in Recea factory and therefore believes that the cancellation of depreciation in amount of 4.563.447 registered in the previous years is justified.**

According to IAS 36, due to the fact that the impairment loss was initially recognized in the profit and loss account, this adjustment in 2016 is to be resumed by the profit and loss account, so that the entity registers an income of 4.563.477 lei from the cancellation of the adjustment for impairment.

**CEMACON SA**

Notes to the Individual Financial Statements  
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**12. Intangible assets**

The structure of intangible assets is:

**31 March 2017**

| <b>Intangible assets</b>       | <b>Initial balance</b> | <b>Internal developments</b> | <b>Acquisitions</b> | <b>Final balance</b> |
|--------------------------------|------------------------|------------------------------|---------------------|----------------------|
| Development expenditure        | 771,343                | -                            | -                   | 771,343              |
| Concessions, licenses, patents | 119,316                | -                            | -                   | 119,316              |
| Other intangible assets        | 106,411                | -                            | -                   | 106,411              |
| <b>Total</b>                   | <b>997,070</b>         | <b>-</b>                     | <b>-</b>            | <b>997,070</b>       |

**31 December 2016**

| <b>Intangible assets</b>       | <b>Initial balance</b> | <b>Internal developments</b> | <b>Acquisitions</b> | <b>Final balance</b> |
|--------------------------------|------------------------|------------------------------|---------------------|----------------------|
| Development expenditure        | 771,343                | 0                            | 0                   | 771,343              |
| Concessions, licenses, patents | 96,413                 | 0                            | 22,903              | 119,316              |
| Other intangible assets        | 106,411                | 0                            | 0                   | 106,411              |
| <b>Total</b>                   | <b>974,167</b>         | <b>0</b>                     | <b>22,903</b>       | <b>997,070</b>       |

*All amounts in Lei, if not otherwise stated*

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

| <b>Amortization and adjustments intangible assets<br/>31 March 2017</b> | <b>Initial balance</b> | <b>In-year amortization</b> | <b>Adjustments for depreciation</b> | <b>Final balance</b> |
|---|------------------------|-----------------------------|-------------------------------------|----------------------|
| Development expenditure   | 481,886                | 23,078                      | -                                   | 504,964              |
| Concessions, licenses, patents  | 87,658                 | 4,933                       | -                                   | 92,591               |
| Other intangible assets   | 93,320                 | 3,391                       | -                                   | 96,711               |
| <b>Total</b>  | <b>662,864</b>         |                             | <b>-</b>                            | <b>694,266</b>       |

| <b>Amortization and adjustments intangible assets<br/>31 Dec. 2016</b> | <b>Initial balance</b> | <b>In-year amortization</b> | <b>Adjustments for depreciation</b> | <b>Final balance</b> |
|--|------------------------|-----------------------------|-------------------------------------|----------------------|
| Development expenditure  | 389,573                | 92,313                      | -                                   | 481,886              |
| Concessions, licenses, patents   | 70,943                 | 16,715                      | -                                   | 87,658               |
| Other intangible assets  | 76,053                 | 17,267                      | -                                   | 93,320               |
| <b>Total</b>   | <b>536,569</b>         |                             | <b>-</b>                            | <b>662,864</b>       |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### Net value of intangible assets:

| Intangible asset type          | 2017            |                | 2016            |                |
|--------------------------------|-----------------|----------------|-----------------|----------------|
|                                | Inventory value | Net value      | Inventory value | Net value      |
| Development expenditure        | 771,343         | 266,379        | 771,343         | 289,457        |
| Concessions, licenses, patents | 119,316         | 26,725         | 119,316         | 31,658         |
| Other intangible assets        | 106,411         | 9,700          | 106,411         | 13,091         |
| <b>Total</b>                   | <b>997,070</b>  | <b>302,804</b> | <b>997,070</b>  | <b>334,206</b> |

*All amounts in Lei, if not otherwise stated*

During the period January-March 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 31 March 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                       | Mar.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        | -           | -           |
| <b>Total</b>                                | <b>200</b>  | <b>200</b>  |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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

The Cemacon Real Estate SRL Company is a limited liability company, duly set up and operating, under the Romanian legislation. It has registered offices in the municipality of Zalau, str. Fabricii nr.1, Salaj County, Romania, registered at the Trade Register under no. J31/414/2014, tax reference number (CUI) RO32604048.

It was set up so that, based on the Novation Agreement signed between BCR, Cemacon and Cemacon Real Estate, the latter should take over some of the Outstanding Payment Obligations owed by Cemacon to BCR and capitalize the non-productive assets transferred from Cemacon SA to Cemacon Real Estate Srl, following the same agreement.

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 Company 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 totalizes RON 17,901,689 lei (euro 3,942,148, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31<sup>st</sup> 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.

Long-term real estate securities are measured at historical cost less potential adjustments for loss of value. The classification of real estate values as financial assets or short-term investments is made function of the Company's intention regarding the duration of holding securities, of up to one year or more than a year.

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

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| <b>Name of company</b> | <b>Country of registration</b> | <b>Date of registration</b> | <b></b>                          | <b></b> |
|------------------------|--------------------------------|-----------------------------|----------------------------------|---------|
| Cercon Ariesul SA      | Romania                        | 2004                        | production of building materials | 11,45%  |

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## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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|                       |                 |      |  |      |
|-----------------------|-----------------|------|--|------|
| Cemacon<br>Estate Srl | Real<br>Romania | 2013 | Buying and selling of<br>own real estate | 100% |
|-----------------------|-----------------|------|--|------|

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On 31 March 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 31 March 2017, the company owned shares in Cemacon Real Estate SRL worth 200 lei, representing 100% of its capital.

On 31 March 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 701,702 lei.

On 31 March 2017, the company did not have loans granted to S.C. Cercon Ariesul S.A., neither had it guaranteed for any of the loans contracted by S.C. Cercon Ariesul S.A.

During the period January-March 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 31.03.2017 the balance of these contracts is of 1,352,339 lei.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**15. Inventories**

| <b>Inventory</b>                    | <b>31-Mar-17</b>  | <b>31-Dec-16</b>  |
|-------------------------------------|-------------------|-------------------|
| Raw materials and consumables       | 2,845,515         | 3,393,551         |
| Packaging                           | 1,735,733         | 2,045,412         |
| Adjustments                         | (67,752)          | (67,752)          |
| Production in progress              | 91,895            | 72,549            |
| Adjustments                         | -                 | -                 |
| Semi-products and finished products | 9,006,570         | 4,726,541         |
| Adjustments                         | (45,618)          | (45,618)          |
| Goods                               | 1,521,975         | 884,486           |
| Adjustments                         | (66,760)          | (66,760)          |
| <b>Total</b>                        | <b>15,021,558</b> | <b>10,942,409</b> |

*All amounts in Lei, if not otherwise stated*

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

| <b>Raw materials and consumables</b> | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--------------------------------------|------------------|------------------|
| Raw materials                        | 1,147,287        | 1,069,546        |
| Additional material                  | 794,820          | 709,177          |
| Packaging                            | 769,989          | 489,993          |
| Goods                                | 236,439          | 353,061          |
| Inventory items                      | 22,841           | 49,572           |
| Other supplies                       | 5,405            | 7,105            |
| Miscellaneous                        | 853,003          | 751,222          |
| <b>Total</b>                         | <b>3,829,784</b> | <b>3,429,676</b> |

*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.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**16. Trade receivables and other receivables**

| <b>Trade and other receivables</b>   | <b>31-Mar-17</b> | <b>31-Dec-16</b>  |
|--|------------------|-------------------|
| Trade receivables  | 8,048,289        | 10,074,216        |
| Adjustments for trade receivables  | (1,579,588)      | (1,579,588)       |
| Intragroup receivables   | 2,065,401        | 1,898,410         |
| Adjustments for intragroup receivables   | -                | -                 |
| Receivables to partners / shareholders   | -                | -                 |
| Employees  | -                | -                 |
| Corporate tax  | -                | -                 |
| Other debts against the State Budget   | 273,922          | 200,264           |
| Subsidies  | -                | -                 |
| Sundry debtors and other receivables   | 22,150           | (2,181)           |
| Adjustments for other receivables  | -                | -                 |
| Receivable interest  | 36,009           | 36,009            |
| <b>Total financial assets other than cash, classified as loans and receivables</b> | <b>8,866,183</b> | <b>10,627,130</b> |
| Advances   | 551,238          | 449,797           |
| <b>Total</b>   | <b>9,417,420</b> | <b>11,076,927</b> |

*All amounts in Lei, if not otherwise stated*

The structure of receivables according to their age on March 31, 2017 is as follows:

| <b>Analysis of age</b>              | <b>31-Mar-17</b> | <b>31-Dec-16</b> |
|-------------------------------------|------------------|------------------|
| Receivables not yet                 | 6,701,681        | 8,034,030        |
| Unadjusted outstanding receivables: |                  |                  |
| Up to 3 months                      | 2,206,622        | 2,739,830        |
| months 3 to 6                       | 202,892          | 198,341          |
| months 6 to 12                      | 235,304          | 38,940           |
| over 12 months                      | 70,921           | 65,786           |
|                                     |                  | 11,076,92        |
| <b>Total</b>                        | <b>9,417,420</b> | <b>7</b>         |

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

| Adjustments                        | 31-Mar-17 | 31-Dec-16 |
|------------------------------------|-----------|-----------|
| At the beginning of the period     | 1,579,588 | 1,357,302 |
| Established during the year        |           | 282,833   |
| Cancellation of unused adjustments |           | -60,547   |
| Exchange differences               |           |           |
| At the end of the period           | 1,579,588 | 1,579,588 |

*All amounts in Lei, if not otherwise stated*

Through the credit control system, the Company has diminished the losses from doubtful debts, along the year 2016 they totaled 282,833 lei, and efforts were constantly made in order to recover old debts/receivables.

The Company's trade receivables consist of a large number of customers. The permanent evaluation of the customer credits is carried out on the financial condition of the customers.

In order to reduce the credit risk, the Company has established a commercial credit insurance with the company Coface.

On 31<sup>st</sup> of December 2016 the number of customers insured with Coface is of 211. The total value of these limits offers a significant coverage of the non-collection risk.

The financial risk generated by the foreign currency transactions have a small impact on the operational activity of the company; the sales and collections are carried out in the national currency (lei) without the exchange variation affecting the sale value; the purchases in foreign currency are below the percentage of 8% of the turnover.

| Date      | Element                     | Nescadente              | until 3 months | between 3 and 6 months |
|-----------|-----------------------------|-------------------------|----------------|------------------------|
| 31-Mar-17 | Trade and other receivables | 6,701,681               | 2,206,622      | 202,892                |
| 31-Mar-17 | Cash and cash equivalents   | 24,386,617              |                |                        |
| 31-Mar-17 | Trade and other liabilities | 10,844,706              | 2,899          | 156,187                |
| 31-Mar-17 | Loans                       | 706,798                 | 1,413,584      | 2,120,376              |
| Date      | Element                     | between 6 and 12 months | over 12 months | Total                  |
| 31-Mar-17 | Trade and other receivables | 235,304                 | 70,921         | 9,417,420              |

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

|           |                             |           |            |            |
|-----------|-----------------------------|-----------|------------|------------|
| 31-Mar-17 | Cash and cash equivalents   |           |            | 24,386,617 |
| 31-Mar-17 | Trade and other liabilities | 1,799     | 48,331     | 11,053,922 |
| 31-Mar-17 | Loans                       | 2,120,376 | 47,204,676 | 53,565,810 |

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

#### 17. Trade and other liabilities

| Trade and other liabilities   | 31-Mar-17         | 31-Dec-16         |
|---|-------------------|-------------------|
| Trade liabilities   | 7,657,593         | 7,125,813         |
| Suppliers of fixed assets   | 352,559           | 1,048,956         |
| Intra-group liabilities   | -                 | -                 |
| Lease liabilities   | 21,312            | 19,575            |
| Debt related to employees   | 509,677           | 575,654           |
| Taxes and social contributions  | 1,059,114         | 501,615           |
| Other tax liabilities   | 232,617           | 1,051,333         |
| Other liabilities   | 244,047           | 835,666           |
| Interest to pay   | 2,931             | 2,931             |
| <b>Total debt less loans classified as measured at amortized cost</b> | <b>10,079,851</b> | <b>11,161,544</b> |
| Dividends   | -                 | -                 |
| Advances  | 792,670           | 210,637           |
| Revenue in advance  | 181,401           | 487,260           |
| <b>Total</b>  | <b>11,053,922</b> | <b>11,859,442</b> |

*All amounts in Lei, if not otherwise stated*

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**18. Loans**

The classification of short-term and long-term loans on the 31<sup>st</sup> of March 2017 is the following:

| <b>Current loans</b>                | <b>31-Mar-17</b>  | <b>31-Dec-16</b>  |
|-------------------------------------|-------------------|-------------------|
| Short-term loans and overdraft      |                   |                   |
| Current long-term loans             |                   |                   |
| Bonds                               | 5,388,343         | 4,055,150         |
| Loans from non-banking institutions |                   |                   |
| Financial lease                     |                   |                   |
| Loans from affiliates               | 972,791           | 984,993           |
| <b>Total current loans</b>          |                   |                   |
| <b>Long term loans</b>              | <b>6,361,134</b>  | <b>5,040,143</b>  |
| Long-term loans                     |                   |                   |
| Bonds                               | 46,384,250        | 47,717,450        |
| Financial lease                     |                   |                   |
| Loans from affiliates               | 820,425           | 1,069,832         |
| <b>Total long term loans</b>        | <b>47,204,675</b> | <b>48,787,282</b> |
| <b>Total</b>                        | <b>53,565,810</b> | <b>53,827,425</b> |

*All amounts in Lei, if not otherwise stated*

On the 31<sup>st</sup> of March 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 31<sup>st</sup> of Dec. 2016 Cemacon SA did not have amounts used from the contracted credit facility.

On the 31<sup>st</sup> of March 2017, the loan structure is as follows:

| <b>Loan institution</b> | <b>31-Mar-17<br/>Lei</b> | <b>31-Dec-16<br/>Lei</b> |
|-------------------------|--------------------------|--------------------------|
| Banca Comerciala Romana | -                        | -                        |
| CEC Bank                | 51,772,600               | 51,772,600               |
| CEC interests           | -                        | -                        |
| <b>TOTAL</b>            | <b>51,772,600</b>        | <b>51,772,600</b>        |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

The bank guarantees consisting in non-current assets on the 31<sup>st</sup> of March 2017 related to the contracted loans have the following structure:

| <b>Pledged and restricted tangible assets</b> | <b>31-Mar-17</b>   | <b>31-Dec-16</b>   |
|---|--------------------|--------------------|
| Land  | 6,787,439          | 6,727,950          |
| Land arrangements                             | 212,726            | 212,726            |
| Buildings                                     | 33,044,494         | 33,428,541         |
| Machines, plants and equipment                | 62,266,062         | 75,401,811         |
| Furniture and office appliance                | 163,394            | 144,833            |
| Assets in progress                            | 2,412,644          | 1,758,418          |
| <b>Total</b>                                  | <b>104,886,759</b> | <b>117,674,279</b> |

*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 31.05.2016 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

The debts regarding the employees' benefits consist of:

Indemnity for annual leave, which is annually granted for the leaves used in the reference year. For the unused leaves, the company established at the end of the year a provision for unused leaves.

Upon retirement, according to the collective labour agreement valid in 2016, the employees shall receive once, according to the seniority in the company, the following indemnities:

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

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

| <b>Employee's benefits</b>            | <b>Mar-17</b> | <b>Dec-16</b> |
|---------------------------------------|---------------|---------------|
| Benefits upon retirement              | 182,352       | 182,352       |
| Provision related to the annual leave | 257,889       | 257,889       |

**CEMACON SA**Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

|                              |                  |                  |
|------------------------------|------------------|------------------|
| Employee Bonuses             | 25,669           | 1,184,332        |
| Management bonuses           | 1,135,945        | 1,135,945        |
| <b>Total</b>                 | <b>1,601,855</b> | <b>2,760,518</b> |
| <b>Structure of Benefits</b> | <b>Dec-16</b>    | <b>Dec-15</b>    |
| Short-term                   | 1,419,503        | 2,578,166        |
| Long-term                    | 182,352          | 182,352          |
| <b>Total</b>                 | <b>1,601,855</b> | <b>2,760,518</b> |

*All amounts in Lei, if not otherwise stated*

In case of unjust dismissal of the General Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the Financial Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €48,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the President of the Board of Directors – Orion Strategy Solution, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 20. Provisions

The structure of provisions on the 31<sup>st</sup> of March 2017 is the following:

| Provision                           | Initial balance  | Used amounts       | Reversal unused amounts | Increases regarding the discount of amounts once with the passing of time | Effects of modification of discount rate | Final balance    |
|-------------------------------------|------------------|--------------------|-------------------------|---|--|------------------|
| Disputes                            | 1,486,031        |                    |                         | -   | -  | 1,486,031        |
| Unused leaves                       | 257,889          |                    | -                       | -   | -  | 257,889          |
| Pensions                            | 182,352          |                    | -                       | -   | -  | 182,352          |
| Environmental reclamation provision | 450,006          | -                  | -                       |   | -  | 450,006          |
| Bonus provision for employees       | 1,184,332        | (1,158,663)        |                         |   |  | 25,669           |
| Bonus provision for management      | 1,135,945        |                    |                         |   |  | 1,135,945        |
| Bonus provision for administrators  | 282,562          |                    |                         |   |  | 282,562          |
| Other provisions                    | 231,650          |                    | -                       | -   | -  | 231,650          |
| <b>Total</b>                        | <b>5,210,767</b> | <b>(1,158,663)</b> | -                       | -   | -  | <b>4,052,104</b> |

*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    |
|-------------------------------------|------------------|----------------|
| Disputes                            | 1,486,031        |                |
| Unused leaves                       | 257,889          |                |
| Pensions                            |                  | 182,352        |
| Environmental reclamation provision |                  | 450,006        |
| Other provisions                    | 1,675,826        |                |
| <b>Total</b>                        | <b>3,419,746</b> | <b>632,358</b> |

*All amounts in Lei, if not otherwise stated*

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

On 31<sup>st</sup> of March 2017 the company had provisions established for risks and expenses in amount of 4.05 mil lei. The main sums refer to:

1. Dispute with the company Viezental Money Management SRL, requiring the payment of EURO 300,000 success fee + legal expenses, as a consequence of the provision of services contract of 21<sup>st</sup> of May 2012
2. Provision for employee and management bonuses in amount of 1.16 mil lei

## CEMACON SA

### Notes to the Individual Financial Statements for the period ended on 31<sup>st</sup> of March 2017

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3. Dispute with Ana Pop, requiring the payment of 71,041 updated with the legal interest + legal expenses, as a consequence of the management contract of year 2006 and the corresponding addenda.
4. Provision for unused leaves in amount of 0.25 mil lei
5. Other provisions in amount of 1.14 mil lei.

The Company created provisions for the following events, which shall generate further cash outflows as a result of the past events:

- Dispute provisions: under the existing disputes on the 31<sup>st</sup> of December, 2016 and using the best estimates regarding their settlement, the company established provisions for the estimated amounts to be paid. The presented amounts include both the estimated compensations on the 31<sup>st</sup> of December, 2016 and the related legal expenses. The probability of winning these disputes is below 50%, and that is why the corresponding provisions were established.
- Provisions for unused leaves: the Company 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 company's employees and related leave indemnities. The Company estimates that the amounts related to such provisions shall be done in 2017.
- Environmental reclamation provisions: due to the fact that the Company also carries out activities related to mineral resource exploitation (clay) under the operating permits and licenses, it is liable to make environmental reclamation 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 company established provisions related to such expenses.
- Other provisions: within such categories, various provisions are included for which the Company is expected to achieve short-term cash outflows but with uncertain value. To estimate such amounts, the company used the best estimates and knowledge on the generating facts on the 31<sup>st</sup> of December, 2016.

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**List of Disputes on 31st of March 2017**

| <b>Number of file</b> | <b>Plaintiff</b>                  | <b>Defendant</b> | <b>Object</b>   | <b>Court</b>              | <b>Stage</b> | <b>Value of dispute</b> | <b>Explanations</b>  |
|-----------------------|-----------------------------------|------------------|-----------------|---------------------------|--------------|-------------------------|--|
| 5595/337/2015         | POP ANA PRIN<br>AV.VULTUR<br>IOAN | CEMACON          | Sue<br>petition | Zalau Court               | Retrial      | 75.291 ron              | Dispute in claims related to the total amount due as reversal compensation without just cause in case of a former member of the company's management (demanding a larger amount of this compensation). |
| 1674/1285/2015        | VIZENTAL<br>MONEY<br>MANAGEMENT   | CEMACON          | Sue<br>petition | Specialized<br>Court Cluj | Substance    | 300.000 euro            | Success fee required by court action, not granted by the company as a consequence of a legal opinion, independent in this sense (non granting) .   |

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**21. Deferres tax**

| <b>Deferred income tax</b>   | <b>Mar-17</b>      | <b>Dec-16</b>      |
|--|--------------------|--------------------|
| 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<br>were not previously acknowledged |                    | 184,117            |
| <b>Total Deferred income tax</b>   | <b>(1,262,668)</b> | <b>(1,262,668)</b> |
| <b>Total deferred tax</b>  | <b>(1,262,668)</b> | <b>(1,262,668)</b> |

*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.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 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.

| <i>Fixed assets</i> | <b>Book value on 31<br/>Dec.2016</b> | <b>Outflows</b> | <b>Inflows</b> | <b>Book value on 31 Mar<br/>2017</b> |
|---------------------|--------------------------------------|-----------------|----------------|--------------------------------------|
| Lands               | 1,061,449                            | -               | -              | 1,061,449                            |
| Buildings           | 216,046                              | -               | -              | 216,046                              |
| <b>Total</b>        | <b>1,277,495</b>                     | -               | -              | <b>1,277,495</b>                     |

*All amounts in Lei, if not otherwise stated*

### 23. Issued Capital

On the 31<sup>st</sup> of December 2016 the structure of issued capital was as follows:

| <b>Structure of issued capital</b>        | <b>31-Mar-17</b>  | <b>31-Dec-16</b>  |
|---|-------------------|-------------------|
| 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          |
| <b>Issued capital value</b>               | <b>11,399,022</b> | <b>11,399,022</b> |

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:

|                                    | <b>31-Mar-17</b>       |                       | <b>31-Dec-16</b>       |                       |
|------------------------------------|------------------------|-----------------------|------------------------|-----------------------|
|                                    | <b>Number</b>          | <b>Value</b>          | <b>Number</b>          | <b>Value</b>          |
| 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             | -                      | -                     | -                      | -                     |
| <b>TOTAL</b>                       | <b>113,990,218 lei</b> | <b>11,399,022 lei</b> | <b>113,990,218 lei</b> | <b>11,399,022 lei</b> |

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

The changes at the equity level in 2015 were generated by the conversion in shares of a debt totaling RON 58 millions, indicating the completion of the restructuring process and the entering among Cemacon's shareholders of the investment fund Business Capital for Romania-Opportunity Fund Cooperatied U.A from Holland.

Shareholding structure of the 31<sup>st</sup> of December 2015:

| 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, 1 <sup>st</sup> district                             | 31,799,065         | 27.8963%         |
| SC CONSULTANTA ANDREI&ANDREI SRL, ARAD, ARAD county                               | 19,686,728         | 17.2705%         |
| S.S.I.F. BROKER S.A., CLUJ-NAPOCA, CLUJ county                                    | 16,657,252         | 14.6129%         |
| Other shareholders / others   | 14,048,105         | 12.3240%         |
| <b>TOTAL</b>  | <b>113,990,218</b> | <b>100.0000%</b> |

Source: CENTRAL DEPOSITORY, Date: 12/31/2015

Shareholding structure of the 31<sup>st</sup> 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, 1 <sup>st</sup> 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%         |
| <b>TOTAL</b>  | <b>113.990.218</b> | <b>100.0000%</b> |

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

As a consequence of the transactions developed on the capital market on the 7<sup>th</sup> of Feb. 2017, the new shareholding structure is:

| Shareholder   | Number of shares   | Percent          |
|---|--------------------|------------------|
| BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND COOPERATIEF U.A. loc. AMSTERDAM NLD | 37,616,768         | 32.9999%         |
| S.C. DEDEMAN S.R.L.   | 33,057,163         | 28.9999%         |
| SC CONSULTANTA ANDREI&ANDREI SRL  | 17,586,728         | 15.4283%         |
| S. CIT RESOURCES S.A.   | 12,454,949         | 10.9263%         |
| S.I.F. MUNTENIA   | 4,235,990          | 3.7161%          |
| Other shareholders / others   | 9,038,620          | 7.9293%          |
| <b>TOTAL</b>  | <b>113,990,218</b> | <b>100.0000%</b> |

Source: CENTRAL DEPOSITORY, Date: 02/09/2017

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

### 24. Reserves

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

| Type of reserve            | Description and purpose  |
|----------------------------|--|
| <i>Legal reserve</i>       | 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   |
| <i>Revaluation reserve</i> | 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.                                  |
| <i>Other reserves</i>      | 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         |           | -         | 2,113,883         |
| Revaluation reserves | 14,800,380        | -         |           | 14,800,380        |
| Other reserves       | 1,779,459         |           | -         | 1,779,459         |
| <b>Total</b>         | <b>18,693,722</b> | -         | -         | <b>18,693,722</b> |

### 25. Lease

On 31.03.2017 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 |

The situation of debts regarding the financial lease on the 31<sup>st</sup> of March, 2017 is the following:

| Leased assets | Initial balance | Increases | Reduction | Final balance |
|---------------|-----------------|-----------|-----------|---------------|
| Buildings     |                 |           |           |               |
| Vehicles      | 449,288         |           | 0 78,952  | 370,336       |
| Equipment     | 1,544,112       |           | 0 182,657 | 1,361,455     |

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

|              |                  |          |                |                  |
|--------------|------------------|----------|----------------|------------------|
| <b>Total</b> | <b>1,993,400</b> | <b>0</b> | <b>261,609</b> | <b>1,731,791</b> |
|--------------|------------------|----------|----------------|------------------|

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

**31.03.2017**

| <b>Lease payment due date</b> | <b>Total value</b> | <b>Interest</b> | <b>Net value</b> |
|-------------------------------|--------------------|-----------------|------------------|
| less than 1 year              | 955,760            | 44,394          | 911,366          |
| between 1-5 years             | 848,879            | 28,454          | 820,425          |
| over 5 years                  | 0                  | 0               | 0                |
| <b>Total</b>                  | <b>1,804,639</b>   | <b>72,848</b>   | <b>1,731,791</b> |

**2016**

| <b>Lease payment due date</b> | <b>Total value</b> | <b>Interest</b> | <b>Net value</b> |
|-------------------------------|--------------------|-----------------|------------------|
| 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                |
| <b>Total</b>                  | <b>2,084,974</b>   | <b>91,574</b>   | <b>1,993,400</b> |

**26. Transactions with affiliates**

The company's affiliates in 2017 are:

- Consultanta Andrei&Andrei Srl with registered office in Bucharest, 1<sup>st</sup> district, 14 Jandarmeriei str., building A2, 3<sup>rd</sup> 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

**CEMACON SA**

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

**Transactions with affiliates (Continued)**

The transactions with affiliates are summarized in the following table:

| <b>Affiliates</b>             | <b>Service sales</b>         |                              | <b>Service acquisitions</b>  |                             |
|-------------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
|                               | <b>1 Jan. – 31 Mar. 2017</b> | <b>1 Jan. – 31 Dec. 2016</b> | <b>1 Jan. – 31 Mar. 2017</b> | <b>1 Jan. – 31 Dec.2016</b> |
| Consultanta Andrei&Andrei Srl | 0                            | -                            | 30,881                       | 193,038                     |
| KJK Fund II SICAV-SIF         | 0                            | -                            | 0                            | 127,868                     |
| Orion Strategy Solution Srl   | 0                            | -                            | 132,916                      | 666,488                     |
| Dedeman SRL                   | 706,687                      | 0                            | 16,301                       | 0                           |
| RSL Capital Advisors SRL      | 0                            | -                            | 20,544                       | 74,021                      |
| Cemaccon Real Estate          | 0                            | 1,062,550                    | 131,603                      | 739,944                     |
| <b>Total</b>                  | <b>706,687</b>               | <b>1,062,550</b>             | <b>332,245</b>               | <b>1,801,359</b>            |

*Amounts in Lei*

The balances with affiliates are summarized in the following table:

| <b>Affiliates</b>             | <b>Receivables from affiliates</b> |                  | <b>Debts to affiliates</b> |                  | <b>Loans granted</b>         |                              |
|-------------------------------|------------------------------------|------------------|----------------------------|------------------|------------------------------|------------------------------|
|                               | <b>31 March 2017</b>               | <b>31-Dec-16</b> | <b>31 March 2017</b>       | <b>31-Dec-16</b> | <b>01.01.2017-31.03.2017</b> | <b>01.01.2016-31.12.2016</b> |
| Consultanta Andrei&Andrei Srl | -                                  | -                | -                          | -                | -                            | -                            |
| KJK Fund II SICAV-SIF         | -                                  | -                | -                          | -                | -                            | -                            |
| Orion Strategy Solution Srl   | -                                  | -                | -                          | -                | -                            | -                            |
| Dedeman SRL                   | 45,076                             | -                | 11,948                     | -                | -                            | -                            |
| RSL Capital Advisors SRL      | -                                  | -                | -                          | -                | -                            | -                            |
| Cemaccon Real Estate          | 749,071                            | 749,071          | -                          | -                | 1,352,339                    | 1,149,339                    |
| <b>Total</b>                  | <b>794,147</b>                     | <b>749,071</b>   | <b>11,948</b>              | <b>-</b>         | <b>1,352,339</b>             | <b>1,149,339</b>             |

*Amounts in Lei*

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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### 27. Cash and cash equivalents

| <b>Cash and cash equivalents</b> | <b>31.mar.2017</b> | <b>31.dec.2016</b> |
|----------------------------------|--------------------|--------------------|
| Cash at bank                     | 24,372,905         | 28,732,178         |
| Cash and cash equivalents        |                    | 4,121              |
| <b>Total</b>                     | <b>24,386,617</b>  | <b>28,736,299</b>  |

On the 31<sup>st</sup> of March 2017 there are no financial instruments generating credit risk exposure. The balances of the cash accounts denominated in currency on 31.03.2017 are not significant.

### 28. Other financial assets

On the 31st of March 2017 the Company had a number of 9.432 certificates of greenhouse gas emissions in amount of 245.577 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 - March 2017 the Company did not have adjustments of accounting errors corresponding to the previous years.

### 30. Payment based on shares

Considering the decision no. 1 of the Ordinary General Meeting of Shareholders of Cemacon SA as of the 25<sup>th</sup> of October, 2013, implemented by the Decision no. 108 of the Board of Directors of Cemacon SA as of the 24<sup>th</sup> of September, 2014 and management agreements signed with the company's managers whereby there is the obligation to grant a bonus in the Company's shares to the management, more exactly, during 2014-2016, within the total limit of 5% of the Company's issued capital during the aforementioned period and within the minimum annual limit of 1.6% of the Company's issued capital.

The bonus shares for the management refer to 5% of the capital stock of Cemacon S.A, and shall be granted on a free basis; the shares come from a capital increase, waiving the right of first refusal.

On 31.12.2016, the Company has evaluated the share-based payment, with settlement in equity instruments, achieving the corresponding growth directly in ownership equity in amount of 2.024.226, out of which 716,577 correspond to year 2016.

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

|  | 2016   | 2016                | 2015  | 2015                | 2014   | 2014                |
|--|--|---------------------|---|---------------------|--|---------------------|
|  | Weighted<br>average of<br>the<br>acquisition<br>price<br>(RON) | Number of<br>shares | Weighted<br>average of<br>the<br>acquisition<br>price (RON) | Number of<br>shares | Weighted<br>average of<br>the<br>acquisition<br>price<br>(RON) | Number<br>of shares |
| Unpaid at the beginning<br>of period   | 0,3374   | 3,875,664           | 0,3374  | 1.937.832           | 0,3374   | 1.937.832           |
| Granted during the year                | 0,3374   | 2,123,821           | 0,3374  | 1.937.832           | -  | -                   |
| Canceled during the year               | -  | -                   | -   | -                   | -  | -                   |
| Used during the year                   | -  | -                   | -   | -                   | -  | -                   |
| Expired during the year                | -  | -                   | -   | -                   | -  | -                   |
| <b>Unpaid at the end of<br/>period</b> | <b>0.3374</b>  | <b>5,999,485</b>    | <b>0,3374</b>   | <b>3.875.664</b>    | <b>0,3374</b>  | <b>1.937.832</b>    |

The total number of shares to be granted within the agreement is 5.999.485.

For the determination of the amount, the trading price of Cemacon shares at Bucharest Stock Exchange was considered, valid on the 31<sup>st</sup> of December 2014: 0.2748 lei/share and the price of 0.4000 lei per share, price which may stabilize the market following the capital operations. The average of the 2 prices applied, reaching an average price of 0.3374 lei/per share.

### 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, 1<sup>st</sup> 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 31<sup>st</sup> of December, 2016, and 31<sup>st</sup> of March, 2017, are:

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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| Foreign currency | Abbreviation | Exchange rate |           |
|------------------|--------------|---------------|-----------|
|                  |              | 31.mar.17     | 31.dec.16 |
| US Dollar        | USD          | 4,2615        | 4,3033    |
| Euro             | EUR          | 4,5511        | 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 31<sup>st</sup> of December, 2016, fees to auditors under the agreement concluded between the parties. The Company's audit is provided by SC Deloitte Audit SRL.

### **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 10<sup>th</sup> of May 2017.**

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

## **31. 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 31<sup>st</sup> 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,

## CEMACON SA

Notes to the Individual Financial Statements  
for the period ended on 31<sup>st</sup> of March 2017

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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**

Stoleru Liviu

Signature \_\_\_\_\_

### **Financial Manager**

Sologon Daniel

Signature \_\_\_\_\_

Company's stamp



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\*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  
10th of May 2017

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR PERIOD ENDED 31st of March 2017**

Drafted according to the International reporting standards (IRFS)



**CEMACON**

Căramizi inteligente **EVO**CERAMIC

SC CEMACON SA  
Cod Fiscal 677858  
Cod Registrul Comertului J12/2466/2012

**CEMACON SA**

Situatia pozitiei financiare consolidate  
(Consolidated statement of financial position)  
pentru perioada incheiata la 31 Martie 2017  
(for the period ended 31<sup>st</sup> of March 2017)

| <b>ACTIVE (ASSETS)</b>                                |           | <b>31-Mar-17</b>   | <b>31-Dec-16</b>   |
|---|-----------|--------------------|--------------------|
| <b>Active imobilizate</b>                             |           | <b>LEI</b>         | <b>LEI</b>         |
| <b>Non-current assets</b>                             |           |                    |                    |
| Imobilizari corporale                                 | <b>11</b> | 115,578,607        | 116,396,783        |
| <i>Property, plant and equipment</i>                  |           |                    |                    |
| Investitii imobiliare                                 |           | -                  | -                  |
| <i>Investment property</i>                            |           |                    |                    |
| Imobilizari necorporale                               | <b>12</b> | 302,805            | 334,207            |
| <i>Intangible assets</i>                              |           |                    |                    |
| Investitii in actiuni                                 | <b>14</b> | -                  | -                  |
| <i>Investments</i>                                    |           |                    |                    |
| Alte active imobilizate                               |           | 701,702            | 112,752            |
| <i>Other non-current assets</i>                       |           |                    |                    |
|   |           | <b>116,583,114</b> | <b>116,843,742</b> |
| <b>Active circulante</b>                              |           |                    |                    |
| <b>Current assets</b>                                 |           |                    |                    |
| Stocuri   | <b>15</b> | 15,021,880         | 10,942,408         |
| <i>Inventories</i>                                    |           |                    |                    |
| Creante comerciale si similare                        | <b>16</b> | 7,588,758          | 9,489,074          |
| <i>Trade and other receivables</i>                    |           |                    |                    |
| Alte active financiare                                |           | 245,577            | 490,721            |
| <i>Other financial assets</i>                         |           |                    |                    |
| Numerar si echivalente numerar                        | <b>27</b> | 25,676,444         | 29,957,212         |
| <i>Cash and cash equivalents</i>                      |           |                    |                    |
|   |           | <b>48,532,659</b>  | <b>50,879,415</b>  |
| Active clasificate drept detinute în vederea vânzării | <b>22</b> | <b>19,238,703</b>  | <b>19,238,703</b>  |
| <i>Assets classified as held for sale</i>             |           |                    |                    |
| <b>TOTAL ACTIVE (TOTAL ASSETS)</b>                    |           | <b>184,354,476</b> | <b>186,961,860</b> |
| <b>DATORII (LIABILITIES)</b>                          |           |                    |                    |
| <b>DATORII CURENTE</b>                                |           |                    |                    |
| <b>CURRENT LIABILITIES</b>                            |           |                    |                    |
| Datorii comerciale si similare                        | <b>17</b> | 11,958,451         | 12,856,779         |
| <i>Trade and other payables</i>                       |           |                    |                    |
| Imprumuturi   | <b>18</b> | 6,361,134          | 5,040,143          |

**CEMACON SA**

Situatia pozitiei financiare consolidate  
*(Consolidated statement of financial position)*  
 pentru perioada incheiata la 31Martie2017  
*(for the period ended 31<sup>st</sup>Martie 2017)*

|                                     |           |                   |                   |
|-------------------------------------|-----------|-------------------|-------------------|
| <i>Loans and borrowings</i>         |           |                   |                   |
| Subventii pentru investitii         |           | -                 | -                 |
| <i>Grants received</i>              |           |                   |                   |
| Datorii privind impozitul pe profit |           |                   | 64,496            |
| <i>Tax liability</i>                |           |                   |                   |
| Provizioane                         | <b>20</b> | 3,419,745         | 4,578,409         |
| <i>Provisions</i>                   |           |                   |                   |
|                                     |           | <b>21,739,330</b> | <b>22,539,827</b> |

Datoriile incluse în grupurile destinate cedării

*Liabilities directly associated with assets in disposal groups classified as held for sale*

**DATORII PE TERMEN LUNG****NON-CURRENT LIABILITIES**

|  |           |                   |                   |
|--|-----------|-------------------|-------------------|
| Datorii comerciale si similare                 | <b>17</b> | -                 | -                 |
| <i>Non-current trade and other liabilities</i> |           |                   |                   |
| Imprumuturi                                    | <b>18</b> | 64,021,925        | 65,567,579        |
| <i>Loans and borrowings</i>                    |           |                   |                   |
| Subventii pentru investitii                    |           | 1,139,927         | 1,158,837         |
| <i>Grants received</i>                         |           |                   |                   |
| Impozit amanat                                 | <b>21</b> | 1,241,071         | 1,241,071         |
| <i>Deferred tax</i>                            |           |                   |                   |
| Provizioane                                    | <b>20</b> | 632,358           | 632,358           |
| <i>Provisions</i>                              |           |                   |                   |
|  |           | <b>67,035,281</b> | <b>68,599,845</b> |

**TOTAL DATORII (TOTAL LIABILITIES)****88,774,611****91,139,671****ACTIVE NETE (NET ASSETS)****95,579,865****95,822,189****CAPITAL SI REZERVA (EQUITY)**

|   |           |             |             |
|---|-----------|-------------|-------------|
| Capital social  | <b>23</b> | 20,613,371  | 20,613,371  |
| <i>Issued capital</i>   |           |             |             |
| Beneficii acordate angajatilor in instrumente de capitaluri proprii |           | 2,024,226   | 2,024,226   |
| <i>Benefits granted to employees in equity instruments</i>          |           |             |             |
| Impozit profit amanat   |           | (1,188,241) | (1,188,241) |
| <i>Deferred tax</i>   |           |             |             |
|   |           | -           | -           |

**CEMACON SA**

Situatia pozitiei financiare consolidate  
(Consolidated statement of financial position)  
pentru perioada incheiata la 31Martie2017  
(for the period ended 31<sup>st</sup>Martie 2017)

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|  |           |                   |                   |
|--|-----------|-------------------|-------------------|
| Actiuni proprii  |           |                   |                   |
| <i>Own Shares</i>  |           |                   |                   |
| Prime legate de emiterea de actiuni  |           | 54,850,347        | 54,850,347        |
| <i>Share premium</i>   |           |                   |                   |
| Rezerve din reevaluare aferente active destinate vanzarii  | <b>24</b> | 5,629,211         | 5,629,211         |
| <i>Amounts recognised in other comprehensive income and accumulated in equity relating to non-current assets held for sale</i> |           |                   |                   |
| Rezerve  | <b>24</b> | 18,088,829        | 18,088,790        |
| <i>Reserves</i>  |           |                   |                   |
| Rezultat reportat  |           | (4,437,878)       | (4,195,515)       |
| <i>Retained earnings</i>   |           |                   |                   |
| <b>Interesele care nu controleaza</b>  |           | -                 | -                 |
| <b><i>Non-controlling interest</i></b>   |           |                   |                   |
| <b>TOTAL CAPITALURI (TOTAL EQUITY)</b>   |           | <b>95,579,865</b> | <b>95,822,189</b> |

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

**CEMACON SA**

Situatia consolidata a rezultatului global  
(Consolidated statement of comprehensive income)  
pentru perioada incheiata la 31Martie2017  
(for the period ended 31<sup>st</sup>Martie 2017)

|   |                  | 31-Mar-17         | 31-Mar-16         |
|---|------------------|-------------------|-------------------|
|   |                  | LEI               | LEI               |
| <b>Venituri din vanzari</b>                               | <b><u>3</u></b>  | <b>11,762,749</b> | <b>10,900,767</b> |
| <b>Sales revenues</b>                                     |                  |                   |                   |
| Alte venituri din exploatare                              | <u>4</u>         | 485,663           | 575,426           |
| <i>Other operating revenues</i>                           |                  |                   |                   |
| Alte castiguri si pierderi                                | <u>4</u>         | 1,155,445         | 1,137,665         |
| <i>Other gains and losses</i>                             |                  |                   |                   |
| Variatia stocurilor                                       |                  | 4,385,203         | 4,050,996         |
| <i>Change in inventories of FG &amp; WiP</i>              |                  |                   |                   |
| Materii prime si consumabile                              | <u>15</u>        | (3,834,677)       | (3,429,705)       |
| <i>Raw material and consumables used</i>                  |                  |                   |                   |
| Cheltuieli de personal                                    | <u>6</u>         | (4,455,756)       | (3,949,847)       |
| <i>Personnel Expenses</i>                                 |                  |                   |                   |
| Amortizare si deprecieri                                  |                  | (1,533,648)       | (1,551,653)       |
| <i>Depreciation and amortisation expenses</i>             |                  |                   |                   |
| Alte cheltuieli din exploatare                            | <u>5</u>         | (7,453,726)       | (7,762,518)       |
| <i>Other operating expenses</i>                           |                  |                   |                   |
| <b>Profit / (Pierdere) din exploatare</b>                 |                  | <b>511,253</b>    | <b>(28,869)</b>   |
| <b>Profit / (Loss) from operation</b>                     |                  |                   |                   |
| Venituri financiare                                       | <u>7</u>         | 180,269           | 369,521           |
| <i>Financial income</i>                                   |                  |                   |                   |
| Cheltuieli financiare                                     | <u>7</u>         | (933,842)         | (1,205,605)       |
| <i>Financial expenses</i>                                 |                  |                   |                   |
| <b>Rezultat Financiar</b>                                 |                  | <b>(753,573)</b>  | <b>(836,084)</b>  |
| <b>Financial Result</b>                                   |                  |                   |                   |
| <b>Profit / (Pierdere) inainte de impozitare</b>          |                  | <b>(242,320)</b>  | <b>(864,953)</b>  |
| <i>Profit before tax</i>                                  |                  |                   |                   |
| Cheltuieli cu impozite                                    |                  |                   |                   |
| <i>Tax expenditure</i>                                    | <u>9</u>         |                   |                   |
| <b>Profit / (Pierdere)</b>                                |                  | <b>(242,320)</b>  | <b>(864,953)</b>  |
| <b>Profit after tax</b>                                   |                  |                   |                   |
| <b>Total alte elemente ale rezultatului global</b>        |                  |                   | <b>-</b>          |
| <b>Totality of other elements of comprehensive income</b> |                  |                   |                   |
| <b>Total rezultat global</b>                              | <b><u>32</u></b> | <b>(242,320)</b>  | <b>(864,953)</b>  |
| <b>Comprehensive income total</b>                         |                  |                   |                   |

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

## CEMACON SA

Note la Situațiile Financiare Consolidate  
pentru perioada încheiată la 31 Martie 2017

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### 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 31<sup>st</sup> March 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, 1<sup>st</sup> 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.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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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 (31<sup>st</sup> March 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 Leu, 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.

## CEMACON SA

Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

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### **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” și IAS 28 “Investments in associated companies and in joint ventures”** – Investment companies: applying the consolidation exception – adopted by EU on the 22<sup>nd</sup> of September 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IFRS 11 “Joint ventures”** – Accounting the acquisitions for joint operations – adopted by EU on the 24<sup>th</sup> of November 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January 2016),
- **Amendments to IAS 1 “Presentation of financial statements”** – Initiative related to the presentation requirement – adopted by EU on the 18<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 2<sup>nd</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IAS 16 “Tangible assets” and IAS 41 “Agriculture”** – Reproduction plants – adopted by EU on the 23<sup>rd</sup> of November 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016),
- **Amendments to IAS 19 “Employee benefits”** – Determined benefit plans - Employee contributions – adopted by EU on the 17<sup>th</sup> of December 2014 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2015),
- **Amendments to IAS 27 “Individual financial statements”** – equity method in the individual financial statements – adopted by EU on the 18<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 inconsistencies and clarifying certain forms – adopted by EU on the 17<sup>th</sup> of December 2014 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 inconsistencies and clarifying certain forms – adopted by EU on the 15<sup>th</sup> of December 2015 (applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2016).

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

## CEMACON SA

Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

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### Accounting policies *(continued)*

#### ***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 statements, 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 22<sup>nd</sup> of November 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 22<sup>nd</sup> of September 2016 (applicable for annual periods starting with or after the 1<sup>st</sup> 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 on 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> 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 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 1<sup>st</sup> 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 1<sup>st</sup> 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 1<sup>st</sup> of January of 2017),
- **Amendments to IAS 40 “Investment properties”** – Transfer of investment properties (applicable for annual periods starting with or after the 1<sup>st</sup> 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 forms (the Amendments to IFRS 12 are applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2017, and the amendments to IFRS 1 and IAS 28 are applicable for annual periods starting with or after the 1<sup>st</sup> of January of 2018),

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

- **IFRIC 22 “Currency transactions and advances”** (applicable for annual periods starting with or after the 1<sup>st</sup> 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.

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.

***Impairment 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 accounting requirements of these debts means that the income generated by the deterioration of an entity’s own credit risk is no longer recognized by profit or loss.

- **IFRS 14 “Deferral accounts corresponding to the regulated activities”** issued by IASB on the 30<sup>th</sup> 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.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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- **IFRS 15 “Revenues from contracts with customers”** issued by IASB on the 28<sup>th</sup> of May 2014 (on the 11<sup>th</sup> of September 2015, IASB postponed the entry into force of the IFRS 15 to the 1<sup>st</sup> of January 2018, and on the 12<sup>th</sup> 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 13<sup>th</sup> 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 can 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 lessees 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 20<sup>th</sup> 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 12<sup>th</sup> 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 11<sup>th</sup> of September 2014 (on the 17<sup>th</sup> 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

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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 presented 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 28<sup>th</sup> 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 6<sup>th</sup> 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 18<sup>th</sup> 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 29<sup>th</sup> 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 19<sup>th</sup> 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 12<sup>th</sup> 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 plants** issued by IASB on the 30<sup>th</sup> 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 21<sup>st</sup> of November 2013. The restricted applicability area of the amendments refers to the contributions of employees or third parties to the pre-defined benefit

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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 12<sup>th</sup> 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 8<sup>th</sup> 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 12<sup>th</sup> 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 25<sup>th</sup> 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 8<sup>th</sup> 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 Transactions and advances”** issued by IASB on the 8<sup>th</sup> of December 2016. The interpretation stipulates that – to the effect of determining the exchange date – the

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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:

- f) the significant risks and rewards resulting from the ownership of goods have been transferred to the purchaser;
- g) 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;
- h) the revenues can be reliably evaluated;
- i) it is probable that the economic benefits related to the transaction are generated by the company; and
- j) 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 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;

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c) the phase of transaction completed at the end of the reporting period may be reliably evaluated; and

#### **Accounting policies** (continued)

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.

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.

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- *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.

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.

#### **Accounting policies (continued)**

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

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

#### **Accounting policies (continued)**

- 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;

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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.

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

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- 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.

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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.

#### **Accounting policies (continued)**

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.

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Rubbish (stripping) – as a result of the stripping activity, unused in the production activity, will be registered according to the International Financial Reporting Standards IFRIC 20.

The fixed asset will be called “**Stripping activity asset**”

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.

#### **Accounting policies** (continued)

##### *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;

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- 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 of 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.

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.

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#### Accounting policies (continued)

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:

| <u>Asset</u>                          | <u>years</u> |
|---------------------------------------|--------------|
| 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, in the Company's case 8,470,000 sqm.

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

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.

**Accounting policies** *(continued)*

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)

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### ***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

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when they refer to the taxes collected by the same fiscal authority from the Group.

#### **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

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

pay on the balance sheet date in order to extinguish the liability or transfer it to a third party, at that particular time.

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.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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- 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.

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

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

“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.

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.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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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 evaluated 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.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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 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 asset justifies such depreciation method, the useful life of the fixed assets is expressed by the number of the produced units expected to be obtained by the Group using the mentioned asset, in case of the company 8,470,000 m<sup>3</sup>.

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

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

related to mineral resource exploitation (clay) under the operating permits and licenses, it is liable to make environmental reclamation 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 31<sup>st</sup> of March, 2017, which are updated in order to reflect the value in time of the money, for they are long term settled amounts.

| <b>Estimated values at the end of the reporting period</b> | <b>31.Mar.17</b> |
|--|------------------|
| Provisions related to employees and administrators         | 1,884,416        |
| Share based payment  | 2,024,226        |
| Provision Litigations                                      | 1,486,031        |
| Deferred tax   | 1,241,071        |
| Provision environmental reclamation                        | 450,006          |
| Other Provisions   | 231,650          |
| <b>Total estimated values</b>                              | <b>7,317,400</b> |

*All amounts in Lei, if not otherwise stated*

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

#### 3. Revenues

| <b>Sales revenues</b>      | <b>31-Mar-17</b>  | <b>31-Mar-16</b>  |
|----------------------------|-------------------|-------------------|
| Sales of finished products | 10,747,626        | 10,407,636        |
| Sales of goods             | 1,322,736         | 973,567           |
| Sales of services          | 34,706            | 29,549            |
| Trade discounts            | (342,319)         | (509,985)         |
| <b>Total</b>               | <b>11,762,749</b> | <b>10,900,767</b> |

*All amounts in Lei, if not otherwise stated*

The main revenues earned by the Group in 2017 are considered the sales of finished products 10.74 mil lei, sales of merchandise 1.32 mil lei and the provision of services 0,034 mil lei, and the value of the commercial discounts, corresponding to the product sales was of 0.34 mil lei.

As a consequence of the specificity of the activity during the year 2017, the Group has has "Bill & Hold"-type sales. These sales have complied with the principles of recognition the income from finished product sale as a consequence of applying this kind of policy; furthermore, the products have been delivered to the customers, in compliance with the medium delivery dates that is 60 days, and the medium collection dates, which in 2016 were between 30 and 60 days, depending on the customer.

#### 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.

| <b>Other operating income</b>         | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|---------------------------------------|------------------|------------------|
| Revenues from various activities      | 25,288           | 32,510           |
| Revenues from indemnifications        | 10,503           | 186              |
| Revenues from subsidy to asset values | 18,910           | 18,910           |
| Miscellaneous                         | 430,962          | 523,820          |
| <b>Total</b>                          | <b>485,663</b>   | <b>575,426</b>   |

*All amounts in Lei, if not otherwise stated*

Income corresponding to receiving the greenhouse gas emissions certificates, in amount of 0.40 mil lei, booked in Miscellaneous category, according to the accounting policy described in the notes.

In 2010 the Group received a subsidy for investments in amount of 1.6 mil lei, and in 2017 the Group has recognized as income corresponding to these subsidies the amount of 0.018 mil lei.

Income from subsidies is recognized related to the depreciation of the corresponding fixes assets.

The subsidy recognized refers to the 15% of the credit received by the Group from BERD sources, for the energy efficiency project started during year 2009, together with the new brick factory in Recea.

**CEMACON SA**Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

| <b>Other revenues and losses</b>         | <b>31.mar. 17</b> | <b>31.mar.16</b> |
|--|-------------------|------------------|
| Revenues from the sale of assets         | 77,751            | 9,285            |
| Expenses from the sale of assets         | (80,970)          | (1,677)          |
| Revenues from cancellation of provisions | 1,158,664         | 1,130,057        |
| Expenses from establishing provisions    | 0                 | 0                |
| <b>Total gains/ losses</b>               | <b>1,155,445</b>  | <b>1,137,665</b> |

*All amounts in Lei, if not otherwise stated*

Income corresponding to the reversal of provisions has numbered 1.15 mil lei (for more details, see Note 20 "Provisions").

**5. Operating expenses**

| <b>Other operating expenses</b>          | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--|------------------|------------------|
| Utilities                                | 2,335,294        | 2,801,330        |
| Repairs                                  | 278,171          | 272,264          |
| Rent                                     | 83,605           | 133,394          |
| Insurances                               | 293,396          | 181,213          |
| Fees                                     | 138,785          | 176,647          |
| Publicity                                | 460,959          | 222,620          |
| Travel and transport                     | 2,329,671        | 2,781,339        |
| Post and telecommunications              | 31,515           | 39,331           |
| Other services provided by third parties | 796,705          | 675,117          |
| Taxes to the state budget                | 423,968          | 257,101          |
| Miscellaneous                            | 281,657          | 222,162          |
|  | <b>7,453,726</b> | <b>7,762,518</b> |

*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.

The level of goal fulfillment is periodically evaluated following the evaluation the employees receive a monthly/quarterly/annually performance bonus proportional to the evaluation result and depending on the Group's performance as a whole.

**CEMACON SA**Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

| <b>Personnel expenses without key management</b> | <b>31.mar.17</b> | <b>31.mar.16</b> |
|--|------------------|------------------|
| Salaries   | 1,839,512        | 1,702,758        |
| Bonuses  | 1,430,687        | 1,235,022        |
| Temporary work contracts                         | 0                | 0                |
| Taxes and social contributions                   | 770,850          | 678,658          |
| Other benefits                                   | 158,601          | 100,066          |
|  | <b>4,199,650</b> | <b>3,716,504</b> |

|   |                |                |
|---|----------------|----------------|
| Salarii de plata la sfarsitul perioadei | <b>461,580</b> | <b>496,253</b> |
|---|----------------|----------------|

*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.*

| <b>Indemnification expenses:</b>  | <b>31.mar.17</b> | <b>31.mar.16</b> |
|-----------------------------------|------------------|------------------|
| Managers                          | 69,243           | 56,120           |
| Compensation Directors            | 140,054          | 134,258          |
| Bonuses Directors                 | 0                | 0                |
| Share-based payment               | 0                | 0                |
| Taxes and contributions Directors | 46,809           | 42,965           |
|                                   | <b>256,106</b>   | <b>233,343</b>   |

| <b>Salaries payable at the end of the period:</b> |               | <b>31.mar.16</b> |
|---|---------------|------------------|
| Managers  | 19,977        | 13,180           |
| Directors   | 10,678        | 9,349            |
|   | <b>30,655</b> | <b>22,529</b>    |

*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 directors' income consists of the monthly compensation and the annual bonus calculated based on the operational profit.

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;

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

- 
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.
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\*Note (history) : During the period 01.01.2016 – 18.05.2016 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. KJK Fund II by affiliated party KJK CARAMIDA SRL – by Jaakko Salmelin.
- 

*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: 202

**Average number of employees**

**31. mar.17**

**31.dec.16**

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|                  |            |            |
|------------------|------------|------------|
| Management staff | 67         | 58         |
| Production staff | 135        | 130        |
|                  | <b>202</b> | <b>184</b> |

#### 7. Financial income and expenses

| Financial income     | 31-Mar-17      | 31-Mar-16      |
|----------------------|----------------|----------------|
| Interest income      | 13,987         | 11,789         |
| Exchange differences | 166,282        | 357,732        |
| <b>Total</b>         | <b>180,269</b> | <b>369,521</b> |

*All amounts in Lei, if not otherwise stated*

| Financial expenses       | 31-Mar-17      | 31-Mar-16        |
|--------------------------|----------------|------------------|
| Interest costs           | 526,020        | 768,435          |
| Other financial expenses | 195,084        | 348,601          |
| Exchange differences     | 212,738        | 88,569           |
| <b>Total</b>             | <b>933,842</b> | <b>1,205,605</b> |

*All amounts in Lei, if not otherwise stated*

The financial expenses consist mainly of the following categories: Interest expenses 0.52 mil lei, Financial discounts expenses (according to the sales policy) 0.19 mil Lei, Exchange differences 0.21 mil lei.

Financial income is represented by interest income of 0.014 mil lei, Exchange differences of 0.16 mil lei.

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

|  | Revaluation<br>Suppliers | Revaluation<br>Leasing | Revaluation<br>credit | Revaluation<br>available | <b>total</b> |
|--|--------------------------|------------------------|-----------------------|--------------------------|--------------|
| Expenditure on foreign exchange differences      | 3,083                    | 21,380                 | 5,115                 | 183,160                  | 212,738      |
| Revenues regarding exchange currency differences | 6,097                    | 15,753                 | 362                   | 144,070                  | 166,282      |

**CEMACON SA**Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017**8. Taxes**

| <b>Current tax</b>   | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--|------------------|------------------|
| Expenses with year profit tax                                  | -                | -                |
| Adjustments for profit of previous years                       | -                | -                |
| <b>Total current tax</b>                                       |                  |                  |
| <b>Deferred corporate tax</b>                                  | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
| Total deferred tax at the beginning of period                  | 1,241,071        |                  |
| <u>Reversed temporary differences</u>                          | -                | -                |
| Recognition of deferred tax that was not previously recognized | -                | -                |
| <b>Total deferred corporate tax</b>                            | <b>1,241,071</b> | <b>-</b>         |
| <b>Total tax</b>   | <b>1,241,071</b> | <b>-</b>         |

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**

| <b>Earnings per share</b>             | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|---------------------------------------|------------------|------------------|
| Number of outstanding shares          | 113,990,218      | 92,790,775       |
| Total profit/ (loss)                  | (242,320)        | (864,953)        |
| <b>Total profit/ (loss) per share</b> | <b>(0.0021)</b>  | <b>(0.0093)</b>  |

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

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Notes to Consolidated Financial Statements  
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For details relative to the number of shares, see **Note 23 – “Capital stock”**

### **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.

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**11. Tangible assets**

Cost value of assets as at 31st of March 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            |                |                |                      |                |                                       |                       | 437,209            |
| Buildings                      | 34,728,829         |                |                |                      |                | 216,046                               |                       | 34,728,829         |
| Machinery, Plant and Equipment | 104,265,680        | 30,663         |                |                      | 310,214        |                                       |                       | 103,986,129        |
| Furniture and office equipment | 230,074            | 20,661         |                |                      |                |                                       |                       | 250,735            |
| Fixed assets in progress       | 1,758,418          | 765,040        |                |                      | 110,814        |                                       |                       | 2,412,644          |
| <b>Total</b>                   | <b>147,154,836</b> | <b>816,364</b> | <b>59,489</b>  | <b>0</b>             | <b>421,028</b> | <b>1,277,494</b>                      | <b>0</b>              | <b>147,609,661</b> |

Value of the cost of assets as of 31<sup>st</sup> 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          |
| <b>Total</b>                   | <b>143,534,655</b> | <b>7,916,512</b> | <b>510,199</b> | <b>0</b>             | <b>4,806,530</b> | <b>1,277,494</b>                      |                       | <b>147,154,836</b> |

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Amount of depreciation and impairment as of 31<sup>st</sup> of March 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           |  |  |  |   |                               | 224,483           |
| Depreciation of buildings                                   | 1,516,334         | 384,046                                      |  |  |   |                               | 1,900,380         |
| Depreciation of machinery, plant, equipment                 | 28,863,869        | 1,111,935                                    | 225,078  |  |   |                               | 29,750,726        |
| Depreciation of furniture and office equipment              | 85,241            | 6,265  | 4,165  |  |   |                               | 87,341            |
| Adjustments for impairment of land                          | 68,124            |  |  |  |   |                               | 68,124            |
| Adjustments for impairment of machines, equipment and plant | -                 |  |  |  |   |                               | -                 |
| <b>Total</b>  | <b>30,758,051</b> | <b>1,502,246</b>                             | <b>229,243</b>                                   |  |   | -                             | <b>32,031,054</b> |

Amount of amortization and impairment as of 31<sup>st</sup> of December 2016

| Depreciations and Adjustments                               | 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                                   |                   | 1546589                                      | 30255  |  |   |                               | 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         |  |  |  |   | 4653447                       | -                 |
| <b>Total</b>  | <b>29,032,098</b> | <b>6,584,898</b>                             | <b>205,498</b>                                   |  |   | <b>4653447</b>                | <b>30,758,051</b> |

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**Tangible assets (Continued)**

Net value of tangible assets on 31<sup>st</sup> of March 2017

| Tangible assets March 2017     | Gross value at 31.Mar.<br>2017 | Revaluations for sale | Depreciation      | Adjustments   | Net value at 31<br>Mar. 2017 |
|--------------------------------|--------------------------------|-----------------------|-------------------|---------------|------------------------------|
| Land                           | 5,794,115                      | -                     | -                 | 68,124        | 5,725,991                    |
| Land improvements              | 437,209                        | -                     | 224,483           | -             | 212,726                      |
| Buildings                      | 34,728,829                     | -                     | 1,900,380         | -             | 32,828,449                   |
| Machinery, Plant and Equipment | 103,986,129                    | -                     | 29,750,726        | -             | 74,235,403                   |
| Furniture and office equipment | 250,735                        | -                     | 87,341            | -             | 163,394                      |
| Fixed assets in progress       | 2,412,644                      | -                     | -                 | -             | 2,412,644                    |
| <b>Total</b>                   | <b>147,609,661</b>             | <b>-</b>              | <b>31,962,930</b> | <b>68,124</b> | <b>115,578,607</b>           |

Net value of tangible assets on 31<sup>st</sup> of December 2016

| Tangible assets 2016           | Gross value at 31.Dec<br>2016 | Revaluations for sale | Depreciation      | Adjustments   | Net value at 31<br>Dec. 2016 |
|--------------------------------|-------------------------------|-----------------------|-------------------|---------------|------------------------------|
| 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                    |
| <b>Total</b>                   | <b>147,154,836</b>            | <b>-</b>              | <b>30,689,929</b> | <b>68,124</b> | <b>116,396,783</b>           |

## CEMACON SA

Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

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### 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.

Rubbish (stripping) – as a result of the stripping activity, unused in the production activity, will be registered according to the International Financial Reporting Standards IFRIC 20.

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 31.03.2017

| Assets March 2017 | Initial balance | Amortization and depreciation | Addition of value | Final balance |
|-------------------|-----------------|-------------------------------|-------------------|---------------|
| Stripping         | 672,297         | (34,185)                      |                   | 638,112       |
| <b>Total</b>      | <b>672,297</b>  | <b>(34,185)</b>               | -                 | 638,112       |

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 straight-line depreciation method during a period of 12 years.

#### Revaluation of fixed assets

On the 31<sup>st</sup> of December 2016 the Group requested the evaluation of an independent appraiser, represented by the company SC INVEST CONSULTING SRL, a market analysis – opinion on the market value on the 31.12.2016 (compared to the situation on 31.12.2015) for the assets of Cemacon S.A. and of Cemacon Real Estate S.R.L, in view of informing the users.

As a consequence of this analysis, on the 31<sup>st</sup> of December 2016 there are no significant changes compared to the previous year (31<sup>st</sup> 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.

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### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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:

| <b>Locations</b>                           | <b>The valuation procedure</b>   |
|--|--|
| Recea (Factory)                            | The <b>land</b> was appraised by direct comparison technique (Level 2 property) and the <b>buildings</b> 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 <b>land</b> was appraised by direct comparison technique. (Level 2 property)   |
| Beltiug (warehouse land)                   | The <b>land</b> was appraised by direct comparison technique (Level 2 property), and <b>buildings</b> 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:

| <b>Movements of revaluation reserves</b>                       | <b>2017</b> | <b>2016</b> |
|--|-------------|-------------|
| 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  |

#### **Treatment of revaluation reserve for tax purposes**

According to tax laws in Romania, by May 1, 2009 revaluation reserves of tangible assets became taxable only when their destination was changed.

Subsequently to changing the tax code, starting May 1, 2009 revaluation reserves of fixed assets made after January 1, 2004, which are deducted from the calculation of the taxable income through tax depreciation or expenditure on sold assets and / or retired, taxation is made at the same time with deduction of tax depreciation, that is at the discharge of these fixed assets, as appropriate.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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#### **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.

On the 31st of Dec. 2012 the Group registered an impairment loss from the depreciation of equipment from Recea factory. The impairment loss was recognized in the retained earnings for the previous year (i.e. 2011) and in the profit and loss account for 2012.

Currently from all the assets of Group, the income generating activity is focused on Recea factory assets, land, buildings and equipment representing a clay quarry exploitation, preparation and production halls, production line (press, dryer, oven etc), storage area.

In order to determine the recoverable value of the assets, for the income generating unit "Recea Factory", an updated cash flow pattern was used, based on the Group forecast for a period of 5 years.

In 2011 the Group registered an impairment loss of 7,673,080 lei, and in 2012 the Group registered a reversal of the impairment loss in amount of 3,019,633 lei.

The value in use for year 2011 was calculated updating the future cash flows, using a discount rate of 15.11%.

The value in use for year 2012 was calculated updating the future cash flows, using a discount rate of 16.77%

The discount rates were calculated according to the Weighted Average Cost of Capital (WACC) method, adding elements as Market risk premium, Risk premium of the share, Country risk premium, Company specific risk premium, beta coefficient, using information sources like Damodaran, available public information and information specific to the activity. The cash flows were designed for a period of 5 years, and the residual value is calculated for the rest of the period.

On the 31st of December 2016, the Group re-analyzed the factors which might lead to indications related to depreciation, using the same method of the updated cash flows as follows:

The Group considered in the depreciation analysis the assets existent on the 31<sup>st</sup> of Dec. 2016 in the income generating entity "Recea Factory".

Based on the results obtained in the current year (i.e. 2016) and on the estimates for year 2017, a 7 year forecast was drawn, taking into consideration that in 2016 the Group's activity was also influenced by the production line in Zalau, eliminating the income generated by this production line from the future cash flows.

In order to calculate the updated value of the cash flows a discount rate of 12% was used, calculated according to the WACC method (Weighted Average Cost of Capital).

At the end of the 7 year forecast, the entity's value was determined by the perpetuity growth method, using a growth rate of 2%.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

In order to guarantee the certitude of the information related to the obtained values, a sensitivity analysis was carried out with 9 results of the terminal value, considering different discount rates (WACC 10.5%, 11.2%, 12%), as well as different perpetuity growth rates (2%, 2.5%, 3%).

In the analysis the adjustments for impairment, the Company has a discrete attitude, considering the smallest output (WACC 12%) and the perpetuity growth rate of 2%.

Another element considered for the improvement of the result is the loading of production capacity at Recea Factory from 67% in year 2011 to 100% beginning with 2014.

The Group's sales have constantly increased along the years, so that in 2016 the Group's turnover is 218% higher than in 2011. (86,992,221 lei in 2016 vs 27,370,101 lei in 2011)

The ceramic blocks market registered a growth of 16%, compared to its values of 2011.

**Considering the aspects analysed, the Group believes that there is no evidence on impairment of assets in Recea factory and therefore believes that the cancellation of depreciation in amount of 4.563.447 registered in the previous years is justified.**

According to IAS 36, due to the fact that the impairment loss was initially recognized in the profit and loss account, this adjustment in 2016 is to be resumed by the profit and loss account, so that the entity registers an income of 4.563.477 lei from the cancellation of the adjustment for impairment.

## 12. Intangible assets

Structure of intangible assets:

### 31.03.2017

| Intangible assets              | Initial balance | Internal development | Acquisitions | Final balance  |
|--------------------------------|-----------------|----------------------|--------------|----------------|
| Development expenses           | 771,343         | -                    | -            | 771,343        |
| Concessions, patents, licenses | 119,316         | -                    | -            | 119,316        |
| Other intangible assets        | 106,411         | -                    | -            | 106,411        |
| <b>Total</b>                   | <b>997,070</b>  | <b>-</b>             | <b>-</b>     | <b>997,070</b> |

### 31<sup>st</sup> 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        |
| <b>Total</b>                   | <b>974,167</b>  | <b>0</b>             | <b>22,903</b> | <b>997,070</b> |

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

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Notes to Consolidated Financial Statements  
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| <b>Depreciation and adjustments for assets 31 Mar. 2017</b> | <b>Initial balance</b> | <b>Depreciation by year</b> | <b>Adjustments for depreciation</b> | <b>Final balance</b> |
|---|------------------------|-----------------------------|-------------------------------------|----------------------|
| Development expenses  | 481,886                | 23,078                      | -                                   | 504,964              |
| Concessions, patents, licenses                              | 87,658                 | 4,933                       | -                                   | 92,591               |
| Other intangible assets                                     | 93,320                 | 3,391                       | -                                   | 96,711               |
| <b>Total</b>  | <b>662,864</b>         |                             | <b>-</b>                            | <b>694,266</b>       |

| <b>Depreciation and adjustments for assets 31 Dec. 2016</b> | <b>Initial balance</b> | <b>Depreciation by year</b> | <b>Adjustments for depreciation</b> | <b>Final balance</b> |
|---|------------------------|-----------------------------|-------------------------------------|----------------------|
| 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               |
| <b>Total</b>  | <b>536,569</b>         |                             | <b>-</b>                            | <b>662,864</b>       |

**Net value of intangible assets:**

| <b>Asset Type</b>              | <b>2017</b>        |                  | <b>2016</b>        |                  |
|--------------------------------|--------------------|------------------|--------------------|------------------|
|                                | <b>Stock value</b> | <b>Net value</b> | <b>Stock value</b> | <b>Net value</b> |
| Development expenses           | 771,343            | 266,379          | 771,343            | 289,457          |
| Concessions, patents, licenses | 119,316            | 26,726           | 119,316            | 31,659           |
| Other intangible assets        | 106,411            | 9,700            | 106,411            | 13,091           |
| <b>Total</b>                   | <b>997,070</b>     | <b>302,805</b>   | <b>997,070</b>     | <b>334,207</b>   |

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.

## CEMACON SA

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### 13. Goodwill and Depreciation

The Group does not hold on 31<sup>st</sup> of March 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                      | Mar.17      | Dec.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            | -           | -           |
| <b>Total</b>                               | <b>200</b>  | <b>200</b>  |

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 March 31<sup>st</sup>, 2017, the Group held shares with an acquisition cost of RON 1,278,223, for which in 2010 a provision for impairment of shares was recorded, amounting to RON 1,278,223 (December 31, 2010: RON 1,278,223), the reason being that SC Cercon Aries SA entered bankruptcy proceedings starting June 11, 2009.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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On March 31<sup>st</sup>, 2017, the Group had 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 701,702 lei.

On March 31<sup>st</sup>, 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.

In the context of restructuring the Group'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 Group 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 (euro 3,942,148, calculated at the lei/euro exchange rate communicated by the national Bank of Romania on 31<sup>st</sup> 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.

**CEMACON SA**Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017**15. Inventory**

| <b>Inventory</b>                    | <b>31-Mar-17</b>  | <b>31-Dec-16</b>  |
|-------------------------------------|-------------------|-------------------|
| Raw materials and consumables       | 2,845,837         | 3,393,551         |
| Packaging                           | 1,735,733         | 2,045,412         |
| Adjustments                         | (67,752)          | (67,752)          |
| Production in progress              | 91,895            | 72,549            |
| Adjustments                         | -                 | -                 |
| Semi-products and finished products | 9,006,570         | 4,726,541         |
| Adjustments                         | (45,618)          | (45,618)          |
| Goods                               | 1,521,975         | 884,485           |
| Adjustments                         | (66,760)          | (66,760)          |
| <b>Total</b>                        | <b>15,021,880</b> | <b>10,942,408</b> |

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

| <b>Raw materials and consumables</b> | <b>31-Mar-17</b> | <b>31-Mar-16</b> |
|--------------------------------------|------------------|------------------|
| Raw materials                        | 1,147,287        | 1,069,546        |
| Additional material                  | 794,845          | 709,206          |
| Packaging                            | 769,989          | 489,993          |
| Goods                                | 241,307          | 353,061          |
| Inventory items                      | 22,841           | 49,572           |
| Other supplies                       | 5,405            | 7,105            |
| Miscellaneous                        | 853,003          | 751,222          |
| <b>Total</b>                         | <b>3,834,677</b> | <b>3,429,705</b> |

**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**

| <b>Trade receivables and other receivables</b> | <b>31-Mar-17</b> | <b>31-Dec-16</b> |
|--|------------------|------------------|
| Trade receivables                              | 8,169,996        | 10,255,678       |
| Adjustments for trade receivables              | (1,654,046)      | (1,654,046)      |
| Intragroup receivables                         |                  |                  |
| Adjustments for intragroup receivables         | -                | -                |

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|  |                  |                  |
|--|------------------|------------------|
| Receivables to partners / shareholders   | -                | -                |
| Employees  | -                | -                |
| Corporate tax  | -                | -                |
| Other debts against the State Budget   | 499,420          | 435,003          |
| Subsidies  | -                | -                |
| Sundry debtors and other receivables   | 22,150           | -1,505           |
| Adjustments for other receivables  | -                | -                |
| Interest receivable  |                  |                  |
| <b>Total financial assets other than cash, classified as loans and receivables</b> | <b>7,037,520</b> | <b>9,035,130</b> |
| Advances   | 551,238          | 453,944          |
| <b>Total</b>   | <b>7,588,758</b> | <b>9,489,074</b> |

The structure of receivables according to their age on March 31, 2017 is as follows:

| <b>Analysis of age</b>              | 31-Mar-17        | 31-Dec-16        |
|-------------------------------------|------------------|------------------|
| Receivables not yet                 | 4,823,517        | 6,426,919        |
| Unadjusted outstanding receivables: |                  |                  |
| Up to 3 months                      | 2,206,622        | 2,759,088        |
| months 3 to 6                       | 206,492          | 198,341          |
| months 6 to 12                      | 281,206          | 38,940           |
| over 12 months                      | 70,921           | 65,786           |
| <b>Total</b>                        | <b>7,588,758</b> | <b>9,489,074</b> |

| <b>Adjustments</b>                 | 31-Mar-17        | 31-Dec-16        |
|------------------------------------|------------------|------------------|
| At the beginning of the period     | 1,654,046        | 1,357,302        |
| Established during the year        |                  | 357,291          |
| Cancellation of unused adjustments |                  | -60,547          |
| Exchange differences               |                  |                  |
| <b>At the end of period</b>        | <b>1,654,046</b> | <b>1,654,046</b> |

Through the credit control system, the Group has diminished the losses from doubtful debts, along the year 2016 they totalized 357.291 lei, and efforts were constantly made in order to recover old debts/receivables.

The Group's trade receivables consist of a large number of customers. The permanent evaluation of the customer credits is carried out on the financial condition of the customers.

In order to reduce the credit risk, the Group has established a commercial credit insurance with the company Coface.

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

On 31<sup>st</sup> of March 2017 the number of customers insured with Coface is of 211. The total value of these limits offers a significant coverage of the non-collection risk.

The financial risk generated by the foreign currency transactions have a small impact on the operational activity of the Group; the sales and collections are carried out in the national currency (lei) without the exchange variation affecting the sale value; the purchases in foreign currency are below the percentage of 8% of the turnover.

| Date      | Element                     | Nescadente                    | until 3<br>months | between 3<br>and 6<br>months |
|-----------|-----------------------------|-------------------------------|-------------------|------------------------------|
| 31-Mar-17 | Trade and other receivables | 6,701,681                     | 2,206,622         | 202,892                      |
| 31-Mar-17 | Cash and cash equivalents   | 24,386,617                    |                   |                              |
| 31-Mar-17 | Trade and other liabilities | 10,844,706                    | 2,899             | 156,187                      |
| 31-Mar-17 | Loans                       | 706,798                       | 1,413,584         | 2,120,376                    |
| Date      | Element                     | between 6<br>and 12<br>months | over 12<br>months | Total                        |
| 31-Mar-17 | Trade and other receivables | 235,304                       | 70,921            | 9,417,420                    |
| 31-Mar-17 | Cash and cash equivalents   |                               |                   | 24,386,617                   |
| 31-Mar-17 | Trade and other liabilities | 1,799                         | 48,331            | 11,053,922                   |
| 31-Mar-17 | Loans                       | 2,120,376                     | 47,204,676        | 53,565,810                   |

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    | 31-Mar-17 | 31-Dec-16 |
|--------------------------------|-----------|-----------|
| Trade liabilities              | 7,598,669 | 7,246,038 |
| Suppliers of fixed assets      | 469,051   | 1,165,448 |
| Intra-group liabilities        | -         | -         |
| Lease liabilities              | 21,312    | 19,575    |
| Debt related to employees      | 514,256   | 575,876   |
| Taxes and social contributions | 1,062,553 | 501,782   |
| Other tax liabilities          | 232,617   | 1,051,333 |
| Other liabilities              | 244,047   | 835,666   |

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|   |                   |                   |
|---|-------------------|-------------------|
| Interest to pay   | 841,875           | 762,422           |
| <b>Total debt less loans classified as measured at amortized cost</b> | <b>10,984,380</b> | <b>12,158,140</b> |
| Dividends   | -                 | -                 |
| Advances  | 792,670           | 211,379           |
| Revenue in advance  | 181,401           | 487,260           |
| <b>Total</b>  | <b>11,958,451</b> | <b>12,856,779</b> |

*All amounts in Lei, if not otherwise stated*

### 18. Loans

The classification of short-term and long-term loans on the 31<sup>st</sup> of March 2017 is the following:

|                                     | 31-Mar-17         | 31-Dec-16         |
|-------------------------------------|-------------------|-------------------|
| <b>Current loans</b>                |                   |                   |
| Short-term loans and overdraft      |                   |                   |
| Current long-term loans             | 5,388,343         | 4,055,150         |
| Bonds                               |                   |                   |
| Loans from non-banking institutions |                   |                   |
| Financial lease                     | 972,791           | 984,993           |
| Loans from affiliates               |                   |                   |
|                                     | <b>6,361,134</b>  | <b>5,040,143</b>  |
| <b>Long term loans</b>              |                   |                   |
| Long-term loans                     | 63,201,499        | 64,497,747        |
| Bonds                               |                   |                   |
| Financial lease                     | 820,426           | 1,069,832         |
| Loans from affiliates               |                   |                   |
|                                     | <b>64,021,925</b> | <b>65,567,579</b> |
| <b>Total</b>                        | <b>70,383,059</b> | <b>70,607,722</b> |

*All amounts in Lei, if not otherwise stated*

On the 31<sup>st</sup> of March 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

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

the 31<sup>st</sup> 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 5000000, maturity date 31.12.2019, with annual margin interest +EURIBOR 6M

On the 31<sup>st</sup> of March 2017, following the loan restructuring, the loan structure is as follows:

| Loan Institution         | Lei                   | 31-Mar-17        |                       | 31-Dec-16        |
|--------------------------|-----------------------|------------------|-----------------------|------------------|
|                          |                       | Currency-euro    | Lei                   | Currency-euro    |
| Romanian Commercial Bank |                       |                  |                       |                  |
| Romanian Commercial Bank | RON 16,817,249        | 3,695,205        | RON 16,780,297        | 3,695,205        |
| CEC Bank                 | RON 51,772,600        |                  | RON 51,772,600        |                  |
| Interests                | RON 838,944           | 184,339          | RON 759,491           | 167,248          |
| <b>TOTAL</b>             | <b>RON 69,428,793</b> | <b>3,879,544</b> | <b>RON 69,312,388</b> | <b>3,862,453</b> |

*All amounts in Lei, if not otherwise stated*

The bank guarantees consisting in non-current assets on the 31<sup>st</sup> of March, 2017 related to the contracted loans have the following structure:

| Pledged and restricted tangible assets | 31-Mar-17          | 31-Dec-16          |
|--|--------------------|--------------------|
| Land                                   | 8,999,725          | 9,008,360          |
| Land arrangements                      | 212,726            | 388,922            |
| Buildings                              | 38,622,859         | 40,344,021         |
| Machines, plants and equipment         | 72,368,715         | 101,672,783        |
| Furniture and office appliance         | 171,780            | 8,386              |
| Assets in progress                     | 2,412,644          | 179,218            |
| <b>Total</b>                           | <b>104,886,759</b> | <b>151,601,690</b> |

*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 31.05.2016 the value of 11.898.485 lei

Assignments of all future and present debts and collections, coming from or related to the

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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

The debts regarding the employees' benefits consist of:

Indemnity for annual leave which is annually granted for the leaves used in the reference year. For the unused leaves, the Group established at the end of the year a provision for unused leaves.

Upon retirement, according to the collective labour agreement valid in 2016, the employees shall receive once, according to the seniority in the company, the following indemnities:

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

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

| <b>Employee's benefits</b>            | <b>Mar-17</b>    | <b>Dec-16</b>    |
|---------------------------------------|------------------|------------------|
| Benefits upon retirement              | 182,352          | 182,352          |
| Provision related to the annual leave | 257,889          | 257,889          |
| Employee Bonuses                      | 25,669           | 1,184,332        |
| Management bonuses                    | 1,135,945        | 1,135,945        |
| <b>Total</b>                          | <b>1,601,855</b> | <b>2,760,518</b> |

| <b>Structure of Benefits</b> | <b>Mar-17</b>    | <b>Dec-16</b>    |
|------------------------------|------------------|------------------|
| Short-term                   | 1,419,503        | 2,578,166        |
| Long-term                    | 182,352          | 182,352          |
| <b>Total</b>                 | <b>1,601,855</b> | <b>2,760,518</b> |

*All amounts in Lei, if not otherwise stated*

In case of unjust dismissal of the General Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the Financial Manager, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the end of term, but not more than €48,000 (in net amount), as compensation for his/her dismissal.

In case of unjust dismissal of the President of the Board of Directors – Orion Strategy Solution, he/she shall be entitled in addition to other compensations under the law or this agreement to receive an amount equal to the remaining amount which he/she would have received until the

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

end of term, but not more than €60,000 (in net amount), as compensation for his/her dismissal.

#### 20. Provisions

The structure of provisions on the 31<sup>st</sup> of March 2017 is the following:

| Provision                           | Initial balance  | Used amounts     | Reversal unused amounts | Increases regarding the discount of amounts once with the passing of time | Effects of modification of discount rate | Final balance    |
|-------------------------------------|------------------|------------------|-------------------------|---|--|------------------|
| Disputes                            | 1,486,031        |                  |                         | -   | -  | 1,486,031        |
| Unused leaves                       | 257,889          |                  | -                       | -   | -  | 257,889          |
| Pensions                            | 182,352          |                  | -                       | -   | -  | 182,352          |
| Environmental reclamation provision | 450,006          | -                | -                       |   | -  | 450,006          |
| Bonus provision for employees       | 1,184,332        | 1,158,663        | -                       |   |  | 25,669           |
| Bonus provision for management      | 1,135,945        |                  |                         |   |  | 1,135,945        |
| Bonus provision for administrators  | 282,562          |                  |                         |   |  | 282,562          |
| Other provisions                    | 231,650          |                  | -                       | -   | -  | 231,650          |
| <b>Total</b>                        | <b>5,210,767</b> | <b>1,158,663</b> | <b>-</b>                | <b>-</b>  | <b>-</b>                                 | <b>4,052,104</b> |

*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      |
|-------------------------------------|------------------|----------------|
| Disputes                            | 1,486,031        |                |
| Unused leaves                       | 257,889          |                |
| Pensions                            |                  | 182,352        |
| Environmental reclamation provision |                  | 450,006        |
| Other provisions                    | 1,675,826        |                |
| <b>Total</b>                        | <b>3,419,746</b> | <b>632,358</b> |

*All amounts in Lei, if not otherwise stated*

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

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### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

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On 31<sup>st</sup> of March 2017 the Group had provisions established for risks and expenses in amount of 4.05 mil lei. The main sums refer to:

6. Dispute with the company Viezental Money Management SRL, requiring the payment of EURO 300,000 success fee + legal expenses, as a consequence of the provision of services contract of 21<sup>st</sup> of May 2012
7. Provision for employee and management bonuses in amount of 1.16 mil lei
8. Dispute with Ana Pop, requiring the payment of 71,041 updated with the legal interest + legal expenses, as a consequence of the management contract of year 2006 and the corresponding addenda.
9. Provision for unused leaves in amount of 0.25 mil lei
10. Other provisions in amount of 1.14 mil lei.

The Group created provisions for the following events, which shall generate further cash outflows as a result of the past events:

- Dispute provisions: under the existing disputes on the 31<sup>st</sup> of December, 2016 and using the best estimates regarding their settlement, the company established provisions for the estimated amounts to be paid. The presented amounts include both the estimated compensations on the 31<sup>st</sup> of December, 2016 and the related legal expenses. The probability of winning these disputes is below 50%, and that is why the corresponding provisions were established.
- 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 company's employees and related leave indemnities. The Group estimates that the amounts related to such provisions shall be done in 2017.
- 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 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 31<sup>st</sup> of December, 2016.

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Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

**List of Disputes on the 31st of March 2017**

| <b>Number of file</b> | <b>Plaintiff</b>                  | <b>Defendant</b> | <b>Object</b>   | <b>Court</b>              | <b>Stage</b> | <b>Value of dispute</b> | <b>Explanations</b>  |
|-----------------------|-----------------------------------|------------------|-----------------|---------------------------|--------------|-------------------------|--|
| 5595/337/2015         | POP ANA PRIN<br>AV.VULTUR<br>IOAN | CEMACON          | Sue<br>petition | Zalau Court               | Retrial      | 75.291 ron              | Dispute in claims related to the total amount due as reversal compensation without just cause in case of a former member of the company's management (demanding a larger amount of this compensation). |
| 1674/1285/2015        | VIZENTAL<br>MONEY<br>MANAGEMENT   | CEMACON          | Sue<br>petition | Specialized<br>Court Cluj | Substance    | 300.000 euro            | Success fee required by court action, not granted by the company as a consequence of a legal opinion, independent in this sense (non granting) .   |

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Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

**21. Deferred tax**

| <b>Deferred income tax</b>  | <b>Mar-17</b>      | <b>Dec-16</b>      |
|---|--------------------|--------------------|
| 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            |
| <b>Total Deferred income tax</b>  | <b>(1,241,071)</b> | <b>(1,241,071)</b> |
|   |                    |                    |
| <b>Total deferred tax</b>   | <b>(1,241,071)</b> | <b>(1,241,071)</b> |

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 square meters was sold to Dedeman SRL.

On 31.03.2017 the following groups of assets are classified as for sale:

| <b>Fixed assets</b>         | <b>Book value on<br/>31 Dec.2016</b> | <b>Outflows</b> | <b>Inflows</b> | <b>Book value on<br/>31 Mar. 2017</b> |
|-----------------------------|--------------------------------------|-----------------|----------------|---------------------------------------|
| 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                            |

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|                                |                   |          |                |                   |
|--------------------------------|-------------------|----------|----------------|-------------------|
| Furniture and office equipment | 8,386             | -        | -              | 8,386             |
| Tangible assets in progress    | 179,219           |          |                | -                 |
| <b>Total</b>                   | <b>19,238,703</b> | <b>-</b> | <b>179,219</b> | <b>19,238,703</b> |

### 23. Issued Capital

On the 31<sup>st</sup> of March 2017 the structure of issued capital was as follows:

| Structure of issued capital               | 31-Mar-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          |
| <b>Issued capital value</b>               | <b>11,399,022</b> | <b>11,399,022</b> |

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:

|                                    | 31-Mar-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             | -                      | -                     | -                      | -                     |
| <b>TOTAL</b>                       | <b>113,990,218 lei</b> | <b>11,399,022 lei</b> | <b>113,990,218 lei</b> | <b>11,399,022 lei</b> |

The changes at the equity level in 2015 were generated by the conversion in shares of a debt totalizing RON 58 millions, indicating the completion of the restructuring process and the entering among Cemacon's shareholders of the investment fund Business Capital for Romania-Opportunity Fund Cooperated U.A from Holland.

Shareholding structure of the 31<sup>st</sup> of December 2015:

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Notes to Consolidated Financial Statements  
for period ended 31<sup>st</sup> March 2017

| Shareholder  | Number of shares   | Percent          |
|--|--------------------|------------------|
| BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND<br>COOPERATIEF U.A. loc. AMSTERDAM NLD | 31,799,068         | 27.8963%         |
| KJK CARAMIDA SRL, BUCHAREST, 1 <sup>st</sup> district                                | 31,799,065         | 27.8963%         |
| SC CONSULTANTA ANDREI&ANDREI SRL, ARAD, ARAD county                                  | 19,686,728         | 17.2705%         |
| S.S.I.F. BROKER S.A., CLUJ-NAPOCA, CLUJ county                                       | 16,657,252         | 14.6129%         |
| Other shareholders / others  | 14,048,105         | 12.3240%         |
| <b>TOTAL</b>   | <b>113,990,218</b> | <b>100.0000%</b> |

Source: CENTRAL DEPOSITORY, Date: 12/31/2015

Structura Actionariatului la data de 31 Decembrie 2016 era formata din:

| Shareholder  | Number of shares   | Percent          |
|--|--------------------|------------------|
| BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND<br>COOPERATIEF U.A. loc. AMSTERDAM NLD | 31.799.068         | 27.8963%         |
| KJK CARAMIDA SRL, BUCHAREST, 1 <sup>st</sup> 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%         |
| <b>TOTAL</b>   | <b>113.990.218</b> | <b>100.0000%</b> |

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

As a consequence of the transactions developed on the capital market on the 7<sup>th</sup> of Feb. 2017, the new shareholding structure is:

| Shareholder  | Number of shares   | Percent          |
|--|--------------------|------------------|
| BUSINESS CAPITAL FOR ROMANIA-OPPORTUNITY FUND<br>COOPERATIEF U.A. loc. AMSTERDAM NLD | 37,616,768         | 32.9999%         |
| S.C. DEDEMAN S.R.L.  | 33,057,163         | 28.9999%         |
| SC CONSULTANTA ANDREI&ANDREI SRL   | 17,586,728         | 15.4283%         |
| S. CIT RESOURCES S.A.  | 12,454,949         | 10.9263%         |
| S.I.F. MUNTENIA  | 4,235,990          | 3.7161%          |
| Other shareholders / others  | 9,038,620          | 7.9293%          |
| <b>TOTAL</b>   | <b>113,990,218</b> | <b>100.0000%</b> |

Source: CENTRAL DEPOSITORY, Date: 02/09/2017

### 24. Reserves

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

| Type of reserve | Description and purpose |
|-----------------|-------------------------|
|-----------------|-------------------------|

## CEMACON SA

### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|                            |  |
|----------------------------|--|
| <i>Legal reserve</i>       | 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   |
| <i>Revaluation reserve</i> | 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.                                  |
| <i>Other reserves</i>      | 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         | -         | -         | 2,113,883         |
| Revaluation reserves | 19,824,659        | -         | -         | 19,824,659        |
| Other reserves       | 1,779,459         | -         | -         | 1,779,459         |
| <b>Total</b>         | <b>23,718,001</b> | -         | -)        | <b>23,718,001</b> |

## 25. Lease

On 31.03.2017 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 |

The situation of debts regarding the financial lease on the 31<sup>st</sup> of March, 2017 is the following:

| Leased assets | Initial balance  | Increases | Reduction      | Final balance    |
|---------------|------------------|-----------|----------------|------------------|
| Buildings     |                  |           |                |                  |
| Vehicles      | 449,288          | 0         | 78,952         | 370,336          |
| Equipment     | 1,544,112        | 0         | 182,657        | 1,361,455        |
| <b>Total</b>  | <b>1,993,400</b> | <b>0</b>  | <b>261,609</b> | <b>1,731,791</b> |

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

### 31.03.2017

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| <b>Lease payment due date</b> | <b>Total value</b> | <b>Interest</b> | <b>Net value</b> |
|-------------------------------|--------------------|-----------------|------------------|
| less than 1 year              | 955,760            | 44,394          | 911,366          |
| between 1-5 years             | 848,879            | 28,454          | 820,425          |
| over 5 years                  | 0                  | 0               | 0                |
| <b>Total</b>                  | <b>1,804,639</b>   | <b>72,848</b>   | <b>1,731,791</b> |

**2016**

| <b>Lease payment due date</b> | <b>Total value</b> | <b>Interest</b> | <b>Net value</b> |
|-------------------------------|--------------------|-----------------|------------------|
| 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                |
| <b>Total</b>                  | <b>2,084,974</b>   | <b>91,574</b>   | <b>1,993,400</b> |

**26. Transactions with affiliates**

The company's affiliates in 2017 are:

- Consultanta Andrei&Andrei Srl with registered office in Bucharest, 1<sup>st</sup> district, 14 Jandarmeriei str., building A2, 3<sup>rd</sup> entrance, ap. 2; tax identification no. CIF: RO 17345454, Trade Register no J40/14670/2011; Director of Cemacon SA
- KJK Fund II SICAV-SIF with the registered office in Luxembourg, 412F Esch Road, code L-2086 Director of Cemacon.
- KJK Caramida Srl with registered office in Bucharest, 1<sup>st</sup> district, 22 Gheorghe Marasoiu str., Ap. 5, CIF 34187516, R.C J40/2627/2015.
- 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

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**Transactions with affiliates (Continued)**

The transactions with affiliates are summarized in the following table:

| Affiliates                    | Service sales         |                     | Service acquisitions  |                    |
|-------------------------------|-----------------------|---------------------|-----------------------|--------------------|
|                               | 1 Jan - 31martie 2017 | 1 Jan - 31Dec. 2016 | 1 Jan - 31martie 2017 | 1 Jan - 31Dec.2016 |
| Consultanta Andrei&Andrei Srl | -                     | -                   | 30,881                | 193,038            |
| KJK Fund II SICAV-SIF         | -                     | -                   | -                     | 127,868            |
| Orion Strategy Solution Srl   | -                     | -                   | 132,916               | 666,488            |
| Dedeman SRL                   | 706,687               | -                   | 16,301                | -                  |
| RSL Capital Advisors SRL      | -                     | -                   | 20,544                | 74,021             |
| Cemaccon Real Estate          | -                     | 1,062,550           | 131,603               | 739,944            |
| <b>Total</b>                  | <b>706,687</b>        | <b>1,062,550</b>    | <b>332,245</b>        | <b>1,801,359</b>   |

Amounts in Lei

The balances with affiliates are summarized in the following table:

| Affiliated parties            | Receivables from affiliates |                | Debts to affiliates |           | Loans granted         |                       |
|-------------------------------|-----------------------------|----------------|---------------------|-----------|-----------------------|-----------------------|
|                               | 31 martie 2017              | 31-Dec-16      | 31 martie 2017      | 31-Dec-16 | 01.01.2017-31.03.2017 | 01.01.2016-31.12.2016 |
| Consultanta Andrei&Andrei Srl | -                           | -              | -                   | -         | -                     | -                     |
| KJK Fund II SICAV-SIF         | -                           | -              | -                   | -         | -                     | -                     |
| Orion Strategy Solution Srl   | -                           | -              | -                   | -         | -                     | -                     |
| Dedeman SRL                   | 45,076                      | -              | 11,948              | -         | -                     | -                     |
| RSL Capital Advisors SRL      | -                           | -              | -                   | -         | -                     | -                     |
| Cemaccon Real Estate          | 749,071                     | 749,071        | -                   | -         | 1,352,339             | 1,149,339             |
| <b>Total</b>                  | <b>794,147</b>              | <b>749,071</b> | <b>11,948</b>       | <b>-</b>  | <b>1,352,339</b>      | <b>1,149,339</b>      |

Amounts in Lei

## 27. Cash and cash equivalents

| <b>Cash and cash equivalents</b> | <b>31.mar.2017</b> | <b>31.dec.2016</b> |
|----------------------------------|--------------------|--------------------|
| Cash at bank                     | 25,661,768         | 29,953,057         |
| Cash and cash equivalents        | 14,676             | 4,155              |
| <b>Total</b>                     | <b>25,676,444</b>  | <b>29,957,212</b>  |

On the 31<sup>st</sup> of March 2017 there are no financial instruments generating credit risk exposure. The balances of the cash accounts denominated in currency on 31.03.2017 are not significant.

## 28. Other financial assets

On the 31<sup>st</sup> of March 2017 the Group had a number of 9.432 certificates of greenhouse gas emissions in amount of 245.577 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.

## 30. Payment based on shares

Considering the decision no. 1 of the Ordinary General Meeting of Shareholders of Cemacon SA as of the 25<sup>th</sup> of October, 2013, implemented by the Decision no. 108 of the Board of Directors of Cemacon SA as of the 24<sup>th</sup> of September, 2014 and management agreements signed with the company's managers whereby there is the obligation to grant a bonus in the Group's shares to the management, more exactly, during 2014-2016, within the total limit of 5% of the Group's issued capital during the aforementioned period and within the minimum annual limit of 1.6% of the Group's issued capital.

The bonus shares for the management refer to 5% of the capital stock of Cemacon S.A, and shall be granted on a free basis; the shares come from a capital increase, waiving the right of first refusal.

On 31.12.2016, the Group has evaluated the share-based payment, with settlement in equity instruments, achieving the corresponding growth directly in ownership equity in amount of 2.024.226, out of which 716,577 correspond to year 2016.

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### Notes to Consolidated Financial Statements for period ended 31<sup>st</sup> March 2017

|                                    | Weighted<br>average of<br>the<br>acquisition<br>price<br>(RON) | Number of<br>shares | Weighted<br>average of<br>the<br>acquisition<br>price (RON) | Number of<br>shares | Weighted<br>average of<br>the<br>acquisition<br>price<br>(RON) | Number<br>of shares |
|------------------------------------|--|---------------------|---|---------------------|--|---------------------|
| Unpaid at the beginning of period  | 0,3374   | 3,875,664           | 0,3374  | 1.937.832           | 0,3374   | 1.937.832           |
| Granted during the year            | 0,3374   | 2,123,821           | 0,3374  | 1.937.832           | -  | -                   |
| Canceled during the year           | -  | -                   | -   | -                   | -  | -                   |
| Used during the year               | -  | -                   | -   | -                   | -  | -                   |
| Expired during the year            | -  | -                   | -   | -                   | -  | -                   |
| <b>Unpaid at the end of period</b> | <b>0.3374</b>  | <b>5,999,485</b>    | <b>0,3374</b>   | <b>3.875.664</b>    | <b>0,3374</b>  | <b>1.937.832</b>    |

The total number of shares to be granted within the agreement is 5.999.485.

For the determination of the amount, the trading price of Cemacon shares at Bucharest Stock Exchange was considered, valid on the 31<sup>st</sup> of December 2014: 0.2748 lei/share and the price of 0.4000 lei per share, price which may stabilize the market following the capital operations. The average of the prices applied, reaching an average price of 0.3374 lei/per share.

In order to obtain the fair value of the share, the company used level 2 information.

#### **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 31<sup>st</sup> of March, 2017, and the 31<sup>st</sup> of December, 2016, are:

| Foreign currency | Abbreviation | Exchange rate    |                  |
|------------------|--------------|------------------|------------------|
|                  |              | <b>31.mar.17</b> | <b>31.dec.16</b> |
| US Dollar        | USD          | 4,2615           | 4.3033           |
| Euro             | EUR          | 4,5511           | 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 31<sup>st</sup> of December, 2016, fees to auditors under the agreement concluded between the parties. The Company's audit is provided by SC Deloitte Audit SRL.

#### **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 10<sup>th</sup> of May 2017.

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

**CEMACON SA**

Notes to Consolidated Financial Statements  
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**33. 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**

Stoleru Liviu

Signature \_\_\_\_\_

**Financial Manager**

Sologon Daniel

Signature \_\_\_\_\_

Company's stamp



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\*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.