

S.C. CONTED S.A.
Separate financial statements
on December 31st, 2023

**prepared in accordance with the International Standards of
Financial Submission adopted by
the European Union according to the
Ministry of Public Finance Order no. 2844/2016, as amended**

The separate financial statements prepared on December 31st, 2023 have been heard

S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

Separate financial statements

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STATEMENT OF FINANCIAL STATUS

	Note	<u>31.12.2023</u>	<u>31.12.2022</u>
Assets			
Tangible assets	12	5,577,471	4,885,693
Intangible assets	13	117,825	163,921
Tangible fixed assets under construction	12	14,240	14,240
Advances for tangible fixed assets	11	121,281	-
Total Non-current Assets		5,830,817	5,063,224
Inventories	14	8,181,204	5,905,130
Trade receivables and other receivables	15	6,643,747	4,860,191
Prepayments	15	30,707	7,241
Cash and cash equivalents	16	1,570,808	816,523
Total Current Assets		16,426,466	11,589,085
Total Assets		22,257,283	16,652,309
Equity			
Share capital subscribed	17	2,284,360	2,284,360
Other items of equity		(227,911)	(250,310)
Revaluation reserve	17	2,095,873	2,235,866
Legal reserve	17	456,661	456,661
Other reserves	17	4,080,948	4,080,948
Retained earnings		551,430	(725,312)
Year result	17	1,609,067	1,136,749
Total Equity		10,850,428	9,218,962
Payables			
Long Term Payables			
Payables regarding the deferred income tax	19	227,911	250,310
Debts regarding loans - credit		2,327,276	2,000,000
Total Long Term Payables		2,555,187	2,250,310
Current Payables			
Trade payables and other payables	19	8,261,854	4,648,969
Provisions for employee benefits	20	589,814	534,068
Total Current Payables		8,851,668	5,183,037
Total Payables		11,406,855	7,433,347
Total Equity and Payables		22,257,283	16,652,309

The separate financial statements were approved by the Board of Directors at the meeting of 13.03.2024 and signed on behalf of it by:

Representative of the President of the Board of Directors,
Eng. HAMIDI HAISSAM

Chief Economic Office,
Ec. Mihai Elena

The notes from 1 to 23 are integral part of the financial statements

STATEMENT OF PROFIT OR LOSS AND OTHER ITEMS OF THE GLOBAL RESULT

Continuos activities	Note	31.12.2023	31.12.2022
Incomes	5	40,955,019	31,032,941
Revenue from costs of product stocks and production in progress	6	1,970,824	(205,540)
Other incomes	6	295,509	69,930
Total Operational incomes	6	43,221,352	30,897,331
Expenses with raw materials and consumables	7	14,625,934	10,912,288
Expenses with merchandise	7	39,672	43,142
Expenses with facilities	7	1,677,300	1,659,257
Expenses with salaries, social securities and other benefits	8	15,040,554	12,551,687
Expenses with amortization	12,13	504,868	464,363
Adjustments current asset		4	-
- Expenses		4	-
- Incomes		-	-
Adjustments for provisions	20	55,746	35,918
- Expenses		543,054	489,980
- Incomes		487,308	454,062
Other expenses	7	9,033,455	4,006,304
Total Operational expenses	7	40,977,533	29,672,959
Operational activities result		2,243,819	1,224,372
Financial incomes	10	297,987	152,189
Financial expenses	10	641,206	239,812
Financial result		(343,219)	(87,623)
Result before taxation		1,900,600	1,136,749
Expense with the income tax		291,533	-
Result continuous activities		1,609,067	1,136,749
Other items of the global result		22,399	27,460
- Deferred income tax recognized in equity account, for the surplus realized from the revaluation reserve to the extent amortized using the asset transferred to retained earnings		22,399	27,597
Total global result related to the term		1,631,466	1,164,209
Attributable profit/loss	18	1,609,067	1,136,749
Result per basic action	18	6,71	4.742
Result per diluted action	18	6,71	4.742

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 31 December 2023

	Share capital called up and paid up	Other equity items	Revaluation reserves	Legal reserves	Other reserves	Financial year result	Carried forward result	Total equity
Balance as at 01 January 2023	2,284,360	(250,310)	2,235,866	456,661	4,080,948	1,136,749	(725,312)	9,218,962
Net result of the period	-	-	-	-	-	1,609,067	-	1,609,067
Net result transfer of the term in the carried forward result – year 2022	-	-	-	-	-	(1,136,749)	1,136,749	-
Other items of global result								
Surplus from revaluation reserves of tangible assets, amortized measure of the use asset transferred to retained earnings	-	-	(139,993)	-	-	-	139,993	-
Deferred income tax recognized in equity account, for the surplus realized from the revaluation reserve to the extent amortized using the asset transferred to retained earnings	-	22,399	-	-	-	-	-	22,399
Total items of global result	-	22,399	(139,993)	-	-	-	139,993	22,399
Total global result related to term	-	22,399	(139,993)	-	-	472,318	1,276,742	1,631,466
Transactions with the shareholders, directly recognized in equity								
Dividends to pay related to 2022 year	-	-	-	-	-	-	-	-
Total transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	-	-
Balance as at 31 December 2023	2,284,360	(227,911)	2,095,873	456,661	4,080,948	1,609,067	551,430	10,850,428

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Chief Economic Office,
Ec. Mihai Elena

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 31 December 2022

	Share capital called up and paid up	Other equity items	Revaluation reserves	Legal reserves	Other reserves	Financial year result	Carried forward result	Total equity
Balance as at 01 January 2022	2,284,360	(277,907)	2,408,346	456,661	4,080,948	(1,824,055)	926,400	8,054,753
Net result of the period	-	-	-	-	-	1,136,749	-	1,136,749
Net result transfer of the term in the carried forward result – year 2021	-	-	-	-	-	1,824,055	(1,824,055)	-
Other items of global result								
Surplus from revaluation reserves of tangible assets, amortized measure of the use asset transferred to retained earnings	-	-	(172,480)	-	-	-	172,480	-
Deferred income tax recognized in equity account, for the surplus realized from the revaluation reserve to the extent amortized using the asset transferred to retained earnings	-	27,597	-	-	-	-	-	27,597
Retained earnings from correction of accounting errors	-	-	-	-	-	-	(137)	(137)
Total items of global result	-	27,597	(172,480)	-	-	-	172,343	27,460
Total global result related to term	-	27,597	(172,480)	-	-	2,960,804	(1,651,712)	1,164,209
Transactions with the shareholders, directly recognized in equity								
Dividends to pay related to 2021 year	-	-	-	-	-	-	-	-
Total transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	-	-
Balance as at 31 December 2022	2,284,360	(250,310)	2,235,866	456,661	4,080,948	1,136,749	(725,312)	9,218,962

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TREASURY FLOW STATEMENT

	<u>31.12.2023</u>	<u>31.12.2022</u>
Treasury flows by operating activities		
Cash receipts from the clients, by the sale of assets, services and merchandise	22,128,311	23,924,265
Cashed interests	410	30
Payments to suppliers	(20,105,873)	(14,438,924)
Payments to employees	(8,283,759)	(6,613,438)
Payments to the state budget and the social security budget	(4,672,050)	(3,908,583)
Other operating transactions	13,470,418	2,123,411
- Cash	16,104,927	3,717,557
- Payments	(2,634,509)	(1,594,146)
Cash generated by operating activities	2,537,457	1,086,761
Paid up interests	(266,606)	-
Paid up income tax	(262,282)	-
Net cash by operating activities	2,008,569	1,086,761
Treasury flows by investment activities		
Payments for the procurement of shares	-	-
Payments for the procurement of tangible assets	(1,284,066)	(439,003)
Cashments by the sale of tangible assets	29,782	-
Received dividends	-	-
Net cash by investment activities	(1,254,284)	(439,003)
Treasury flows by financing activities		
Cashments by the issue of capital	-	-
Cashments of cash by credits	-	-
Cash repayment of the loaned amounts	-	-
Paid up dividends	-	-
Currency exchange rate variation effect on credits and payables	-	-
Net cash by financing activities	-	-
Net cash and cash equivalent increase/decrease	754,285	647,758
Cash and cash equivalent at the beginning of period 01 January	816,523	168,765
Cash and cash equivalent at the end of period 31 December	1,570,808	816,523

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S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 1. Reporting entity

S.C. Conted S.A. is a public limited liability company, with Romanian legal personality, established on indefinite term, organized and operating according to the status and based on the Limited liability company law no. 31/1990, as well as by the Law regarding the capital market no. 297/2004 and of Law no. 24/2017 on issuers of financial instruments and market operations. The company changed by reorganization, subject to Law 15/1990, from a republican industrial business.

The company has its registered office in Dorohoi, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, website www.conted.ro, Tax Identification Number RO 622445, Trade Register Office number: J07/107/1991.

S.C. CONTED S.A. Dorohoi is a manufacturer of high quality footwear, with a longer period than 55 years in the field of textiles wear, as well as in the export manufacture.

The company had an ascending evolution, expanding its outlet, by agreements with foreign companies. The CONTED S.A. Dorohoi company is specialized in the manufacture of textiles wear for men, women and children, i.e.: man suits, man coats, man trousers, man overcoats, woman overcoats, woman skirts, woman trousers, woman jackets, woman suits, military uniforms, child jackets and child overcoats. The Company mainly manufactures textiles wear under the lohn (CM – cut and make) system, but it can manufacture textiles wear by its own fabrics (imported from France, Italy, Spain, Turkey, etc.) and auxiliary, on the client's wish (CMT – cut-make-trim). The company has development possibilities of the models.

The Company mainly works under lohn system, with clients that expose their merchandise in the European community. At the same time, the Company does not neglect the new cooperation proposals, wherefore the tests or prototypes are made, accepting orders with smaller quantities for the market research.

In the production structure, a percentage of about 71% represent the jackets, 27% pants and 2% coats, jackets and other products. In total income, (turnover) the jackets represent about 53%, the trousers represent about 19%, the coats 1%, costumes 22%, jackets 1%, nouvelles and other products 2% and various services 2%.

The products made by S.C. CONTED S.A. are both intended to the internal market and to external market. The export production represents 100% in 2023 of the total of issued production.

The share capital of the company is 2,284,360.06 lei, fully subscribed and paid up, divided in 239,702 nominal shares amounting 9.53 lei/share. The shares of the company are ordinary, nominal, un-substantiated, stressed by registration in the account, their record being maintained, according to law, by the Central Depository S.A. Bucharest. The shares are equal as value and grant equal rights to the shareholders for each share. The securities of the Company (shares) are registered and transacted on the standard category of shares of the Exchange Stock of Bucharest.

The main activity of S.C. CONTED S.A., according to the act of establishment, is the manufacture of other garments (excluding underwear) NACE code 1413. The company doesn't own debentures, callable shares or other envelopes.

S.C. CONTED S.A. is administered by a Board of Directors composed of 3 members, elected and appointed by the General Meeting of Shareholders from 28.11.2022 for a term of 4 years from 28.11.2022 to 28.11.2026.

At the level of the Board of Directors a president was elected. The president of the Board of Directors is not a General Manager and nor the other members of the Board of Directors have executive positions within the company. The elected administrators are non-executive.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 1. Reporting entity (continuare)

The Board of Directors elected in the Ordinary General Meeting of Shareholders of 28.11.2022 has the following composition:

Surname and first name	Position within Board of Directors
1. S.C. LAGARDE Paris France	Administrator - President
2. El Turk Ezzedine	Administrator - Member
3. El Turk Ana Maria	Administrator – Member

The administrators of S.C. CONTED S.A. must answer the requirements provided by the regulations incident to the operation of company as public limited liability company and exercise their commission by the accomplishment of liabilities imposed by Art. 144 of Law 31, republished, as further amended and completed:

- the prudence and diligence liability – imposes the administrators the liability of acting prudently and diligently (as professional). The reference to a “good administrator” is conceived as an objective assessment criterion. The prudence and diligence liability includes the liability of acting based upon adequate information;
- The business judgment rule – introduces the business judgment rule, as a counter-ponder to the prudence and diligence liability: according to this rule, the administrators who make business decisions, by the just belief that they act informed and for the company, and they cannot be made liable for the damages further registered by the company, as consequence to the relevant decisions;
- the loyalty liability to the company – imposes the administrators a loyalty liability towards the company: once appointed, the administrators must act for the priority benefit of the company, not as representatives of shareholders or of persons outside the company;
- The liability of not disclosing the business secrets of the company – prohibits the administrators to disclose the confidential information and the business secrets of the company to third parties. This logically comes on the completion of their loyalty liability towards the company.

According to IAS 10.7, the Financial statements were approved by the Management Board on the meeting of 13.03.2024.

NOTE 2. Basis of preparation

a. Statement of conformity

The financial statements include the statement of financial position, the statement of profit or loss and other items of the global result, the statement of changes of equity, the treasury flow statement and explanatory notes.

The financial statements were prepared in accordance with:

- Order 881 of 25 June 2012, regarding the application by the trading companies whereof securities are allowed to transaction on a regulated market of the International Financial Reporting Standards.
- The International Financial Reporting Standards (IFRS) adopted by the European Union.
- Law 82 of 24 December 1991 of accountancy;
- Order 2844 of 12 December 2016 for the approval of Accounting regulations according to the International Financial Reporting Standards;

The transition date to International Financial Reporting Standards has been January 1st 2012.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)**b. Basis of evaluation**

The financial statements have been prepared on the basis of historical cost, with the exception of buildings, landscaping (special constructions belonging to the land) and lands that are valued at fair value.

The accounting policies have been consequently applied to all the periods shown by these financial statements, respectively on the conclusion of statements of financial positions as of December 31st, 2023 and December 31st, 2022.

These financial statements have been concluded based on the continuance of activity principle, which supposes that the company normally continues its operation, without entering under liquidation state or significant decrease of activity.

c. Functional currency and description currency

Financial statements are described in lei, this being also the functional currency of the Company. All the financial information is described in lei, rounded, without decimals.

d. Foreign currency

The transactions of the Company in a foreign currency are registered at the exchange rates communicated by the National Bank of Romania for the date of transactions. The balances in foreign currency are exchanged into lei on the exchange rates communicated by NBR on 31 December 2022.

The gains and losses resulted by the discount of transactions in a foreign currency and by the exchange of assets and currency liabilities expressed in a foreign currency are recognized in the profit and loss account, within the financial result.

The assets and non-monetary liabilities that are evaluated on the historical cost in foreign currency are registered in lei at the exchange rate on the transaction date. The assets and non-monetary liabilities expressed in the foreign currency that are evaluated on the real value are registered in lei, at the exchange rate of the date when the real value was established. The differences of exchange are described in the profit or loss account. The exchange rates of the main foreign currencies are as follows:

CURRENCY	Exchange rate 31 December 2023	Exchange rate 31 December 2022
EUR	4.9746	4.9474
USD	4.4958	4.6346

e. Use of estimates and professional arguments

The preparation of financial statements in accordance with IFRS adopted by the European Union supposes from the management, the use of estimates and hypotheses that affect the application of accounting policies, as well as the reported value of assets, liabilities, incomes and expenses.

The estimates and their related judgments rely on historical data and other factors considered eloquent under the given circumstances, and the result of these factors forms the basis of judgments used for the establishment of the carrying amount of assets and liabilities, wherefore there are no other available evaluation sources. The effective results may be different than the estimated values.

The estimates and judgments are periodically reviewed. The revisions of accounting estimates are recognized during the period when the estimate is reviewed, if the revision only affects that period or during the current period and further periods, if the revision both affects the current period and the further periods. The effect of change related to the current period is recognized as income or expense during the current period. If any, the effect on the further periods is recognized as income or expense during those further periods.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

The company management considers that the possible differences towards these estimates will not have a significant influence over the financial statements in the near future.

The estimates and hypotheses are especially used for depreciation adjustments of fixed assets, the estimate of the useful life time of a depreciable asset, for the depreciation adjustment of receivables, for the provisions, for the recognition of assets regarding deferred tax.

In accordance with IAS 36, both the intangible assets and the tangible assets are analyzed in order to identify whether they have depreciation indexes at the balance sheet date.

If the net carrying amount of an asset is higher than its recoverable amount, a depreciation loss is recognized for the decrease of net carrying amount of the relevant asset at the level of recoverable amount. If the reasons of recognition of depreciation loss disappear during the following periods, the net carrying amount of asset is adjusted up to the level of net carrying amount, which would have been established if no depreciation loss was recognized.

The evaluation for depreciation of receivables is separately issued and relies on the best estimate of the management regarding the current amount of cash flows that are foreseen to be received. The company reviews its trade receivables and other kind of receivables at every date of the financial position, to evaluate if it must register amount depreciation in the profit and loss account.

Especially the professional reasoning of the management is necessary for the estimate of amount and for the coordination of treasury flows regarding several factors, and the real results may be different, leading to further changes of adjustments.

The assets regarding deferred tax are recognized for fiscal losses, provided that it is possible that a taxable profit shall be, wherefrom the losses are covered. The application of professional reasoning for the establishment of the value of assets regarding deferred tax, which may be recognized, based on the probability with respect to the period and level of the further taxable profit, as well as the future strategies of tax planning.

The company management estimates at the end reporting period the amount of leave not taken by company employees.

f. Related parties

A person or a close relative of the relevant person is considered related to a Company, if that person:

- It holds the control or the joint control over the Company;
- It has a significant influence over the Company; or
- It is a member of the personnel – key management

The key management personnel represents those persons who have the authority and responsibility of directly or indirectly planning, managing and controlling the activities of the Company, including any manager (executive or not) of entity. The transactions with the key personnel include exclusively the salary benefits granted to them, as described.

An entity is related to the Company if it meets either of the following conditions:

- The entity and the Company are members of the same group (which means that each parent company, subsidiary and subsidiary of the same group is related to the others);
- An entity is related entity or joint venture of the other entity (or related entity or joint venture of a member of the group where to the other entity takes part);
- Both entities are joint ventures of the same third party;
- The entity is a plan of post-hiring benefits for the employees of reporting entity or of an entity related to the reporting entity. Provided that even the reporting entity represents itself such a plan, the sponsor employers are also related to the reporting entity;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

- The entity is controlled or jointly controlled by a related person;
- A related person who holds the control significantly influences the entity or is a member of the management key personnel of entity (or of the parent company of the entity).

The Company does not develop transactions with the above mentioned entities.

g. Reporting by segments

A segment is a distinct part of the Company, which supplies certain products or services (business segment) or supplies products and services in a certain geographic environment (geographic segment) and which is subjected to different risks and benefits than of the other segments. From the point of view of the business segments, the Company does not identify distinct parts from the point of view of risks and related benefits.

Business segment

- manufacture of other garments (except for the underwear)

2023

Outlet		Quantity	Value
- external	France	163,482	28,615,362
	Spain	11,025	9,151,580
	Portugal	4,434	1,208,720
	Malta	1,009	156,486
	USA	3,097	566,979
	Asia	203	32,977
Total external		183,250	39,732,104
- internal		206	71,994
Total internal		206	71,994
TOTAL		183,456	39,804,098

2022

Outlet		Quantity	Value
- external	France	167,952	24,714,737
	Spain	3,714	2,729,362
	Portugal	21,663	2,405,708
Total external		193,329	29,849,807
- internal		5,583	790,969
Total internal		5,583	790,969
TOTAL		198,912	30,640,776

By the described statement, it is ascertained that the French market holds the highest rate of the total volume of exports, of 39,732,104, (2022: 29,849,807) amounting 28,615,362 (2022: 24,714,737) at a rate of 72%, (2022: 83%). The coats and trousers represent approximate 96%, (2022: 87%) of the total volume of delivered products.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

The internal markets represents 0.18%, (2022: 3%) of the total sales of 39,804,098, (2022: 30,640,776).

In the 2023 year, from the total of sales, of 40,955,019, (2022: 31,032,941), the amount of 39,804,098 (2022: 30,640,776) represents the direct sales of products.

The external markets represents 97%, (2022: 97%) of the total sales of 39,804,098, (2022: 30,640,776), and the largest share on the foreign market is held by the coats product in percentage of 46%, (2022: 46%) of the total delivered products.

With respect to the direct sales of products on the external market, amounting 39,732,104, (2022: 29,849,807), the amount of 9,151,580, (2022: 11,606,444) represents the sales to the main external client, at the rate of 23%, (2022: 39%), and the following customers on the foreign market registered a percentage of 22%, (2022: 17%), sales amounting to 8,712,169, (2022: 5,186,361), respectively 17%, (2022: 15%), sales amounting to 6,604,738, (2022: 4,512,336).

The results by segments are the results reported to the Management Board and to the General Manager and include both the directly assigned items to a segment and those assigned by reasonable assignment bases. The non-assigned items include debts, assets and debts for the profit interest, cash and cash equivalents.

The assets shown for the activity segment especially include tangible assets and intangible assets, inventories and receivables, mainly excluding cash and current accounts at the banks.

The shown debts include the operational debts, excluding the delayed profit interest. All the assets of the Company are situated in Romania. The activity of the Company develops in Romania. The Company has a reporting segment - Manufacture of other clothing items (excluding the undergarments)

	<u>31.12.2023</u>	<u>31.12.2022</u>
Sales	40,955,019	31,032,941
Other incomes	2,266,333	(135,610)
Total operating incomes	43,221,352	30,897,331
Amortization	504,868	464,363
Operational expense, other than the amortization	40,472,665	29,208,596
Operational result	2,243,819	1,224,372
Profit/loss financial	(343,219)	(87,623)
Net profit/loss before taxation	1,900,600	1,136,749
Expense with the income tax	291,533	-
Net profit/loss	1,609,067	1,136,749
Assets	22,257,283	16,652,309
Debts	10,817,041	6,899,279
The non-assigned assets include	-	-
Cash and cash equivalents	-	-
The non-assigned debts include	227,911	250,310
Deferred profit interest	227,911	250,310

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

h. The initial application of new and revised standards

The following amendments brought to the existing standards and interpretations issued by the International Accounting Standards Board (IASB) and adopted by the European Union are enforceable for the current period:

- **Amendments to IAS 12 “Income Taxes”- Deferred Tax related to Assets and Liabilities arising from a Single Transaction** (issued on 7 May 2021, effective for annual periods beginning on or after January 1, 2023);
- **IFRS 17 “Insurance Contracts”** (adopted by the IASB on May 18, 2017, including **Amendments to IFRS 17** (published on June 25, 2020, effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 1 “Presentation of Financial Statements” - classification of liabilities as current or non-current** – deferral of effective date (issued on January 23, 2020 and 15 July 2020 in force for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 1 “Presentation of Financial Statements” - disclosure of accounting policies and IFRS 2 - Practical Statement** (issued on February 12, 2021, effective for annual periods beginning on or after January 1, 2023);
- **Amendments to IAS 8 “Accounting policies, changes in accounting estimates, errors” - definition of accounting estimates** (issued on February 12, 2021, effective for annual periods beginning on or after January 1, 2023);

i. Standards and interpretations issued by the IASB but not adopted by the EU

Currently, the IFRS adopted by the EU do not show significant differences compared to the regulations adopted by the International Accountancy Standards Board (IASB) except the following standards, amendments brought to the existing standards and interpretations, that have not been approved by the EU on the date of the financial statements publishing (the entry into force dates mentioned below are entirely for the IFRS)

- **Amendments to IAS 1 "Presentation of financial statements":**
 - **Classification of liabilities as current or non-current date** (issued on January 23, 2020, effective for annual periods beginning on or after January 1, 2024)
 - **Classification of liabilities as current or non-current** - postponement of the effective date (issued on July 15, 2020, effective for annual periods beginning on or after January 1, 2024)
 - **Fixed liabilities with agreements** (issued on October 31, 2022 effective for annual periods beginning on or after January 1, 2024)
- **Amendments to IFRS 16 "Leases" - Lease liabilities in a sale and leaseback** (issued on 22 September 2022, effective for annual periods beginning on or after 1 January 2024)
- **Amendments to IAS 7, „Statement of Cash Flows” and IFRS 7 „Financial Instruments” Disclosures: Supplier Financing Agreements** (issued on May 25, 2023, effective for annual periods beginning on or after January 1, 2024)
- **Amendments to IAS 21 „Effects of changes in foreign exchange rates”** (issued on August 15, 2023, effective for annual periods beginning on or after January 1, 2025)

The company estimates that the adoption of these standards, the amendments to the existing standards and the interpretations won't have a significant impact on the financial statements in the initial period of the adoption.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies

According to the *International Accountancy Standard 8 “Accounting policies, changes of the accounting estimates and errors”*, the accounting policies describe the specific principles, bases, agreements, rules and practices, applied by this company for the preparation and description of financial statements.

The company selected and consequently applies the accounting policies for the transactions, other events and similar conditions, unless a standard or an interpretation provides or specifically allows the classification of items wherefore the application of different accounting policies could be appropriate. If a standard or an interpretation provides or allows such a classification, an appropriate accounting policy must be selected and applied to each category, consequently.

The Company only changes an accounting policy if the change:

- a. is imposed by a standard or an interpretation; or
- b. has as result the financial statements that provide reliable and more relevant information regarding the effects of transactions, of other events or conditions on the financial position, financial performance or the treasury flows of the entity.

We present a summary of the significant accounting policies that have been consequently applied to all the periods shown by the financial statements:

a. Intangible assets, Tangible assets and real estate investments

a.1. Intangible assets

Initial evaluation

The Company chose to be evaluated on the procurement cost, according to IAS 38 “Intangible assets”.

Evaluation after the initial recognition

The Company chose as accounting policy for the evaluation of intangible assets after the initial recognition, the cost based model.

The Company opted to use the linear amortization method for the amortization of intangible assets. The intangible assets registered by the Company include informatics programs, licenses and different softwares and accounted in the accounts 205 “Transfers, patents and procured licenses” and account 208 “Other intangible assets”. These are shown at their historical cost, less the amortization and the possible value adjustments. No value adjustments were registered for the mentioned periods.

The Company does not hold intangible assets internally generated or acquired by a governmental subsidy and neither holds intangible assets with indefinite useful life terms.

The Company does not hold assets classified as held for sale or included in a group intended to transfer, classified as held for sale, in accordance with IFRS 5. They are linearly amortized during 3 years. For the establishment whether an intangible asset evaluated on the cost is depreciated, the company applies IAS 36.

A depreciation loss must be immediately recognized in the profit or loss. For the purpose of description in the profit and loss account, the gains or losses that occur with the ceasing of use or the output of an intangible asset, is established as difference between the incomes generated by the output of asset and its non-amortized amount, including the expenses for its de-registration, and must be described as net amount in the profit and loss account, according to IAS 38.

The further expenses regarding intangible assets are only capitalized when they increase the further economic benefits generated by the asset they refer to. The expenses that don’t meet these criteria are recognized as expenses on their occurrence.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

a.2. Tangible assets

Initial evaluation

The tangible assets are initially recognized on the procurement cost and are described on the net amounts of accumulated amortization and the loss by the accumulated depreciation. An item of tangible assets that meets the recognition conditions as asset must be evaluated at its cost.

Elements cost

The cost of a tangible asset is made of:

- a. its purchase price, including the import customs fees and the non-recoverable purchase fees, after the deduction of trade discounts and rebates;
- b. any costs that may be directly assigned to the bringing of asset to the place and state necessary for its operation;
- c. the initial estimate of the dismantling and removal costs of the restoration item of the place where it is located, a liability borne by the entity on the acquirement of investment.

For the accountancy of these costs, the provisions of IAS 37 "Provisions, contingent liabilities and contingent assets" are applied.

Evaluation after the initial recognition

After recognition as an asset, a tangible assets item, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses. After recognition as an asset, a tangible asset item whereof just value may be reliably evaluated must be accounted at a revaluated amount, this being it's just amount, on the revaluation date less any accumulated amortization and any accumulated impairment loss for property, class „construction group" and „real estate investments" and carried at cost less depreciation and accumulated impairment adjustments for other groups of assets.

The revaluations must be made sufficiently regular to make sure that the accounting amount is not significantly different than the one that would have been established by the use of just amount at the end of reporting period. The rate of evaluations depends on the changes of just amount of revaluated tangible assets. Provided that the just amount of an asset is significantly different than the accounting amount, a new revaluation is required.

When a tangible asset item is revaluated, any amortization cumulated on the revaluation date is considered by the company as follows: it is re-treated proportionally to the change of gross accounting amount of assets, so that the accounting amount of asset, after the revaluation, to be equal to its revaluated amount.

Consequently, the rate of revaluations depends on the changes of the just amount of tangible assets. Provided that the just amount of a revaluated item of tangible assets on the balance sheet date is significantly different than its accounting amount, a new revaluation is necessary.

Provided that the just amounts are volatile, i.e. the lands and buildings, the frequent revaluations may be necessary. Provided that the just amounts are stable for a long term, i.e. the installations and machineries, the evaluations may be necessary less often. IAS 16 suggests that the annual revaluations may be necessary if there are significant and volatile changes of amounts.

If a tangible asset item is revaluated, then the entire category of tangible assets whereby that item takes part, must be revaluated. The residual amount of asset and the useful life time of asset are reviewed at least at the end of financial period.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

The Company performs the reclassification of tangible assets as real estate investments, when a land or a building (or both) under the patrimony of Company, meet the following conditions:

- They are rather used for incomes by rents than for incomes by the current operating activity;
- Although partially rented, the un-rented part being used for the current operating activity, the two parts could not be distinctly sold by the Company;
- An insignificant part is held to be used for the production or supply of assets or services or for the administrative purpose.

The amortization of an asset begins when it is available to use, i.e. when it is on the place and state necessary to be able to operate as the management wants.

The amortization of an assets ceases on the first date between the date when the asset is classified as held for sale (or included in a group intended to transfer, which is classified as held for the sale), in accordance with IFRS 5 and the date when the asset is to be recognized.

Consequently, the amortization does not cease when the asset is not used or is decommissioned, unless it is fully amortized.

The lands and buildings are separable assets and are distinctly accounted, even when they are acquired together. The land is not amortized. The plot presented in the financial statements has been revised on 31.12.2013, according to International Valuation Standards, by Mr. Lațcu Nicolae expert appraiser, qualified professional ANEVAR member.

If the cost of the land includes decommissioning, removal, restoration costs, these costs are amortized during the period when the benefits are obtained, as consequence to these costs.

The amortization method used reflects the foreseen rate of consumption of the further economic benefits of asset by the unit. S.C. Conted S.A. opted to use the linear amortization method for the systematic assignment of the amount of assets during their life term. The residual amount, the life time and the amortization method are reviewed on the date of financial statements.

The foreseen periods by the main groups of tangible assets are as follows:

Asset	Years
Buildings (constructions)	40 - 60
Technical equipment and machinery	8 - 12
Measurement, control and adjustment machinery and equipment	2 - 4
Transport facilities	4 - 6
Furniture, office machinery, protection equipments, human and material assets	9 - 15

Depreciation policy applied by the company

In accordance with IAS 36, both the intangible assets and the tangible assets are investigated in order to identify whether they have depreciation traces on the balance sheet date. For the intangible assets with an indefinite life term, the depreciation test is annually issued, even if it is no depreciation index.

If the net accounting amount of an asset is higher than its recoverable amount, a depreciation loss is recognized to lower the net accounting amount of the relevant asset to the level of recoverable amount. If the reasons of depreciation loss recognition disappear during the further periods, the net accounting amount of asset is adjusted until the level of net accounting amount, which would have been established unless no depreciation loss was recognized. The difference is described as other operating incomes.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

The accounting amount of a tangible asset item is de-recognized on transfer or when no further benefits are foreseen by its use or transfer. The revaluation surplus included in equity, corresponding to a tangible asset item is directly transferred into the carried forward result, when the asset is de-recognized, on transfer or cassation.

The gain or loss resulting by the de-recognition of a tangible asset item must be included in the profit or loss when the item is de-recognized. If the items of tangible assets, which have been held for rental to the others, are repeatedly sold, these assets are to be transferred into inventories at the accounting amount on the date when they cease to be rented and are held for sale. The cashments by the sale of these assets are recognized as incomes, in accordance with IAS 18 „Incomes”.

a.3. Real estate investments

Initial evaluation

The evaluation of real estate investment on initial recognition is made on cost according to IAS 40 “Real estate investments”. The cost of a real estate investment is made of the purchase price plus any directly assignable expenses (professional honorariums for legal services, the fees for the transfer of the right of property, etc.).

A real estate investment is held to obtain incomes by rents or for the increase of the amount of share capital or both. Consequently, a real estate investment generates treasury flows, which are in a great extent independent of other assets held by an entity.

Evaluation after recognition

The accounting policy of the Company, regarding further evaluation of real estate investments relies on the evaluation model on its just amount.

b. Inventories

In accordance with IAS 2 “Inventories”, these are assets:

- held for resale during the normal development of activity
- during production for such a sale or
- as materials and other consumables that are to be used in the production process or for the provision of services.

The inventories are described on the lowest amount between cost and the net issuable amount.

The cost of stocks relies on the first in – first out principle. The costs of end products and semi-manufactured products include materials, direct labor, other direct costs, regime expenses and the general administration expenses, related to production (based on the exploitation activity).

The net issuable amount is estimated based on the sale price, related to normal activity, less the estimated costs for the finalization and sale. For the damaged inventories or the inventories with a slow motion, the adjustments are established based on the management estimates.

The establishment and restoration of adjustments for the depreciation of costs are made on the profit and loss account. The company uses for the establishment of cost on the outflow to materials supplied according to IAS 2, the first in, first out (FIFO) method. The average cost method is used for the finished goods.

c. Receivables and other similar assets

Except for the derivative financial instruments, which are recognized on the just amount and of the items expressed by a foreign currency, which are translated on the closure exchange rate, the receivables and other similar assets are described on the amortized cost. The receivables and trade payables reflect the relations of business to other businesses regarding the supply and outlet of assets and services. The receivables related to the state budget may also be registered in the accountancy.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

The evaluation on balance sheet of the receivables and payables expressed in foreign currency and of those with discount in lei, depending on the rate of exchange of a foreign currency is made on the currency rate of exchange communicated by the National Bank of Romania, valid on the conclusion date of financial year.

The receivables related to it's own personnel result by advances granted to them, on account of salaries and by other receivables. The following take part to this category: un-justified treasury advances, salaries, un-due premiums or additions, due equivalent value of the labor equipment (part quote), amount of due rents, amount of imputations for due material damages, amends and penalties.

The trade receivables reflect the rights of business to other natural or legal entities, established by the sales of assets, performance of works and service provisions, wherefore it must receive a value equivalent or a counter-provision.

The trade receivables that the trading company registers result by the services provided by it in its reports with third parties, according to the object of activity. Occasionally, the trading company may invoice to third parties certain assets that don't have any other usefulness within the trading company or may calculate penalties due to third parties.

When foreseen that a receivable will not be fully cashed, adjustments for depreciation are registered in the accountancy, at the level of the amount that cannot be recovered anymore.

The de-registration of receivables takes place consequently to their cashment or transfer to a third party. The current receivables may also be decreased from the record, by mutual compensation of receivables and payables between the third parties, observing the legal provisions.

The decrease from the record of receivables whereof cashment terms are foreseen is made after the company obtains documents that certify that all the legal proceedings for their recovery were made. The de-registered receivables are registered in the order and record account outside the balance sheet and are further observed.

d. Cash and cash equivalent

The bank accounts include: amounts to cash, like cheques and trade effects submitted to the banks, lei and foreign currency liquid assets, cheques of the entity, short term bank credits, as well as the interests corresponding to liquid assets and credits granted by banks in the current accounts.

The payable and cashable interest, related to the financial year in progress, are registered at financial expense or financial income, as the case may be. The accountancy of liquid assets on the banks/cash office and of their movement, consequently to issued cashments and payments are separately registered, in lei and foreign currency.

The operations regarding cashments and payments in foreign currency are registered in the accountancy at the currency exchange rate, communicated by the National Bank of Romania, on the date of operation.

The foreign currency sale-purchase operations, including those within the contracts with discount on term, are registered in accountancy at the exchange rate used by the trading bank, where the bid with foreign currency is made.

At the end of each reporting period, the liquid assets in foreign currency and other treasury assets, like the state interests in foreign currency, letters of credit and deposits in foreign currency are evaluated at the exchange rate of the monetary market, communicated by the National Bank of Romania, of the last business day of the relevant month.

For the payment of liabilities to suppliers, the trading company may require the opening of letters of credit at banks, in lei or foreign currency, for them. For the preparation of treasury flow statement, it is considered that the cash is the cash of the cash office and in the current bank accounts.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

e. Payables

The payable represents a current payable of the company, resulted by past events and whereby discount, it is expected to result an outflow of resources that embed the economic benefits.

The payable is recognized in accountancy and described by the financial statements when it is possible that an outflow of resources carrying economic benefits shall result by the payment of a current liability (probability) and when the amount whereto this discount will be issued, may be credibly evaluated (credibility).

Current liabilities are those liabilities that must be paid within a period of up to one year.

A liability shall be classified as short-term liability, also called a current liability when:

- a) it is expected to be settled during the normal operating cycle of the company;
- b) it is primarily held for trading purposes;
- c) it is due within 12 months after the balance sheet date;
- d) the company does not have an unconditional right to defer the payment of the liability for at least 12 months following the balance sheet date.

All other liabilities shall be classified as *long-term liabilities*, even where they must be settled within 12 months following the balance sheet date if:

- the original term was for a period exceeding 12 months;
- the company intends to refinance the long-term bond and its intention is supported by a refinance agreement, or by a payment rescheduling agreement, which is completed before the financial statements are authorized for publication.

Liabilities are carried out at the amortized cost, except for derivative financial instruments which are presented at their fair value. Long-term liabilities are discounted using the effective interest method. The discount rate used for this purpose is the rate in force at the end of the year for instruments taken into consideration as liabilities with similar maturities. The accounting value of other payables is their fair value as they have generally short-term maturities.

The company derecognizes a liability when its contractual obligations are discharged or canceled or expired. If goods and services provided in relation to current activities were not billed, but if the delivery was actually made, and their value is available, the obligation is recorded as a liability (not as a provision).

The amounts representing the dividends distributed from the net profit of the reporting period are shown in the following year in the retained earnings so that, after the approval by the General Assembly of Shareholders related to this destinations, they shall be shown into the account 457 "Dividends payable".

f. Income tax, including deferred tax

The accounting consideration for income taxes is the objective of IAS 12. In pursuing this objective, IAS 12 notes the following:

- it is inherent in the recognition of an asset or of a liability which will be settled or recovered as an asset or liability, and that recovery or settlement may give rise to future tax consequences that would be recognized at the same time the asset or liabilities
- an entity should account for the tax consequences of transactions and other events in the same way that it accounts for the transactions and other events themselves.

The income tax for the year includes the current tax and deferred tax. The income tax is recognized in the profit or loss situation, as well as in other elements of the comprehensive income if the tax is related to the elements recognized in its own equity.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

Current income tax

The tax currently payable is based on taxable profit for the year. The taxable profit differs from the profit as reported into the profit and loss account as it excludes the items of income or expense that are taxable or deductible in other years and it further excludes the items that will never become taxable or deductible.

The liability of the company related to the current profit tax is calculated using tax rates that have been provided by the law or in a draft at the end of the year. Currently, the tax rate is 16%.

Deferred tax

The income tax which, according to IAS 12, is recognized in other items of the comprehensive income, defined in accordance with the provisions of IFRS, are indicated into the account 1034 “Current income tax and deferred income tax recognized in equity account”, specifically tracking the current income tax and deferred tax.

This account also indicates the deferred tax corresponding to the legal reserves. This account also indicates the deferred tax corresponding to the legal reserves and other reserves provided by the Fiscal Code, as further amended and completed.

The account 1034 “Current income tax and deferred income tax recognized in equity account” does not indicate the income tax corresponding to the retained earnings or other components of equity, as they are directly recorded in the respective item of its own equity.

The deferred tax is recorded using the balance sheet method for the temporary differences of the assets and liabilities (differences between the accounting values indicated in the company’s balance sheet and their tax base).

The tax loss reported is included in the calculation of deferred tax assets.

The liability related to the deferred tax is recognized only to the extent that it is likely to obtain a taxable profit into the future, after compensating with the tax loss of the previous years and with the income tax to be recovered.

g. Recognition of income

The revenue is considered as the gross entry of economic benefits during the period, arising in the course of normal activities of the company, when those entries result into increases in equity, other than increases relating to contributions of the participants into their own equity.

The revenue includes only the gross entries of economic benefits received or receivable by the company on its behalf. The revenue is to be assessed in accordance with IAS 18 “Revenue” at their fair value of the consideration received or receivable. The revenue is reduced in line with the estimated value of the goods returned by the customers, rebates and other similar items.

Sale of assets

The revenues resulting from the sale of goods are recognized when all the following conditions are met:

- The company has transferred to the buyer the significant risks and advantages resulting from the ownership of the goods;
- The company no longer manages the goods sold at level it would have done if it had still been the owner of the goods and it does not hold the effective control over the respective goods;
- the amount of the revenue can be measured in a reliably manner;
- it is likely that the economic benefits associated with the transaction to be generated to the company;
- the transaction costs can be measured in a reliably manner.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

The income from ordinary activities is recorded when it is likely that the company to have possible economic benefits into the future and when these benefits can be measured in a reliably manner. The amount of the revenue arising from a transaction is usually determined by an agreement between the company and the buyer or the user of the asset. The revenues are assessed at their fair value of the consideration received or receivable, taking into account the amount of any trade discounts and rebates by volume granted.

The consideration is in the form of cash or cash equivalents and the amount of revenue is the amount of cash or cash equivalents received or receivable. However, when the entry of cash or cash equivalents is deferred, the fair value of the consideration may be less than the nominal amount of cash received or receivable.

This is the situation that is applicable also for the situation of the delivery contracts provided that there is a vendor credit, if the company can provide to the buyer an interest free credit or can accept from it trade effects with a lower interest rate than the market as consideration for sale property.

For commercial contracts concluded as a vendor with deferred payment the difference between the fair value and the nominal value of the consideration is recognized as interest income. The fair value of the consideration is determined by discounting all the future receivables, using a rate of interest by default. To discount all the future receivables, the company has chosen to use the rate of interest determined by the internal procedure.

Service provision

When the outcome of a transaction involving the service provision can be estimated in a reliable manner, the revenue associated with the transaction shall be recognized depending on the stage of completion of the transaction at the closing date of the reporting period.

The outcome of a transaction can be estimated in a reliable manner when all the following conditions are met:

- the amount of the revenue can be measured in a reliable manner;
- it is likely that the economic benefits associated with the transaction would be generated for the company;
- the stage of completion of the transaction at the closing date of the balance sheet can be measured in a reliable manner;
- the costs incurred for the transaction and the costs to complete the transaction can be measured in a reliable manner.

For the recognition of revenue depending on the stage of completion of the transaction, the company uses the “percentage of completion method”. According to this method, the revenues are recognized in the accounting periods when the services are provided.

The recognition of revenue on this basis provides useful information on the size of the service provision activity and its results during this period. The revenues are recognized only when it is likely that the economic benefits associated with the transaction would be generated for the company.

When an uncertainty arises about the collectability of an amount already included in revenue, the amount cannot be collected or the amount which collection has ceased to be likely is recognized as an expense rather than as an adjustment of the amount of revenue originally recognized. When the outcome of a transaction involving the provision of services cannot be estimated in a reliable manner, the revenue shall be recognized only within the limit of the expenses recognized that can be recoverable.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

The rental revenues are recognized into the profit and loss account linearly, during the period of the rental agreement.

Dividends and interests

Interests shall be recognized using the effective interest method. Interest revenues are recognized depending on the elapsed time. If the interests received are related to the periods prior to the acquisition of the interest-bearing investment, only the subsequent interest is recognized as an interest, the other part reduces the costs of the bonds.

Royalties shall be recognized based on the on the accrual accounting, in accordance with the trade fund of the contract in question. When an uncertainty arises about the collectability of an amount already included into the revenue, the amount cannot be collected or the amount which collectability has ceased to be likely is recognized as an expense rather than as an adjustment of the amount of the revenue originally recognized.

The incomes consisting in divides are recognized when the shareholder's right to receive its payment is recognized. The incomes consisting in divides are recorded on their gross value, including the dividend tax, which is recognized as a current expense in the period when the distribution was approved.

The interest incomes are recognized based on the on the accrual accounting, by reference to the principal outstanding and the effective rate of interest, that rate which discounts exactly the estimated future cash receivable.

h. Benefits of employees

Short term benefits

The liabilities with short term benefits, granted to the employees, are not updated and are recognized in the statement of global result, as the related service is provided. The short term benefits, granted to employees, include the salaries, premiums and social securities, paid annual leave. The short term benefits are recognized as expense when the services are provided.

A provision is recognized for amounts that are expected to be paid in the form of short-term cash receipts, provided that the Company currently has a legal or constructive obligation to pay those amounts as a result of past service provided by employees, and that obligation can be estimated reliably.

The Company makes payments on account of its own employees to the pension system of the Romanian state, the health insurances and unemployment fund, during the normal activity. All the employees of the company are members and are liable to contribute to the pension system of Romanian state. All the related contributions are recognized in the profit and loss account of the period, when they are made.

The Company does not have other additional liabilities, is not employed in any independent pension system and consequently, it does not have any liabilities in this respect, and it is not employed in any other post-employment benefit system. The Company is not liable to provide further services to the ex or current employees.

The Company is not currently granting benefits as partnership of employees to the profit. It is no such a plan now, whereby it is foreseen that the liability of the company of granting benefits as own shares of entity (or another instruments of equity).

i. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, when to settle the obligation is likely to be required outflow affecting economic benefits will be required to settle the obligation and can be achieved when a good reliable estimate of the amount of the obligation.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

Provisions for restructuring, litigation and other provisions for risks and charges are recognized when the Company has a present legal or constructive obligation arising from past events, when to settle the obligation is likely to be required outflow of resources and may be made a reliable estimate of the amount of the obligation needed. Restructuring provisions include direct costs arising from restructuring namely those that are necessarily entailed by the restructuring and are not related to the conduct of the company's business continues.

The company set up provisions for employee benefits in the short term holidays of outstanding. Determination of the amount of the allowance is based on estimates established payment obligation (given the manner of payment of leave).

j. Result of the period

The profit or loss is jointly established in the accountancy, from the beginning of financial year. The result of the year is established as difference between the incomes and expenses of the year. The definitive result of the financial year is established on its conclusion and represents the final balance of the profit and loss account.

The profit distribution is issued in accordance with the enforceable legal provisions.

The amounts representing reserves, resulted by the profit of the current financial year, based on certain legal provisions, i.e. the legal reserve established based on the provisions of Law 31/1990 is registered at the end of the current year.

The accounting profit rest upon this distribution is taken over at the beginning of the financial year, after the year wherefore the annual financial statements are prepared in the account 1171 "Carried forward result, representing the non-distributed profit or the un-covered loss", wherefrom it is distributed on the other destinations decided by the General Meeting of Shareholders, observing the legal provisions.

The registration in the accountancy of the accounting profit destinations is made after the General Meeting of Shareholders approved the profit distribution, by the registration of amounts representing dividends due to shareholders, reserves and other destinations, according to law.

k. Result per share

IAS 33 "Result per share" provides that, if an entity describes consolidated financial statements and separate financial statements, the description of the result per share is only prepared based on the consolidated information. If it chooses to describe the result per share, based on its separate financial statement, it must describe such information regarding the result per share only in the circumstance of global result.

This case, it must not describe the result per share in the consolidated financial statements. The Company chose to describe the result per share by these separate financial statements. The basic result per share is calculated dividing the profit or loss assignable to the ordinary share holders of the company on the weighted average of circulatory ordinary shares during the period and is described by note 19.

l. Legal reserve

In accordance with the Romanian legislation, the companies must distribute an amount equal to at least 5% of the profit before taxation, under legal reserves, until these reach 20% of the share capital. When this level was reached, the company may issue additional assignments only from the net profit. The legal reserve is deductible within a quote of 5% applied on the accounting profit, before the establishment of income tax.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

m. Revaluation reserves

The revaluations are issued with sufficient frequency, so that the accounting value would not differ substantially from the value which would have been determined using the fair value as of the date of the balance sheet.

In this respect, the Company issued the revaluation of the fixed tangible assets – construction group and of the real estate investments with independent assessors as of 31 December 2006, 31 December 2009, 31 December 2012, 31 December 2013, 31 December 2016 and 31 December 2019.

On December 31, 2019 were revalued tangible, „construction” group 212 and group 2112 „landscaping”. Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization. (Note 12)

The difference between the value resulted from the revaluation and the net accounting value of the intangible assets is presented at the reserve of the revaluation, as a distinctive sub-element in the „Ownership equity” group. If the result of the revaluation is an increase compared to the net accounting value, then this issue will be addressed as follows: as an increase of the reserve from the revaluation presented within the ownership equity group, if a prior decrease acknowledged as an expense related to that particular asset or as an income which would compensate the expense with the decrease priory acknowledged for that asset did not exist.

If the result of the revaluation is a decrease of the net accounting value, this would be addressed as an expense with the entire value of the depreciation when the reserve from the revaluation is not recorded as an amount related to that asset (addition from the revaluation) or a decrease of the reserve from the revaluation with the minimum between the value of that reserve and the value of the decrease, and the potential difference which was not covered is recorded as an expense.

The addition from revaluation is included in the reserve from revaluation is transferred to the reported result when this addition represents an issued earning. The earning is considered as being issued when the asset for which the reserve from revaluation is extracted from the inventory.

After the date at which the IFRS entered into force, any increase or decrease of the fair value as a result of the revaluation will be acknowledged in the situation of the global result.

NOTA 4. Establishment of just amount

The just amount is the price on the main market or on the most advantageous market, which could be obtained for the sale of asset or the transfer of payable, after which the transaction and transport costs were taken into account.

The factors that the entity must take into account for the evaluation of just amount are:

- asset or payable that is evaluated;
- market;
- market participants;
- price.

There are specific mentions for the non-financial assets, payables, capital instruments and financial instruments. For an evaluation on just amount, it is necessary that the entity establishes the adequate evaluation techniques, taking into account the available data for the conclusion of input data that represent the hypotheses, which the market participants would have used for the establishment of the value of asset or payable and the classification level of input data in the hierarchy of just amount.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 4. Establishment of just amount (continuation)

Certain accounting policies of the Company and description requirements of information need the establishment of just amount, both for the financial assets and payables, and for the non-financial ones. For the evaluation of the assets or of the debts, the Company uses as much as possible the information that may be noticed on the market. The hierarchy of the fair value classifies the input data for the evaluation techniques used for the evaluation of the fair value on three levels, as follows:

- Level 1 – quoted price (non-adjusted) on active markets for identical assets or debts which can be accessed by the entity at the date of the evaluation;
- Level 2 – input data, other than the quoted prices, included in Level 1, which can be traceable for the asset or for the debt, either directly or indirectly;
- Level 3 - input data which cannot be tracked for the asset or for the debt.

If the input data for the evaluation of the fair value of an asset can be classified on several levels of the hierarchy of the fair value, the evaluation at the fair value is entirely classified on the same level of the hierarchy of the fair value as an input data with the lowest level of incertitude which is significant for the entire evaluation. The Company acknowledges the transfers between the levels of the hierarchy of the fair value at the end of the reporting period, in which the modification occurred.

Where appropriate, the additional information regarding the hypotheses used for the establishment of just amount are described by the notes specific to the relevant asset or payable. (Tangible assets, real estate investments).

The Company issues the revaluation of tangible assets in its patrimony with a sufficient regularity for them being described by the financial statements on a just amount.

NOTE 5. Incomes

	<u>31.12.2023</u>	<u>31.12.2022</u>
Asset sales	40,090,659	30,880,804
Service provisions	864,360	152,137
Total	40,955,019	31,032,941

The turnover of Company, related to 2023 year is 40,955,019 whereof 40,851,980 export and 103,039 internal, compared to 2022 when we registered 31,032,941, whereof 30,238,128 export and 794,813 internal. The turnover was mainly issued in the structure by the sale of its own production at the rate of 98%. The amount of export sales in 2023 year represents 99.75%, (2022: 97.44%), and the amount of internal sales represents 0.25%, (2022: 2.56%) of the turnover.

NOTE 6. Operating incomes

	<u>31.12.2023</u>	<u>31.12.2022</u>
Incomes	40,955,019	31,032,941
Revenue from costs of product stocks and production in progress	1,970,824	(205,540)
Other incomes	295,509	69,930
Total	43,221,252	30,897,331

S.C. CONTED S.A.**Separate financial statements of 31 December 2023 according to IFRS****(All amounts are expressed in LEI unless otherwise stated)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 7. Operating expenses

	<u>31.12.2023</u>	<u>31.12.2022</u>
Expense with raw materials and consumables	14,625,934	10,912,288
Expense with energy and water	1,677,300	1,659,257
Expense with merchandise	39,672	43,142
Total cost of materials	16,342,906	12,614,687
Expenses for salaries, social contributions and other benefits	15,040,554	12,551,687
Other operating expense, whereof:	9,033,455	4,006,304
Expense with the external provisions:	8,686,719	3,746,000
- <i>Postal and telecommunication expense charges</i>	38,167	27,645
- <i>Expense with maintenance and repairs</i>	73,081	41,488
- <i>Expense with advertisement and protocol</i>	19,463	27,966
- <i>Expense with securities</i>	37,388	20,878
- <i>Expense with transport and travels</i>	758,103	584,142
- <i>Expenses for the banking and similar</i>	62,902	14,469
- <i>Other expenses with services provided by third parties</i>	7,697,615	3,029,412
Expenses with other interests, fees and similar payments	292,001	255,627
Expenses with environment protection	354	362
Other expenses	54,381	4,315
Expenses for the amortization	504,868	464,363
Adjustments current asset	4	-
- Expenses	4	-
- Incomes	-	-
Adjustments for provisions	55,746	35,918
- Expenses	543,054	489,980
- Incomes	487,308	454,062
Total	40,977,533	29,672,959

Amounting to 7,697,615 (2022: 3,029,412) „Other expenses with services provided by third parties "are included expenditure on internal audit and statutory audit in the amount of 29,800 (2022: 28,000).

NOTE 8. Expenses with salaries, social securities and other benefits

- Expenses with salaries and social securities

	<u>31.12.2023</u>	<u>31.12.2022</u>
Expenses with salaries	13,694,013	11,310,971
Expenses with mandatory social securities	407,641	377,426
Expenses with meal tickets	938,900	863,290
Total	15,040,554	12,551,687

The issued gross salary fund (the salary fund, respectively, without medical rests borne by the employer), during the 2023 year was 13,694,013 compared to 2022 year, when we registered 11,310,971.

S.C. CONTED S.A.**Separate financial statements of 31 December 2023 according to IFRS****(All amounts are expressed in LEI unless otherwise stated)**

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 8. Expenses with salaries, social securities and other benefits (continuation)

If the contributions related to the salary fund, borne by the Company, are added to these amounts, medical rest supported by the employer and other expenses with the labor force, considered as social expense, entirely amounting 407,641, (2022: 377,426), as well as the expenses with the granted meal tickets and gift vouchers, amounting 938,900, (2022: 863,290), it results a total expense with the staff, amounting 15,040,554, (2022 : 12,551,687).

- Expenses with other benefits for the employees

	Short term	
	31.12.2023	31.12.2022
Benefits for the employees	938,900	863,290
Meal tickets	938,900	863,290

NOTE 9. Average number of employees

a) Employees

The medium number of employees progressed as follows:

	31.12.2023	31.12.2022
Management personnel	5	5
Administrative personnel	41	41
Production personnel	291	288
Total	337	334

b) The structure of employees by the training level is shown below:

	31.12.2023	31.12.2022
	%	%
Higher education personnel	3.26	3.29
Secondary education personnel	5.06	4.73
Technical education personnel	5.34	5.76
Handicraft and qualification education	46.29	52.09
Un-qualified personnel	40.05	34.13
Medium number of employees	337	334

NOTE 10. Financial incomes and expenses

	31.12.2023	31.12.2022
Incomes by interests	410	29
Incomes by exchange rate differences	297,577	152,160
Total financial incomes	297,987	152,189
Interest Expenses	266,605	-
Other expenses	374,601	239,812
Ttal financial expense	641,206	239,812
Net financial result	(343,219)	(87,623)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 10. Financial incomes and expenses (continuation)

The financial incomes mostly include the income from exchange rate differences favorable. The financial expenses include the interest expenses, the expenses for the rate of exchange differences unfavorable and the expenses regarding the discounts granted. All the expenses and incomes are recognized in the statement of profit or loss.

NOTE 11. Expense with income tax

Profit reconciliation before the taxation	<u>31.12.2023</u>	<u>31.12.2022</u>
Accounting profit/loss	1,609,067	1,136,749
Items similar to incomes by other re-treatments	140,542	173,029
Discounts	504,868	464,363
Other non-taxable income	487,308	454,062
Non-deductible expenses	1,400,827	963,865
Taxable profit/tax loss for the reporting year	2,158,260	1,355,218
Tax loss to be carried over from previous years	(336,181)	(1,691,399)
Taxable profit tax loss to be recovered in subsequent years	1,822,079	(336,181)

NOTE 12. Tangible assets

Tangible assets 212 „construction group” were revalued at 31 December 2006, 31 December 2009, 31 December 2012, by independent evaluators, according to regulations in force at the time.

Evaluations were based on fair value, being the nearest transaction and the inflation rate from that date, taking into account their physical condition and market value.

On 31.12.2013 the last revaluation of the tangible assets group 212 “Constructions” and the land (which exist within the patrimony at this date) occurred. The depreciation was re-addressed proportionally with the modification of the gross accounting value of the asset, so that the accounting value of the asset, after the re-evaluation, will be equal with the revaluated value. The scope of the evaluation of the land was the estimation of the market value in order to be registered in the accounting evidence at the fair accounting value. The fair value of the lands was determined based on the comparable market method, which reflects the recent transaction prices for the same properties.

The evaluation method applied to the ”building” group is the direct comparison method. The revaluation envisaged the adjustment of the net accounting value of the elements included in these categories on their fair value considering their physical status and their market value.

All buildings and lands are identified on their revaluated value, this value representing the fair value at the date of the revaluation minus any priory accumulated depreciation and any losses acquired by means of depreciation.

The review was conducted according to International Valuation Standards, by Ms. Lațcu Nicolae, expert qualified professional appraiser authorized member of ANEVAR. The fair value was settled on each asset in gross revaluated values, and as their related depreciation.

On December 31, 2016 were revalued tangible, „Construction Group 212” and 215 „real estate investments”. Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets (continuation)

Valuation method applied under 'construction' is the replacement net cost method. The review was conducted according to International Valuation Standards 2016 by Mr. Dan Rusu Zaharia, expert qualified, professional appraiser authorized member ANEVAR.

It was determined the fair value of each asset. The revaluation surplus was recognized as revaluation reserve in equity. At 31 December 2016, based on internal analyzes, the Company's management estimates that the net carrying amount approximates fair value of the land. In the year 2017 and 2018 year no tangible assets were valued.

On December 31, 2019 were revalued tangible, „Construction” group 212 and group 2112., landscaping”. Revaluation effects were accounted for using the remaining unamortised value revaluation process which involves the cancellation of accumulated depreciation to bring the construction to the net book value and added value recording. Revalued amount is the fair value at the date of the revaluation less any subsequent accumulated amortization.

Valuation method applied is the replacement net cost method. The review was conducted according to International Valuation Standards 2018 by Mr. Dan Rusu Zaharia, expert qualified, professional appraiser authorized member ANEVAR.

It was determined the fair value of each asset. The revaluation surplus was recognized as revaluation reserve in equity. At 31 December 2019, based on internal analyzes, the Company's management estimates that the net carrying amount approximates fair value of the land. In 2020 and 2021, the tangible assets were not evaluated. (land and group 212, "Buildings")

In 2022 and 2023, tangible assets were not evaluated (land and group 212, "Constructions"). Considering that there are no major changes in the volume of tangible assets (land and group 212 "Constructions"), the management of the Company considers that it is not necessary to evaluate the tangible assets, estimates that the net book value of the land and group 212 "Constructions" approximates the value just. On 31.12.2023, the company registers “Tangible fixed assets in progress” in the amount of 14,240 representing works in progress.

Based on IFRS 13 - Fair value measurement, below are presented levels of assessment and evaluation approach.

Group	evaluation approach	Level evaluation	Entry data
Land	The fair value of land is determined by applying the market comparison. Assessment is carried out based on observable market inputs.	level 2	Price per square meter
Construction and Landscaping	The cost approach. Final fair value is determined by applying depreciated replacement cost. Assessment is carried out based on observable market inputs.	level 3	Estimated cost of building and estimation of accrued depreciation (physical,functional and external).
Investment property	The cost approach. Final fair value is determined by applying direct market comparison. Assessment is carried out based on observable market inputs.	level 3	Estimated cost of building and estimation of accrued depreciation (physical,functional and external).

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Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets (continuation)

	<u>Land and landscaping</u>	<u>Buildings</u>	<u>Technical equipment and transport facilities</u>	<u>Other tangible assets</u>	<u>Tangible fixed assets in progress</u>	<u>Avances for tangible fixed assets</u>	<u>Total</u>
Cost							
Balance as at 1 January 2023	915,456	4,011,310	8,743,299	249,583	14,240	-	13,933,888
Procurements - increase in value	327,415	-	803,467	-	-	121,281	1,252,163
Outflows of fixed assets	-	-	774,413	-	-	-	774,413
Balance as at 31 December 2023	1,242,871	4,011,310	8,772,353	249,583	14,240	121,281	14,411,638
Amortization							
Balance as at 1 January 2023	50,303	865,430	7,922,767	195,455	-	-	9,033,955
Amortization during the year	3,496	268,010	160,341	7,257	-	-	439,104
Depreciation its output	-	-	774,413	-	-	-	774,413
Balance as at 31 December 2023	53,799	1,133,440	7,308,695	202,712	-	-	8,698,646
Balance as at 1 January 2023	865,153	3,145,880	820,532	54,128	14,240	-	4,899,933
Balance as at 31 December 2023	1,189,072	2,877,870	1,463,658	46,871	14,240	121,281	5,712,992

S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 12. Tangible assets (continuation)

	<u>Land and landscaping</u>	<u>Buildings</u>	<u>Technical equipment and transport facilities</u>	<u>Other tangible assets</u>	<u>Tangible fixed assets in progress</u>	<u>Total</u>
Cost						
Balance as at 1 January 2022	915,456	3,856,416	8,573,042	249,583	14,240	13,608,737
Procurements - increase in value	-	154,894	170,257	-	-	325,151
Outflows of fixed assets	-	-	-	-	-	-
Balance as at 31 December 2022	915,456	4,011,310	8,743,299	249,583	14,240	13,933,888
Amortization						
Balance as at 1 January 2022	43,667	575,590	7,780,177	188,197	-	8,587,631
Amortization during the year	6,636	289,840	142,590	7,258	-	446,324
Depreciation its output	-	-	-	-	-	-
Balance as at 31 December 2022	50,303	865,430	7,922,767	195,455	-	9,033,955
Balance as at 1 January 2022	871,789	3,280,826	792,865	61,386	14,240	5,021,106
Balance as at 31 December 2022	865,153	3,145,880	820,532	54,128	14,240	4,899,933

S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets

	<u>Concessions of patents, licenses and trade marks</u>	<u>Other intangibles</u>	<u>Total</u>
Cost			
Balance as at 1 January 2023	43,391	347,778	391,169
Procurements	73	20,225	20,298
Outflows of intangible assets	-	-	-
Balance as at 31 December 2023	43,464	368,003	411,467
Amortization			
Balance as at 1 January 2023	40,720	187,158	227,878
Amortization during the year	1,018	64,746	65,764
Depreciation its output	-	-	-
Balance as at 31 December 2023	41,738	251,904	293,642
Balance as at 1 January 2023	2,671	160,620	163,291
Balance as at 31 December 2023	1,726	116,099	117,825

S.C. CONTED S.A.

Separate financial statements of 31 December 2023 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets

	<u>Concessions of patents, licenses and trade marks</u>	<u>Other intangibles</u>	<u>Total</u>
Cost			
Balance as at 1 January 2022	40,416	171,744	212,160
Procurements	2,975	176,034	179,009
Outflows of intangible assets	-	-	-
Balance as at 31 December 2022	43,391	347,778	391,169
Amortization			
Balance as at 1 January 2022	39,758	170,081	209,839
Amortization during the year	962	17,077	18,039
Depreciation its output	-	-	-
Balance as at 31 December 2022	40,720	187,158	227,878
Balance as at 1 January 2022	658	1,663	2,321
Balance as at 31 December 2022	2,671	160,620	163,291

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets (continuation)

The intangible assets on 31 December 2023, at the net value of 117,825 (01 January 2023: 163,291), represent the non-amortized part of licenses and informatics programs used. The amortization term of intangible assets is 3 years.

NOTE 14. Inventories

	<u>31.12.2023</u>	<u>31.12.2022</u>
Raw materials and consumables	3,436,076	3,062,405
Work in progress	1,548,837	858,119
Finished goods	3,195,761	1,952,045
Advances for stocks	530	32,561
Total	8,181,204	5,905,130

The stocks registered in 2023 a rotation speed of (6.13 rotations/year), compared to the year 2022 (5.39 rotations/year). For the establishment of cost on the outflow of the administration of materials, the company uses the first in, first out method (FIFO).

The cost of stocks recognized as expense during the 2023 year with respect to the permanent operations was 14,665,606 (2022: 10,955,430). The company did not register discounts of the accounting value of stocks recognized as expense during the year.

NOTE 15. Trade receivables and similar receivables, other receivables and advance expense

	<u>31.12.2023</u>	<u>31.12.2022</u>
Trade receivables	6,507,432	4,732,596
VAT to be collected	83,168	99,512
Non-exigible VAT	13,775	12,703
Other receivables	39,372	15,380
Total	6,643,747	4,860,191
Advance expenses	30,707	7,241

The trade receivables are registered on the rated value and are described in the analytical accountancy per each natural or legal entity. The receivables in foreign currency were evaluated based on the enforceable rate of exchange at the end of the year, and the differences of the exchange rate were recognized as incomes or expenses of the period.

The balance as at 31.12.2023 of the main receivables is made of:

- Internal clients, amounting 2,567.
- External and intra-community clients, amounting 6,504,865

The recovery period of receivables increased in 2023 to 62 days compared to 2022 year, when it was 37 days. The Company has to recover from customers on 31.12.2023 the amount of 6,507,432 of which the outstanding amount at maturity is 2,419,979.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 15. Trade receivables and similar receivables, other receivables and advance expense (continuation)

The structure by aging of trade receivables on the date of 31 December 2023 was:

- non past due, amounting 4,087,453
- outstanding debts between 0 and 30 days, amounting 1,973,166
- outstanding debts between 31 and 60 days, amounting 33,337
- outstanding debts between 61 and 90 days, amounting 66,050
- outstanding debts between 91 and 180 days, amounting 4,845
- outstanding debts between 181 and 365 days, amounting 182,336
- outstanding over 365 days the amount of 160,245

The Company considers that the recognition of an adjustment for depreciation for the outstanding trading receivables is not necessary, because the sold of trading receivables corresponds to the customers with a good payment history.

The trade receivables of the Company are expressed by the following foreign currencies:

	<u>31.12.2023</u>	<u>31.12.2022</u>
Foreign currency		
EUR lei equivalent	6,504,865	4,730,148
LEI	2,567	2,448
Total	6,507,432	4,732,596

The advance expenses amounting 30,707 on 31 December 2023, (7,241 la 1 January 2023) mainly represent insurance premiums for civil liability insurances for administrators, insurance for the transport facilities and different subscriptions.

NOTE 16. Cash and cash equivalents

On the date of 31.12.2023 cash and cash equivalents amounting 1,570,808 lei increased by 92.38% compared to the cash and cash equivalents registered on 31.12.2022 amounting 816,523 and it is made of:

	<u>31.12.2023</u>	<u>31.12.2022</u>
Cash in the cash office	3,944	1,920
Bank current accounts	1,566,864	814,603
Total	1,570,808	816,523

The current accounts opened at the banks, are permanently available to the Company and are not restricted.

	Initial balance 31.12.2022	Cashments	Payments	Final balance 31.12.2023
cash in the cash office	1,920	598,141	596,117	3,944
current accounts at the	814,603	103,508,346	102,756,085	1,566,864
Cash equivalents	-	1,093,139	1,093,139	-
Total	816,523	105,199,626	104,445,341	1,570,808

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 17. Share capital and reserves**Equities**

We present information regarding the goals, policies and processes of share capital management, according to IAS 1.134 observing the information that include [IAS 1.135]: quality information concerning the goals, policies and processes of the capital of entity management, including the description of capital they manage, the way that the goals are accomplished, the quantity data regarding the share capital, changes from a period to another. The ordinary shares are classified as a part of equity.

The Company recognizes changes in the share capital under the conditions provided by applicable law and only after their approval by the General Shareholders Meeting and registration in the Trade Register. Additional costs directly attributable to the issuance of shares are recognized as a deduction from equity, net of tax effects.

a. Share capital

The share capital of company on the date of 31 December 2023 is 2,284,360.06 lei, fully subscribed and paid up, divided in 239,702 nominal shares, amounting 9.53. The shares of the company are ordinary, nominal, de-materialized, registered by registration in the account, their record being kept, according to law, by Central Depository S.A. Bucharest.

The shares have equal values and grant equal rights to the shareholders for each share. The securities (shares) of the Company are registered and traded on the standard category of shares of the Stock of Exchange of Bucharest. In the 2023 year, the share capital of the company was not changed, in respect of its adjustment or decrease.

The structure of the company shareholding is:

31 December 2023	Number of shareholders	Number of shares	Amount (lei)	%
SC Lagarde Paris France	1	194,443	1,853,042	81.1186
Other shareholders, whereof:	414	45,259	431,318	18.8814
- legal entities		17,913	170,711	7.4731
- natural entities		27,346	260,607	11.4083
TOTAL	415	239,702	2,284,360	100.00

31 December 2022	Number of shareholders	Number of shares	Amount (lei)	%
SC Lagarde Paris France	1	194,443	1,853,042	81.1186
Other shareholders, whereof:	425	45,259	431,318	18.8814
- legal entities		14,558	138,738	6.0734
- natural entities		30,701	292,580	12.8080
TOTAL	426	239,702	2,284,360	100.00

The structure of shareholders holding over 10% of share capital is:

Shareholder	Number of shares	Percent (%)
SC Lagarde Paris France	194,443	81.1186

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 17. Share capital and reserves (continuation)**b. Tangible asset revaluation reserves**

The reserves from the revaluation of tangible assets at December 31, 2023 increased by 139,993 as of December 31, 2022, representing the surplus from the revaluation reserve realized as the use of the asset transferred to the account 1175 „The result reported representing the surplus realized from revaluation reserves”.

c. Reserves

The legal reserves of the company, on 31 December 2023, 31 December 2022, respectively, amount 456,661, as consequence to the establishment of legal reserve (5% of the accounting profit, established according the Tax Code and Law 31/1990 as further amended and completed).

The legal reserves cannot be distributed to the shareholders.

Other reserves

The company registers on 1st of January, 2023, respectively on december 31, 2023 **„other reserves”** account 1068 amounting 4,080,948, including reserves representing tax incentives established in the years 2000-2003.

	<u>31.12.2023</u>	<u>31.12.2022</u>
Tangible asset revaluation reserves	2,095,873	2,235,866
Legal reserves	456,661	456,661
Other reserves	4,080,948	4,080,948
Total	6,633,482	6,773,475
d. Result of the financial	<u>31.12.2023</u>	<u>31.12.2022</u>
Operating profit/loss	2,243,819	1,224,372
Financial profit/loss	(343,219)	(87,623)
Gross profit/loss	1,900,600	1,136,749
Expense with the income tax	291,533	-
Net profit/loss	1,609,067	1,136,749

NOTE 18. Result per share

During the 2023 year, no changes occurred in the structure of share capital. The result per share is shown by the Statement of profit or loss and other items of the global result.

The calculation of the basic share profit was issued based on the profit assignable to shareholders and the number of ordinary shares. The diluted result per share is equal to the basic result per share, because the company did not register potential ordinary shares.

The Company did not issue and redeem any shares during the 2023 year.

Issued shares	239,702
Circulatory shares on 01 January 2023	239,702
Circulatory shares on 31 December 2023	239,702

Weighted average $239.702 \times 12/12 = 239,702$

S.C. CONTED S.A.**Separate financial statements of 31 December 2023 according to IFRS****(All amounts are expressed in LEI unless otherwise stated)****NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS****NOTE 18. Result per share (continuation)****Profit assignable to shareholders**

	<u>31.12.2023</u>	<u>31.12.2022</u>
Profit/loss of the period	1,609,067	1,136,749
Number of ordinary shares	239.702	239.702
Basic profit/loss per share	6,71	4,742
Diluted profit/loss per share	6,71	4,742

Dividends

The amounts representing dividends distributed from the net profit of the reporting period are registered in the following year in the carried forward result, following that, after the approval of the General Assembly of Shareholders of this destination, to be reflected in the account 457 "Payable dividends".

The dividends are considered as a profit distribution during the period whereby they have been declared and approved by the General Assembly of Shareholders. The dividends declared before the reporting date are registered as payment liabilities on the reporting date. The amount of dividends proposed or declared before the authorization of financial statements for issuance is the same as the amount of dividends after the approval of financial statements by the Board of Directors.

For the year 2023, no dividends are distributed, the company has registered profit, which will cover the loss from previous years.

NOTE 19. Trade payables and other payables

	<u>31.12.2023</u>	<u>31.12.2022</u>
Customer - creditors	45,511	524,421
Trade payables – suppliers	4,631,402	2,975,560
Payables with personnel and similar accounts	401,802	314,226
Debts to social security and the state budget, other taxes and fees	749,778	834,762
Amounts owed to credit institutions	2,433,361	-
Provisions for employee benefits	589,814	534,068
Total current payables	8,851,668	5,183,037
Payables with deferred tax	227,911	250,310
Debts regarding loans - credit	2,327,276	2,000,000
Total long term payables	2,555,187	2,250,310
Total payables	11,406,855	7,433,347

The payables are registered on the rated value and noted in the analytical accountancy per natural or legal entity. The payables in foreign currency were evaluated based on the currency rate of exchange enforceable at the end of the year, and the differences of the exchange rate were recognized as incomes or expenses of that period.

The Company owes the suppliers, on the date of 31.12.2023 the amount of 4,631,402, creasing by 55.65% than the date of 31.12.2022 when it registered 2,975,560. The amount represents the equivalent value of the different issued provisions or assets received from the suppliers.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 19. Trade payables and other payables (continuation)

On the date of 31.12.2023 their composition was mainly as follows :

- Procurement suppliers, service provisions, amounting 1,312,486
- Suppliers representing procurements outside EU amounting 612,297
- Suppliers representing intra - Community acquisitions and services of 2,622,543
- Suppliers of un-arrived invoices 42,349
- Suppliers fixed assets 41,727

The old-age structure of commercial debts - suppliers on December 31, 2023, unpaid at the agreed term of 3,769,793 is the following:

- outstanding over 30 days amount of 2,867,565
- outstanding over 90 days amount of 732,568
- overdue in one year amount of 169,660

The payables with personnel, with the budget of social securities and the state budget represent current liabilities related to December 2023, with the exigibility term in the 2024 year.

NOTE 20. Provisions

The provision constituted for the benefits of short-term employees for the unused leave, presented in the financial statements at 31.12.2023 in the amount of 589,814 represents:

- the amount of 751 for 11 days of rest leave related to the persons on leave of the child's growth, remained from the provision established on 31.12.2016 for the rest days not made for 2016.
- the sum of 2,108 for 28 days of rest leave related to the persons on leave of the child's growth, remained from the provision set up on 31.12.2017 for the rest days not made for the year 2017.
- the amount of 455 for 5 days of rest leave from the provision established on 31.12.2018 for the rest days not completed for the year 2018.
- the amount of 801 for 8 days of rest leave from the provision established on 31.12.2019 for the rest days not completed for the year 2019.
- the amount of 107 for 1 day of rest leave from the provision established on 31.12.2020 for the rest days not completed for the year 2020.
- the amount of 2,188 for 20 days of rest leave from the provision established on 31.12.2021 for the rest days not completed for the year 2021.
- the amount of 40,350 for 283 days of rest leave from the provision established on 31.12.2022 for the rest days not completed for the year 2022.
- the amount of 543,054 for 3,157 days of unpaid rest leave related to 2023, constituted in December 2023.

In 2023, revenues from provisions amounting to 487,308 were recorded, as a result of the rest leave not made since 2018, 2019, 2020, 2021 and 2022. The provision will be adjusted as the rest leave is performed.

NOTE 21. Risk management

The main purpose of risk management is to help understanding and identifying the risks which the Company is exposed to, so that they can be anticipated and managed as not to affect the efficient fulfillment of the Company's objectives.

Since the elements of trade receivables and payables are part of the financial instruments, the Company's management reveals that understand and know the information requirements of IFRS 7 regarding the nature and extent of risks arising from financial instruments and their importance.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Risk management

The Company's strategy regarding the management of significant risks provides a framework for identifying, assessing, monitoring and control of these risks, in order to maintain them at acceptable levels depending on the company's risk appetite and its ability to cover (absorb) these risks.

The objectives of the strategy related to the significant risk management are as follows:

- determination of significant risks that may arise during the normal course of business of the company and the formalization of a robust framework for their management and control, in line with the objectives of the overall business strategies of S.C. CONTED S.A.. This can be achieved by adopting the best practices, adapted to the size, risk profile and strategy of the company;
- developing the risk mapping to facilitate their identification, to structure them and to rank them depending on the possible impact on the current activity;
- promoting a culture of awareness and risk management in all company structures.

Within S.C. CONTED S.A., the risk management activity is aimed to fulfill these objectives. Within the process of risk management, the company aims to develop policies, standards and procedures by which it can identify, assess, monitor and control or mitigate the significant risks. This framework will be reviewed periodically, according to the risk profile and risk tolerance, as well as due to the changes in legislation, variations of the internal or external regulations.

To this end, the identification and assessment of risks that may arise in the conduct of significant activities is an ongoing activity. The whole personnel must understand the risks that may arise during the performance of the activity, as well as the responsibilities incumbent related to the management of these risks. Thus, the company must provide, maintain and continually develop a robust and consistent risk culture, in all structures.

a) Risk related to capital

The management of the risk related to the capital is aimed to ensure the ability to work under good conditions by optimizing the capital structure (equity and payable). Within the analysis of the capital structure the cost of the capital and the risk associated to each class is taken into account. In order to maintain an optimal capital structure and an appropriate level of payable, the company proposes to its shareholders an appropriate dividend policy.

The Company's objectives in managing capital are to ensure the protection and the ability to reward shareholders, to maintain an optimal capital structure to reduce capital costs. The Company monitors the volume of capital raised on indebtedness. This rate is the ratio between net debt and total equity. Net debt is calculated as total debt net of cash. Total capital is calculated as equity plus net debt.

	<u>31.12.2023</u>	<u>31.12.2022</u>
Total liabilities	11,406,855	7,433,347
Cash and cash equivalents	1,570,808	816,523
Total equity	10,850,428	9,218,962
Net debt indicator	0.91	0.72

b) Currency risk

Within the business of the company, one of the risks that are frequently met is the currency risk, which is the possibility of incurring financial losses arising from variations of the rates of exchange and/or correlations between them.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Risk management (continuation)

On the other hand, the depreciation of the national currency against major currencies is determined by the intensity of domestic policy which has negative consequences on the financial markets, on the exchange rate and on the stock exchange. The receivables and payables of the company are recorded into the accounting books of the company at their nominal value. The receivables and liabilities in foreign currencies are registered into the accounting books in lei, at the rate of exchange in force at the time of operation performance.

The differences in the rate of exchange between the date of registration of receivables and of the payables in foreign currency, the date of collection, respectively the date of payment thereof shall be recorded as financial income or expenses, as appropriate.

The receivables, payables and availabilities in foreign currency were revalued at the end of each month.

Which expose the Company to currency risk is EUR. The resulting differences are included in the Statement of comprehensive income and does not affect cash flow until the liquidation of the debt.

The company has at December 31, 2023 cash and cash equivalents, trade receivables and trade payables in foreign currencies.

The exchange rates of the national currency against the EUR and USD, calculated as the average rate recorded during the reporting year and the previous year and the exchange rates communicated by the National Bank of Romania on the last day of the year were:

Currency	Medium course		Spot rate at the reporting date	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
EUR	4.9465	4.9315	4.9746	4.9474
USD	4.5743	4.6885	4.4958	4.6346

Sensitivity analysis**2023**

	EUR 1 EUR = 4,9746	RON 1 RON	TOTAL
Cash and cash equivalents	1,506,871	63,937	1,570,808
Trade receivables and other receivables	6,544,226	99,521	6,643,747
Total	8,051,097	163,458	8,214,555
Trade payables and other payables	(4,598,715)	(3,663,139)	(8,261,854)
Total	(4,598,715)	(3,663,139)	(8,261,854)

2022

	EUR 1 EUR = 4,9474	RON 1 RON	TOTAL
Cash and cash equivalents	495,276	321,247	816,523
Trade receivables and other receivables	4,730,148	130,043	4,860,191
Total	5,225,424	451,290	5,676,714
Trade payables and other payables	(2,141,833)	(2,507,136)	(4,648,969)
Total	(2,141,833)	(2,507,136)	(4,648,969)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Risk management (continuation)**Sensitivity analysis of currency risk**

The Company is exposed mainly to EUR. The table below details the Company's sensitivity to an increase/decrease of 5% in RON against those currencies. 5% is the sensitivity rate used by management reports on currency risk. The sensitivity analysis only includes outstanding monetary items denominated in foreign currency conversion into RON shows the change at the end of the reporting period due to a change in the exchange rate by 5% compared to the exchange rate prevailing at the time. A positive number indicates an increase in earnings and equity occurs where the functional currency to currency.

2023

	EUR 1 EUR = 4.9746	RON 1 RON	TOTAL
Position Net Asset/(Debt)	3,452,382	(3,499,681)	(47,299)
Profit/(Loss)	172,619	-	172,619

2022

	EUR 1 EUR = 4.9474	RON 1 RON	TOTAL
Position Net Asset/(Debt)	3,083,591	(2,055,846)	1,027,745
Profit/(Loss)	154,180	-	154,180

Currency risk control measures

As a measure to reduce this risk, the company aims to synchronize at all times its import activity with the export activity, correlating the payment terms and collection thereof, as well as the correlation of the share of the rates of exchange so that the moments when the payments are to be made to be as close or even simultaneously with those coming from export receipts.

Another measure is to anticipate or delay the payment or receipt properly determining the maturity date and to introduce certain price margins for insurance, correlated with the forecasts for the evolution of the currency in which payment is made.

c) Liquidity risk and cash flow

This risk results from the incapacity of the company to meet its payment liabilities at any time on short term. On the other hand, the liquidity risk is caused by increased taxation. When we talk about inland revenue, we are talking first about predictability, and the business environment is exposed to sudden changes related to the tax matters (modification, apparition of new taxes, and contributions).

Control measures of the liquidity risk

In order to reduce the risk of not collecting the payments on the domestic market, the following measures have been taken:

- assessing the creditworthiness of trading partners by checking on multiple ways, before concluding the contract;
- monitoring of receivables by permanent control and assessment of risks;
- developing loyalty relationships with the customers by periodical meetings to know them and approaching a constructive approach;
- establishing the expenses provisions to cover the risk of default.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Risk management (continuation)

d) Price reducing risk

S.C. CONTED S.A. Dorohoi is exposed to a risk of reducing the prices due to cheaper labor in other countries, changes in the economic, social and political.

Control measures of price reducing risk

In order to mitigate these risks, the company has implemented a policy to promote the products by emphasizing the advantages related to high quality and alignment with international regulations. On the other hand, it has in mind to develop its position on regulated markets, which has more restrictive conditions for access on the market and relatively higher price levels.

e) Risks of lohn system

Mainly S.C. CONTED S.A. produces textiles using the lohn system (CM – cut and make) but it can produce textiles with its own fabrics (imported from France, Italy, Spain, Turkey etc.) and auxiliary, at the customer's request (CMT – cut-make-trim).

Over the time, S.C. CONTED S.A. may be more or less affected by the changes of what we call environment or external factors, certain factors of this environment may adversely affect the activity of this company. These political, legal, economic, social and cultural factors can have a negative impact, therefore creating a failure transposed in high response time into the market and delays in delivery.

Political and legal factors can influence the company's business that operates according to the lohn system by imposing regulations that may be related to import-export of goods, economic factors that influence the economy of a country which can also influence the purchasing power.

f) Political and legislative risk

Legislative changes related to the textiles market lead to a legal risk that must be managed at all times. The company's effort to adapt constantly to varying legislative requirements can generate significant additional costs and potential future amendments to the legislative framework could have negative effects on the activity and profitability of the company.

Legislative risk control measures

The strategy of the company in managing these risks entails:

- a permanent concern to obtain the international certifications of the manufacturing flows;
- updating the licensing documentation for the products in the portfolio;
- permanent monitoring of legislative changes at international level.

g) Risks to losing certain markets (contracts)

The decline in the market price of the competing products lead to a non-competitive position, the loss of the partner's interest for the Conted products, as a result of the introduction of new products on the market, lead to the loss of some markets (contracts).

Measures to control the risk of loss of certain markets (contracts)

To manage this risk the company takes into account:

- tracking continually the trends of the international trade policy and adopting a strategy of diversified export, structurally and geographically, with a differential approach of developed markets and of developing countries;
- concluding strategic partnerships with companies which hold important positions on the international markets, which are able to pursue judiciously such risks;
- anticipating the legislative requirements, to adapt the product documentation to certain requirements or to compensate on the other markets;
- customer retention;
- identifying new business partners and other methods of cooperation (compensation).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 21. Risk management (continuation)

h) Operating risks

One of the serious problems that S.C. CONTED S.A. is currently facing is that related to the recruitment and employment of staff specialized in textiles. Failure to attract a sufficient number of suitably qualified personnel, migration, incapacity to adapt to the labor market, and increased personnel costs are risks that might affect the work done by the issuer.

Among the uncertainty factors that could affect the Company's business we can mention:

- producing clothing that can stand on the circuit and on stock for more than one month, due to delay of supply with raw materials and auxiliary materials from customers;
- temporary suspension of activity due to unexpected circumstances;
- increasing the minimum gross salary guaranteed for payment, which will decrease the attractiveness of light industry;

The increase the minimum gross salary guaranteed for payment at the level of the country of the workers in the textile industry, may lead to loss of contracts by clothing factories in Romania and they are transferred to countries with cheaper labor force. The related industry is losing its competitiveness year after year, and the Lohn system "migrates" into cheaper countries with much lower wage levels.

S.C. CONTED S.A. implements a constant supervision of operational risks in order to take measures to keep them at an acceptable level, which does not threaten its financial stability, the interests of the creditors, shareholders, employees, and partners.

NOTE 22. Related parties

The Company has no share capital in other companies.

Transactions with the key management personnel

Loans granted to the manager

The company did not grant advances, credits or loans to the administration and management institution members in 2023 year.

Benefits of the key management personnel

The waging rights of the General Manager are established by the Board of Directors in accordance with the legal provisions and the contract of mandate. The remuneration of the Management Board members are approved by the General Meeting of the Shareholders.

Granted waging rights	Nr. persoane	<u>2023</u>	<u>2022</u>
General Manager	1	117,505	118,391
Management Board Members	3	2,863,215	195,264

NOTE 23. Further events

There are no further events that may influence these financial statements.

The separate financial statements were approved by the Board of Directors at the meeting of 13.03.2024 and signed on behalf of it by:

**Representative of the President of the Board of Directors,
Eng. HAMIDI HAISSAM**

**Chief Economic Office,
Ec. Mihai Elena**