



S.C. CONTED S.A. Sediu social: Str. 1 Decembrie 1918, nr. 8, Dorohoi, jud. Botoşani, Cod poştal: 715200, România C.I.F.: RO622445, Nr. ORC: J7/107/1991, TEL/FAX: 0231615457/0231610026 site web: www.conted.ro, e-mail: secretariat@conted.ro

The Board of Directors' report for the financial year 2022

Report date: 13.03.2023

Name of the trading company: S.C. CONTED S.A.

Headquarters: Dorohoi, 1st December Street No. 8, Botoşani County

Phone number/fax: 0231610067/0231610026

VAT code: RO 622445

Trade registry number: J07/107/1991

Regulated market of the securities: B.V.B. - Standard Category

Market symbol: CNTE

Number of shares: 239.702

Nominal value: 9.53 lei

Subscribed and paid registered capital: 2,284,360.06 lei

Securities: nominative

General presentation of the company

S.C. Conted S.A. is a joint stock company, a Romanian legal entity with unlimited life that is organized and operated according to its statute and under the Companies Law no. 31/1990 of 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 is headquartered in Dorohoi, 1st December Street No. 8, Botosani county, Romania, zip code 715200, phone 0231610067, fax 023161026, site www.conted.ro, Tax Identification Number RO 622445, Trade Register Office number: J07/107/1991.

S.C. CONTED S.A. Dorohoi is a high quality garment manufacturer, with an experience of over 55 years in the field of garment manufacturing as well as in the field of export production. The company recorded an ascending evolution, expanding its retail market through contracts with foreign companies.

The company CONTED S.A. Dorohoi is specialized in producing garments for men, women and children: suits, jackets, trousers, coats, skirts, jackets, military uniforms, jackets, vests.

We mainly produce garments in lohn system (CM –cut and make), but we also can produce garments with our own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim). We have possibilities to develop the styles.

The company mainly works in lohn system, having clients that sell their goods in the European community. At the same time, the Company does not neglect new collaboration offers, for which samples or prototypes are made, accepting orders with smaller quantities for prospecting the market.

The registered capital of the company is of 2,284,360.06 lei, fully subscribed and paid, divided in 239,702 nominative shares to the amount of 9.53 lei/share. The company's shares are ordinary, nominative, dematerialized, and registered into account, their records being kept under the law by the Central Depository S.A. from Bucharest. The shares are of equal value and provide equal rights to the shareholders for each share. The company's securities (shares) are registered and traded at the standard category of Bucharest Stock Exchange.



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1. The analysis of the company's activity

1.1. a) The main activity developed by S.C. CONTED S.A., according to the article of incorporation, is other garments manufacturing (excluding underwear), NACE code 1413.

b) The trading company transformed itself through reorganization, on the ground of Law 15/1990 from a republican industrial enterprise.

c) During the analyses period, there were no mergers or reorganizations of the company.

d) There were no acquisitions or disposals of assets.

e) The company features the main indicators achieved in 2022 according to the International Financial Reporting Standards compared to previous periods:

1.1.1. General evaluation elements

- lei -

No	SPECIFICATION	2019	2020	2021	2022	2022/2021 %
1	Total income from which:	13,689,123	14,026,116	12,746,060	31,049,520	143.60
1.1.	Sales income - Turnover	13,649,397	11,922,997	8,106,529	31,032,941	282.81
2	Total expenses	13,350,748	12,995,352	14,570,115	29,912,771	105.30
3	Gross profit/loss	338,375	1,030,764	(1,824,055)	1,136,749	-
4	Exploitation income	13,606,427	13,941,903	12,671,636	30,897,331	143.83
5	Exploitation expenses	13,315,674	12,955,181	14,529,627	29,672,959	104.22
	Exploitation profit	290,753	986,722	(1,857,991)	1,224,372	-
7	Financial income	82,696	84,213	74,424	152,189	104.49
8	Financial expenses	35,074	40,171	40,488	239,812	492.30
9	Financial profit (loss)	47,622	44,042	33,936	(87,623)	-
10	Net profit/loss	338,375	1,030,764	(1,824,055)	1,136,749	-
11	Goods production volume	12,833,464	10,222,230	7,836,562	29,900,183	281.55
12	Labor productivity/employee	39,246	30,883	23,254	89,522	284.97
13	Profit rate to the total income	2.47%	7.35%	-	3.66%	-
14	Liquidity (available into the account)	167,244	1,269,035	168,765	816,523	383.82
15	Average number of the registered staff	327	331	337	334	0.89

The analysis of the presented elements, compared to the same period of the previous year 2021, shows the following:

The company's **turnover** afferent to 2022 is of 31,032,941 lei from which 30,238,128 lei export and 794,813 lei internal, compared to 2021 when we recorded 8,106,529 lei, from which 7,971,509 lei export and 135,020 lei internal.

In its structure, the turnover was achieved mainly by the sale of own production in a proportion of 99%. The value of the export sales in 2022 represents 97.44%, and the value of the internal sales represent 2.56% from the turnover.

The recorded turnover of 2022 to the amount of 31,032,941 lei has increased by a 282.81%, as against 2021.

The volume of total income achieved was to the amount of 31,049,520 lei, representing a increase by 143.60% as against the total income obtained in 2021 to the amount of 12,746,060 lei.



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The volume of total expenses to the amount of 29,912,771 lei has increased by 105.30%, compared to 2021 when we recorded the amount of 14,570,115 lei. In the volume of total expenses, the staff expenses have the highest percentage of 41.96%.

The staff expenses to the amount of 12,551,687 lei, have increased by 31.57%, compared to 2021 when they recorded the amount of 9,539,829 lei.

The exploitation income to the amount of 30,897,331 lei has increased in 2022 by 143.83% compared to 2021 when they recorded the amount of 12,671,636 lei, as well as the **exploitation expenses**, to the amount of 29,672,959 lei have increased by 104.22% compared to 2021 when they recorded the amount of 14,529,627 lei. In the total of the exploitation income, the sold production has the highest percentage, and from the exploitation expenses, the staff expenses has the highest percentage to the amount of 12,551,687 lei, representing 42.30% from the total of the exploitation expenses. The exploitation activity was concluded with profit to the amount of 1,224,372 lei, as against 2021 when we have recorded a loss to the amount of (1,857,991) lei.

The financial income to the amount of 152,189 lei comes from exchange differences.

The financial expenses to the amount of 239,812 lei come from other financial expenses.

The financial result is loss to the amount of (87,623) lei as against the same period of 2021 when we recorded profit to the amount of 33,936 lei.

In the financial year 2022, the company records a **profit** of 1,136,749 lei compared to the previous year when we recorded a **loss** to the amount of (1,824,055) lei.

At the end of 2022, the cash flow was a increase of net cash amount of 647,758 lei, reflected in the balance of accounts at banks and house. On 31.12.2022, a decrease of the average number of employees was registered, compared to the same period of 2021 year, from 337 to 334 employees.

1.1.2. Evaluation of the company's technical level

a) The main activity was the production of garments, profiled on the following types: men and women outer garments such as coats, suits, jackets, blazers, trousers, skirts, vests. The company income was obtained by the trading of the garments produces on the European and internal market.

b) In the production structure, a percentage of about 63% represent the jackets, 28% pants and 9% coats, jackets, vests and other products. In total income, (turnover) the jackets represent about 50%, the trousers represent about 25%, the coats 5%, costumes 11%, jackets 3%, nouvelles and other products 5% and various services 1%.

The products manufactured by S.C. CONTEd S.A. are intended for both internal market and foreign market. In 2022 the production manufactured for export represents 97%, and the production manufactured for the internal market represents 3% from the total production.

c) As for the next period, the company shall focus on the varied range of products.

1.1.3. Evaluation of material and technical supply.

The company uses raw materials brought by the customer as well as raw materials supplied by the company.

1.1.4. Sales evaluation

a) The internal market sales of 2022 were of 794,813 lei, in the European community were of 30,238,128 lei.

On a medium and long term, we believe it is mandatory for us to focus on the following issues:

- Analysis of the international fashion trends;
- Analysis of the fabrics and combinations of fabrics, matching;
- Analysis of internal and international market for fabrics and trims providers;
- Identifying the market niches;
- Promoting the products through advertising methods (leaflets, catalogues, internet);
- Distribution of products through our own shop and collaborators.



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b) Due to the lack of statistical data, we cannot comment on the weight of our products on the market, or on the main competitors, but we know that is an area with a special competition.

c) The company, no matter the circumstances, does not collaborate with only one customer, but with several customers, in order to avoid stagnation due to unfavorable conditions. However, we recognize that we depend on each customer, because they can always turn to geographic areas where the workforce is cheaper.

1.1.5. Evaluation of the issues related to the company's employees

a) On 31.12.2022, the staff average number was of 334 persons. From the total of the company's employees, 11 of them have higher education, the rest of the employees having secondary education, vocational schools, lower secondary schools and training courses or without training courses, the number of unqualified employees being of 114 persons.

In 2022 we have recorded a number of 11 individual work contracts legally suspended.

Regarding the qualification level, we notice the fact that the lab our market has less and less offers of qualified staff, starting with engineers from the textiles area and up to the garment workers or the mechanics from our profile industry area. From this reason, we increasingly rely on unskilled or aged staff, coming from dissolved units or units in which layoffs were made.

We have to train all this staff at least at a minimum level, training that may last for 2-3 months, period of time in which, irrespective of the result and quality of their work, the company provides them, according to the law, the payment of the minimum gross salary guaranteed. In 2022 the staff turnover was as follows: 64 persons left the company and another 57 were employed.

Within the company, at the end of 2022, no union organizations are active.

b) There are no disputes between management and employees that might affect the company's activity.

1.1.6. Evaluation of the issues regarding the impact of the company's main activity on the environment.

We don't cause any negative impact on the environment deriving from our company's activity profile, whereas we have organized an environment monitoring activity and a collection, delivery and storage system of waste.

The company operates under the Environmental Permit no. 117 of 26.11.2019 targeted annually, according to Decision no. 310 of 22.09.2022 for the period 26.11.2022 - 26.11.2023.

The main waste derived from the company's activity is:

- textile waste, paper and cardboard waste, plastic waste, domestic waste, medical waste, fluorescent tube waste and other mercury-containing waste, synthetic hydraulic oil waste, contaminated packaging waste.

These ones are collected on categories and stored in the indoor waste repository, being then verified by authorized agents. We have contracts for collection with the following specialized agents: S.C. Italtex S.R.L Iaşi, S.C. Sarecitet Total S.R.L. Odobeşti, County Vrancea, S.C. Vrancart S.A. Adjud, County Vrancea, S.C. Ecorec Recycling S.R.L. Buhuşi, County Bacău, S.C. Stericycle Romania S.R.L. Jilava, County Ilfov, S.C. Copacart Edil S.R.L. Jariştea, County Vrancea, S.C. Inciner Waste Recycle S.R.L. Botosani, for textiles, paper and cardboard, plastics and the others mentioned above and with S.C. Fritehnic S.R.L. Suceava for domestic waste.

In order to monitor the impact on the environment of the two boilers used for the production of technological steam, on a yearly basis, with the help of authorized companies, flue gas measurements are performed, concerning the emission of pollutants into the atmosphere, test reports being issued. Up to now, according to the issued test reports, our test results were within the permissible limits.



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Also, at the level of environmental impact, noise measurements are periodic performed at the property boundary, by Public Health Directorate Botoşani, the measured values being within the permissible limits. According to the law in force, trimestral, biannual and yearly basis, reports are submitted to the Environment Agency, concerning the compliance with environmental quality, and every month it is drafted the Statement regarding the liabilities towards the environment fund, for: emissions of pollutants into the atmosphere from stationary sources (steam boilers) and waste from packaging placed on the market (plastic, paper and cardboard).

1.1.7. Evaluation of research and development activity

The company did not estimate and did not incur research and development expenses in 2022.

1.1.8. Evaluation of the company's activity regarding the risks management

The company is exposed to the following risks:

- Risk related to capital
- Exchange risk
- Liquidity and cash flow risk
- Risk of price reduction
- Risk of lohn system
- Political and legislative risk
- Risk of losing some markets
- Operational risks

Legal frame regarding risks management

The company's Board of Directors has the general responsibility to establish and monitor the risk management system at the company level.

The activity is governed by the following principles:

- a) The principle of delegation of professional skills;
- b) The principle of decision-making autonomy;
- c) The principle of objectivity;
- d) The principle of investors' protection;
- e) The principle of promoting the development of the stock market;
- f) The principle of the active role.

The Board of Directors is also responsible for the examination and approval of the strategic, operational and financial plan of the company, as well as of the corporate structure of the company.

The company's policies of risk management are defined so as to ensure the identification and analysis of the risks which the company incur, the setting of the appropriate limits and controls, as well as the monitoring of the risks and of the compliance with the set limits.

The risk management policies and systems are regularly reviewed in order to reflect the changes in the market conditions and the company's activities.

The company, by its training and management standards and procedures, aims to develop an orderly and constructive control environment in which all employees understand their roles and obligations.

The main purpose of risk management is to help understand and identify risks to which the Company is exposed so that they can be anticipated and managed so 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.



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

The objectives of the strategy regarding the significant risk management are:

- determination of significant risks that may arise in the normal course of the company's activity and formalization of a robust framework for their management and control, according to the objectives of the general strategy of SC CONTED S.A. This is achieved by adopting best practices, adapted to the size, profile and risk strategy of the company;
- development of risk maps to facilitate their identification, structuring and ranking according to the possible impact on the current activity;
- promoting a culture of risk awareness and management in all company structures;

Within SC CONTED S.A., the risk management activity aims to fulfill these objectives.

In the process of risk management, the company aims to develop policies, standards and procedures by means of which the significant risks may be identified, assessed, monitored and controlled or mitigated. This framework will be reviewed periodically, according to the risk profile and risk tolerance, due to the changes in legislation, the internal or external changes.

To this end, the identification and assessment of risks that may arise within the significant activities, is a permanent activity.

The entire staff must understand the risks that may arise within the developed activity, and the responsibilities incumbent concerning the management of these risks. Thus, the company must provide, maintain and continually develop a robust and consistent risk culture, in all structures.

Risk regarding the capital

Capital risk management aims to ensure the ability to work in good conditions by optimizing the capital structure (equity and debt). The analysis of capital structure deals with the capital cost and the risk associated with each class. To maintain an optimal capital structure and an appropriate level of debt, the company proposes to the 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.

Currency risk

Within the company business, one of the risks with a high frequency is the currency risk, which consists in the possibility of financial loss arising from the changes in exchange rates and / or correlations between them. On the other hand, currency depreciation as against the major currencies is caused by the internal political intensity which has negatively affected financial markets, exchange rate and stock exchange.

The company's receivables and liabilities are recorded in the accounting system at their nominal value. The receivables and liabilities in foreign currencies are accounted in lei, at the exchange rate in effect at the time of operation.

Exchange differences between the date of registration of foreign currency receivables and liabilities and the date of receipt or payment thereof shall be recorded as financial income or expenses, as appropriate. The receivables, liabilities and cash in foreign currency were revalued at the end of each month.



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Currency risk control measures

As a measure to reduce this risk, the company aims to continuously synchronize the import activity with the export one, by correlating the payment and cashing, as well as correlating the currencies weight, so that the moments in which payments are to be made to be as close or even simultaneously with those of export receipts. Another measure is to anticipate or to delay the payment or cashing by appropriate setting of the maturity and the introduction of precautionary margins in the price, correlated with the prognosis for the evolution of the currency in which payment is made.

Liquidity and cash-flow risk

This risk comes from the inability of the company to meet its short-term payment obligations at any time. On the other hand, the liquidity risk is caused by the increasing taxation. When we talk about taxation, we refer in the first instance to predictability and the business environment is exposed to day-to-day changes in terms of taxation (modification, creation of new taxes, contributions).

Control measures of the liquidity risk

In order to mitigate the uncollectibility risk on the internal market, the following measures were taken:

- assessing the creditworthiness of the trading partners by verification, in various ways, before the conclusion of the contract;
- monitoring of receivables by permanent control and assessment of the risks;
- developing loyalty relationships concerning the customers through regular meetings in order to know them and to approach a constructive attitude;
- setting up expenses provisions to cover the risk of nonpayment.

The risk of prices mitigation

S.C. CONTED S.A. 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 against the price mitigation risk

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

The risk of lohn system

S.C. CONTED S.A. mainly produces garments in lohn system (CM –cut and make), but they can also produce garments with their own fabrics (imported from France, Italy, Spain, Turkey etc.) and trims, as the customer wants (CMT – cut-make-trim).

Over time, SC CONTED S.A. may be affected more or less by the changes in what we call environment, certain factors of this environment may adversely affect the activity of this company.

These politico-legal, economic, socio-cultural factors can have a negative impact, thus creating a high failure transposed in the market response and delays in delivery.

Politico-legal factors can influence the company's business which is operated by lohn system, by imposing some regulations that may be related to the import-export of goods, the economic factors influencing the economy of a country that can influence the purchasing power, also.



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Political and legal risk

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

Control measures of the legal risk

The company's strategy in managing these risks requires:

- Permanent concern to obtain the international certifications concerning manufacturing flows;
- Updating the licensing documentation for the portfolio products;
- Permanent monitoring of legislative changes at an international level.

The risk of losing some 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).

Control measures for the risk of losing some markets (contracts)

To manage this risk it is taken into account:

- continuous monitoring of the international trade policy trends and adopting a diversified export strategy, structurally and geographically speaking, through a differential approach of the developed and developing markets;
- strategic partnerships conclusion with companies holding important positions in international markets, which are able to pursue judiciously such risks;
- anticipate legislative requirements, in order to adapt products documentation to certain requirements or to compensate in other markets;
- customer loyalty;
- identifying new business partners and other cooperative arrangements (compensation)

Operational risks

One of the serious problems that the company SC CONTED S.A. is currently experiencing is related to the recruitment and employment of staff specialized in textiles. The failure to attract a sufficient number of suitably qualified personnel, migration, unadjusted labor market, and increased personnel costs are risks that could affect the activity developed by the issuer.

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

- Production of garments that stagnate on the circuit and in stock for more than one month, due to the delay of raw materials and trims supply from the customers;
- Temporary suspension of activity because of unforeseen situations;
- The increase of the minimum gross basic salary guaranteed, which will decrease the attractiveness of light industry;

The increase of the minimum gross basic salary guaranteed for payment to the textile workers, may lead to the loss of contracts by the clothing manufactures from Romania and their gaining by the countries with cheaper labor. The profile industry is losing competitiveness year after year, and the Lohn "migrates" in cheaper countries, with much lower wage levels. S.C. CONTED S.A. performs constant supervision of operational risks in order to take measures to keep them at an acceptable level, which does not threaten its financial stability, creditors, shareholders, employees, partners' interests.



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1.1.9. Perspective elements concerning the trading company's activity

a) Key indicators reflecting liquidity increased in 2022 reaching positive levels as against the optimum parameters ensuring normal development of financial activity.

INDICATOR	2022	2021
Current liquidity		
Current assets/current liabilities	2.49	2.32
11,581,844/4,648,969		
Immediate liquidity		
Current assets – Stocks/current liabilities	1.22	0.86
11,581,844 – 5,905,130/4,648,969		
Indebtedness	0	0

b) In the year 2022 S.C. CONTED S.A. made investments in the amount of 504,160 lei, mainly for the needs required for carrying out the production activity in optimal conditions.

The financing of the investments is made from own sources.

c) In 2022 there were no significant events likely to significantly affect the company's income.

2. Corporate assets of the company

2.1. All assets are stated at the headquarters of the company. The functional structure features a production section which is organized in a cutting room, 1 hall for trousers manufacturing, 2 halls for jackets, coats, etc. and 1 for finishing.

2.2. Fixed assets categories, amortization and amortization degree are present in the following table:

- lei -

Current no.	Fixed assets categories	Inventory value 31.12.2022	Depreciated value 31.12.2022	Value remaining 31.12.2022	Amortizati on degree %
1	Land	842,140	-	842,140	-
2	Landscaping	73,316	50,303	23,013	68.61
3	Constructions	4,011,310	865,430	3,145,880	21.57
4	Technological equipment and vehicles	8,743,299	7,922,767	820,532	90.62
5	Other fixed assets	249,583	195,455	54,128	78.31
	TOTAL	13,919,648	9,033,955	4,885,693	64.90

2.3. There are no problems related to the ownership of the company's tangible assets.

3. The market for the securities issued by the company

3.1. S.C. CONTED S.A. is listed in the standard category s of B.S.E., where it is trading with the following characteristics:

Market symbol: CNTE

Ordinary, nominative, dematerialized shares

Number of issued shares: 239,702

Nominal value: 9.53 lei

Registered capital value: 2,284,360.06 lei

ISIN Code: ROCNTEACNOR9



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3.2. The company policy is to continue the activity in terms of economic efficiency with profitable. The company recorded a profit on 31.12.2022, which will cover the loss from previous years. In the last 3 years (2020, 2021, 2022) the company did not distribute dividends.

3.3. - 3.5. The Company has not issued any shares during the financial year 2022 and any bonds or other debt securities

4. Company's management

4.1. Board of Directors

a) Board of Directors presentation

SC CONTED S.A. is administered by a Board of Directors composed of 3 members, elected and appointed by the General Meeting of Shareholders from 10.01.2019, for a term of 4 years from 10.01.2019 to 10.01.2023.

The composition of the Board of Directors between 01.01.2022 and 28.11.2022 is:

- **Hamidi Haissam**, 60 years old, born on September 24, 1962 in the town of El Koubbe, Lebanon, by profession mechanical engineer, who performs the function of administrator - chairman of the Board of Directors.
- **El Turk Ana Maria**, 40 years old, born on 01.03.1982 in the town of Saveni, Botoșani county, by medical assistant profession, who performs the function of administrator - member in the Board of Directors.
- **El Turk Ezzedine**, 59 years old, born on 22.01.1963 in Lebanon, Tripoli, a dental technician profession, who serves as an administrator - member of the Board of Directors.

Considering the transfer of ownership dated 07.10.2022 over a number of 194,443 shares, (representing 81.1186% of the share capital) issued by the company Conted S.A. from the account of Mr. Hamidi Haissam to the account of the LaGarde company based in Paris, France, in the Ordinary General Meeting of Shareholders on 28.11.2022 it was decided to approve the termination of the mandate of the members of the Board of Directors elected on 10.01.2019 and the election of the members of the Board of Directors, for a new 4-year term in the period 28.11.2022 – 28.11.2026.

Starting with 28.11.2022, the composition of the Board of Directors is:

- **The LaGarde company**, based in Paris, France, which fulfills the function of administrator - president of the Board of Directors, through the legal representative Hamidi Haissam, born on 24.09.1962 in El Koubbe, Lebanon, mechanical engineer by profession.
- **El Turk Ezzedine**, 59 years old, born on 22.01.1963 in Lebanon, Tripoli, dental technician by profession, who holds the position of administrator - member of the Board of Directors.
- **El Turk Ana Maria**, 40 years old, born on 01.03.1982 in the town of Saveni, Botoșani county, by profession a medical assistant, who performs the function of administrator - member of the Board of Directors.

At the level of the Board of Directors a president was elected. The Chairman of the Board of Directors is neither the General Manager nor the other members of the Board of Directors have executive positions in the company. The elected administrators are non-executive.

b) There is no agreement, convention or family relationship between the administrators and other persons due to whom the latter might be nominated administrators.



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c) To the company's capital, the president of the Board of Directors, **LaGarde company**, participates with a percentage of 81.1186 %, according to the Consolidated Synthetic Structure of the holders of financial instruments on 31.12.2022, from Depozitarul Central S.A. Bucharest.

d) Affiliated persons – Not applicable.

4.2. Presentation of the executive management members of the company

General Manager

a) The Board of Directors, in accordance with Law 31/1990 art.143, has delegated the executive management of the company to a general manager, who is not an administrator.

The meeting of the Board of Directors dated 10.01.2022 approves the extension of the mandate of Ms. Popovici Adriana in the position of General Manager for a period of 1 year starting with 10.01.2022 until 10.01.2023.

Mrs. Popovici Adriana is 64 years old, she was born on 30.11.1958 in the town of Dorohoi, Botoșani County, she is a textile engineer by profession - textile technology and chemistry profile, with 38 years professional experience.

The General Manager is mandated with decision-making powers for the organization and management of the company's business, to use and manage the company's funds, to represent the company towards third parties.

The General Manager has the following attributions and prerogatives:

- ✓ fulfil its obligations with the diligence of a good owner;
- ✓ implement strategies to ensure and maintain economic and development efficiency of the company;
- ✓ selection, hiring and firing of the employed personnel;
- ✓ collective work contract negotiations;
- ✓ individual work contract negotiations;
- ✓ signing legal documents in the name and on behalf of the company; legal acts for which, according to Law no. 31/1990 or the articles of incorporation, it is necessary the approval of General Assembly of Shareholders or Board of Directors at their conclusion;
- ✓ participate to the Board of Directors meetings, where he will present quarterly reports containing relevant information;
- ✓ participate to the general assemblies of the shareholders;
- ✓ declare his quality as representative of the company in all legal acts to be concluded on behalf of the company;
- ✓ observe the provisions of Law no. 31/1990 regarding the duties and responsibilities of a manager;
- ✓ approve Rules of procedure and functioning, Internal Rules and other regulations in areas such as: emergency internal service; security, under the Act. no. 319/2006 on safety and health at work

The General Manger informs the Board of Directors about the irregularities found and the measures taken or the measures that might be within the competence of the board of directors.

The General Manager or the other appointed executives may be revoked at any time by Board of Directors under the law and the mandate contract. If the revocation occurs without a due cause, the person concerned can claim damages. The Board of Directors retains the duty of representing the company in relations with the general manager or other directors appointed by the president.

The act of representing the company in dealings with third parties and the justice belongs under delegated powers, based on the mandate contract, to the General Manager.



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The managers delegated by the Board of Directors will need to be authorized by the Board of Directors, the managers/ administrators or internal auditors of other competing companies or with the same activity object cannot exercise the same trade or other competing trade on their account or somebody else's account under penalty of revocation and liability for damages.

b) There is no agreement, understanding or family link between the director and other persons by whom the director is to be named.

c) Participation of the respective person to the registered capital - Not applicable.

4.3. All the persons provided at art. **4.1.** - **4.2.** are not undergoing litigations or administrative procedures related to their activity within the issuer and are capable to fulfil their attributions within the company.

4.4. Corporate governance

S.C. CONTED S.A. is administered under a unitary system in accordance with the provisions of the articles of incorporation and of Law no. 31/1990 republished, with all subsequent amendments, Subsection I - The unitary system art. 137, pt. 1 and 2, able to ensure the smooth functioning of the company. The corporate governance structures of S.C. CONTED S.A. are represented by the Board of Directors and the executive management.

S.C. CONTED S.A. is managed by a Board of Directors composed of 3 members, non-executive directors, temporary and revocable, appointed by the General Assembly of Shareholders for a period of 4 years. In its activity, the Board of Directors makes decisions.

The legally adopted decisions are binding for both the executive management of the company and for the administrators who voted against and are enforceable since their written communication, or from the moment of general notification through the Secretariat of the Board of Directors, if their content does not provide another term, subsequent to the notification date, starting with which, they will come into force. The revocation of the Board of Directors members can be made at any time by the Resolution of the General Assembly of Shareholders.

The main objective of the Board of Directors, defined and determined by the peculiarities of S.C. CONTED S.A. and by the macroeconomic context in which it operates, is the establishment of a balance between the optimum business continuity and the shareholder expectations satisfaction.

The obligations and responsibilities of the directors are regulated by the provisions regarding the mandate and those specifically provided for in the Companies Law no. 31/1990, of Law no. 297/2004 regarding the capital market, of the Law no. 24/2017 regarding the issuers of financial instruments and market operations, the regulations A.S.F. also applicable by the statutory provisions.

The Board of Directors may create advisory committees made up of members of the Board, responsible for conducting investigations and making recommendations to the Board, in areas such as audit, remuneration of directors, managers, staff, the nomination of candidates for various management positions.

The Board of Directors establishes the internal rules of the committees established. The Board of Directors approves the delegation of powers and sets limits for the general manager and the other directors. The transactions made under the powers delegated to the executive management are reported to the Board by written reports, usually quarterly.

The Board of Directors approves the delegation of powers and / or the right of representation for other managers or employees of the company, setting also their limitations. Quarterly, the Board of Directors analyzes under the report presented by the General Manager:



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- In the field of production and services activity: completing the production program afferent to the trimester and preliminaries for the next trimester; equipment maintenance and repair program in the previous quarter and the measures that are envisaged for implementation of the programs planned for the next quarter;
- In the field of commercial activity: the performance of the sales program for the quarter and preliminary results for the next quarter; the situation of the receivables recorded within the commercial relationships; Ensuring the equipment needed for the production program, structure analysis of the finished products stocks and of the stock necessary level, according to the season.
- In financial and economic activity field: the achievement of the indicators from the budget of revenues and expenditures; trimestral reports afferent to trimesters I and III; the biannual report; the annual report; the production cost structure and the profitability of the sold products in the previous quarter; statement of costs incurred and the amount of production delivered on the orders closed in the previous quarter; the result of the patrimony inventory and other.

There were provided the conditions necessary to the shareholders information on financial results and on all relevant aspects of the business, by both the website and through the General Secretariat of the Board of Directors.

Both in 2022 and in the previous years, it was provided an equitable treatment to all the shareholders by promoting an effective and active communication with them.

Information related to the internal control

Within the company CONTED SA, the internal control provision mainly aims at the internal, accounting and financial control activities and the internal audit.

In the field of internal control, the following basic principles are taken into consideration:

- Compliance with regulations specific to the company's business;
- Compliance with internal working procedures and decisions of the management bodies of the company's business.

The internal, accounting and financial control of the company had in view the provision of an accounting management and of a financial follow-up of the activities to meet the defined objectives.

In terms of accounting rules, the company has elaborated:

- the accounting policies manual;
- procedures for the implementation of this manual;
- knowledge of the accounting and tax legislation development;
- carrying out specific controls on sensitive points;
- Identification and appropriate treatment of anomalies;
- adapting the software to the needs of the entity;
- compliance with accounting rules;
- ensuring accuracy and completeness of accounting records;
- compliance with the qualitative characteristics of information from the financial statements so as to meet the needs of the users.

Internal audit

The internal audit is provided through a services contract by a company independent of the S.C. CONTED S.A. management, subordinated to the Board of Directors.

The internal audit is carried out based on an audit plan established in accordance with company objectives. The internal audit activity plan was approved by the Board of Directors.



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The internal auditor should have an experience appropriate to its duties. The Internal Auditor shall have competence in accounting and/or auditing.

The Internal Auditor has the following attributions:

- ✓ supervision of the company's management;
- ✓ checking whether the financial statements are legally prepared and in accordance with the records, if the latter are held regularly and if the property valuation was done according to the rules for the preparation and presentation of financial statements;
- ✓ examining the claimed situations, in accordance with the law, by shareholders and depending on the findings, legal action shall be taken;
- ✓ maintenance of professional secrecy during the mandate and for at least three years after its expiry.

To this end, the Internal Auditor will present detailed reports, and the reporting manner and procedure are those provided by the rules drawn up by the Chamber of Financial Auditors of Romania.

The internal auditor shall inform the Board of Directors members the irregularities related to the administration. The internal auditor shall present at least quarterly and whenever it is necessary to analyze the audit report and/or external auditor's opinion on key issues arising from the audit of the annual financial statements/biannual reports and on the process of financial reporting and shall recommend the appropriate measures to be taken.

The Internal Auditor deliberations are recorded in a register and are presented to the Board of Directors. Quarterly, the internal auditor shall submit to the Board of Directors a report containing a summary of the work done and recommendations on matters falling within its remit, ie the financial reporting area, of the internal control and of the risk management.

Statutory audit

The statutory auditor shall audit the financial statements and the annual audit report results are presented for the information of General Assembly of Shareholders, which decide the discharge of the Board of Directors only after submission of the audit report of the financial statements of the company. The statutory auditor of the company S.C. MCO CONTAB CONSULT S.R.L. Botoşani, represented by financial auditor Merghidan C-tin Ovidiu.

General Assembly of Shareholders dated 18.04.2022 decides the election of the statutory auditor S.C. MCO CONTAB CONSULT SRL, with headquarters in Botoşani, str. Aleea Curcubeului, nr.11, sc. B, ap.11, VAT Number: 18997162, registered at the Trade Registry under no. J07/488/2006, represented by financial auditor Merghidan C-tin Ovidiu for a period of one year (closing of the financial year 2022).



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5. Individual financial-accounting statement

5. a) Financial position

The economic and financial situation compared to the last two years is shown in the table below:

- lei -

	2019	2020	2021	2022	% Elements in total assets / total liabilities 2022	% Elements in total assets / total liabilities 2021	% 2022/ 2021
I. Total assets (TA) from which:	10,500,497	12,474,781	11,718,497	16,652,309	100.00	100.00	42.10
1. Fixed assets from which:	5,764,703	5,443,156	5,023,427	5,063,224	30.41	42.87	0.79
1.1. land and landscaping	915,456	882,939	871,789	865,153	5.20	7.44	-0.76
1.2. constructions	3,711,878	3,565,803	3,280,826	3,145,880	18.89	28.00	-4.11
1.3. other fixed assets	974,296	980,174	856,572	1,037,951	6.23	7.31	21.17
1.4. tangible fixed assets in progress	95,846	14,240	14,240	14,240	0.09	0.12	-
1.5. advances granted for tangible assets	67,227	-	-	-	-	-	-
2. Current assets from which:	4,720,881	7,021,827	6,689,300	11,581,844	69.55	57.08	73.14
2.1. stocks	1,610,978	1,825,149	4,217,590	5,905,130	35.46	35.99	40.01
2.2. liabilities	2,942,659	3,927,643	2,302,945	4,860,191	29.19	19.65	111.04
2.3. cash register and bank accounts	167,244	1,269,035	168,765	816,523	4.90	1.44	383.82
3. Other assets	14,913	9,798	5,770	7,241	0.04	0.05	25.49
II. Total liabilities (TP) from which:	10,500,497	12,474,781	11,718,497	16,652,309	100.00	100.00	42.10
1. Total debts from which:	1,402,746	2,351,109	3,165,594	6,899,279	41.43	27.01	117.95
1.1. with payment under one year	1,061,530	2,044,576	2,887,687	4,648,969	27.92	24.64	60.99



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1.2. with payment longer than one year	341,216	306,533	277,907	2,250,310	13.51	2.37	709.73
2. Provisions for employee benefits - holidays rest	313,016	273,490	498,150	534,068	3.21	4.25	7.21
3. Equity	8,784,735	9,850,182	8,054,753	9,218,962	55.36	68.74	14.45

Main assets elements that exceed 10% from the total assets	Amount - lei	In total assets in 2022 (%)
Lands and constructions	4,011,033	24.09
Liabilities	4,860,191	29.19
Stocks	5,905,130	35.46
Main liabilities elements that exceed 10% from the total liabilities	Amount - lei	In total liabilities in 2022 (%)
Paid subscribed capital	2,284,360	13.72
Revaluation reserves	2,235,866	13.43
Reserves	4,537,609	27.25

From the comparative analysis of the balance sheet items, it was noticed an increase by 0.79% of the **fixed assets** and of the **current assets** by 73.14% compared to 2021. The weight of debt in total assets was only 44.64%, during which equity ranged between 68.74% and 55.36% of total assets.

5. b) The overall result is the following:

- lei -

Current no.	Overall result elements	2019	2020	2021	2022	2022/2021 (%)
1.	Total income	13,689,123	14,026,116	12,746,060	31,049,520	143.60
1.1.	Exploitation income, from which	13,606,427	13,941,903	12,671,636	30,897,331	143.83
1.1.1.	Sales income - turnover	13,649,397	11,922,997	8,106,529	31,032,941	282.81
1.2.	Financial income	82,696	84,213	74,424	152,189	104.49
2.	Total expenses	13,350,748	12,995,352	14,570,115	29,912,771	105.30
2.1.	Exploitation expenses, from which:	13,315,674	12,955,181	14,529,627	29,672,959	104.22
2.1.1.	Expenses related to raw materials and materials	1,114,604	1,363,046	2,422,309	10,955,430	352.27
2.1.2.	External expenses related to energy and water consumption	961,306	744,818	831,598	1,659,257	99.53
2.1.3.	Expenses related to staff	10,186,906	9,778,245	9,539,829	12,551,687	31.57
2.1.4.	Expenses with amortization	325,972	464,117	441,621	464,363	5.15



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2.1.5.	Other exploitation expenses – expenses related to the external services	587,432	644,431	1,069,610	4,006,304	274.56
2.1.6.	Adjustments current asset	-	50	-	-	-
	- Expenses	-	50	-	-	-
	- Incomes	-	-	-	-	-
2.1.7.	Adjustments for provisions	139,454	(39,526)	224,660	35,918	-84.01
	- Expenses	297,000	255,508	458,562	489980	6.85
	- Incomes	157,546	295,034	233,902	454,062	94.12
2.2.	Financial expenses	35,074	40,171	40,488	239,812	492.30
3.	Gross profit/loss (1-2) from which:	338,375	1,030,764	(1,824,055)	1,136,749	-
3.1.	Exploitation profit/loss	290,753	986,722	(1,857,991)	1,224,372	-
3.2.	Financial profit/loss	47,622	44,042	33,936	(87,623)	-
4.	Net profit/loss	338,375	1,030,764	(1,824,055)	1,136,749	-

Indicators exceeding 20% from the total turnover	Amount - lei	In turnover in 2022 (%)
Sold production	30,962,782	99.77
Expenses related to staff	12,551,687	40.45

From the analysis of the above-mentioned information, we notice an increase by 143.60% in the income and of total expenses by 105.30 compared to the year 2021.

The categories of expenses that increased in 2022 were: the expenses with raw materials and materials by 352.27%, the external expenditure on energy and water by 99.53%, the expenses on external services by 274.56%, the personnel expenses by 31.57% and the depreciation expenses by 5.15%.

5. c) Cash – Flow

At the end of 2022, cash flows were a net increase of cash in the amount of 647,758 lei, reflected in the balance of the home and the bank accounts.

- lei -

	2019	2020	2021	2022
Net cash from the exploitation activities	(67,195)	1,193,086	(1,074,265)	1,086,761
Net cash from the investment activities	(441,667)	(91,101)	(25,983)	(439,033)
Net cash from the financing activities	(2,857)	(194)	(22)	-
Net increase /decrease of cash and cash equivalent	(511,719)	1,101,791	(1,100,270)	647,758
Cash and cash equivalent at the beginning of the period January 1st	678,963	167,244	1,269,035	168,765
Cash and cash equivalent at the end of the period 31st of December	167,244	1,269,035	168,765	816,523



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The financial statements have been prepared in accordance with:

- Order 881 of June 25. 2012 on the application by the companies whose securities are admitted for trading on a regulated market, of International Financial Reporting Standards;
- International Financial Reporting Standards (IFRS) as adopted by the European Union;
- Accounting Law 82 of December 24.1991;
- Order 2844 of December 12. 2016 for the approval of Accounting Regulations complying with International Financial Reporting Standards;

The financial statements were approved by the Board of Directors in its meeting on March 13. 2023. The reporting currency of the financial statements is leu.

At the date of the report drafting, the company management has no knowledge of events, economic changes or other factors of uncertainty that could significantly affect the company's income or liquidities, other than those already specified.

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

S.C. CONTED S.A.
Separate financial statements
on December 31st, 2022

**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, 2022 have been heard

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

Separate financial statements

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STATEMENT OF FINANCIAL STATUS

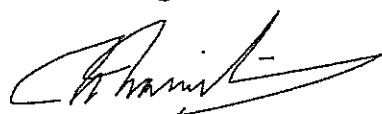
	Note	<u>31.12.2022</u>	<u>31.12.2021</u>
Assets			
Tangible assets	12	4,885,693	5,006,866
Intangible assets	13	163,921	2,321
Tangible fixed assets under construction	12	14,240	14,240
Total Non-current Assets		5,063,224	5,023,427
Inventories	14	5,905,130	4,217,590
Trade receivables and other receivables	15	4,860,191	2,302,945
Prepayments	15	7,241	5,770
Cash and cash equivalents	16	816,523	168,765
Total Current Assets		11,589,085	6,695,070
Total Assets		16,652,309	11,718,497
Equity			
Share capital subscribed	17	2,284,360	2,284,360
Other items of equity		(250,310)	(277,907)
Revaluation reserve	17	2,235,866	2,408,346
Legal reserve	17	456,661	456,661
Other reserves	17	4,080,948	4,080,948
Retained earnings		(725,312)	926,400
Year result	17	1,136,749	(1,824,055)
Total Equity		9,218,962	8,054,753
Payables			
Long Term Payables			
Payables regarding the deferred income tax	19	250,310	277,907
Debts regarding loans - credit		2,000,000	-
Total Long Term Payables		2,250,310	277,907
Current Payables			
Trade payables and other payables	19	4,648,969	2,887,687
Provisions for employee benefits	20	534,068	498,150
Total Current Payables		5,183,037	3,385,837
Total Payables		7,433,347	3,663,744
Total Equity and Payables		16,652,309	11,718,497

The separate financial statements were approved by the Board of Directors at the meeting of 13.03.2023 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

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	31.12.2022	31.12.2021
Incomes	5	31,032,941	8,106,529
Revenue from costs of product stocks and production in progress	6	(205,540)	610,145
Income from operating subsidiaries	6	-	3,898,060
Other incomes	6	69,930	56,902
Total Operational incomes	6	30,897,331	12,671,636
Expenses with raw materials and consumables	7	10,912,288	2,377,866
Expenses with merchandise	7	43,142	44,443
Expenses with facilities	7	1,659,257	831,598
Expenses with salaries, social securities and other benefits	8	12,551,687	9,539,829
Expenses with amortization	12,13	464,363	441,621
Adjustments current asset		-	-
- Expenses		-	-
- Incomes		-	-
Adjustments for provisions	20	35,918	224,660
- Expenses		489,980	458,562
- Incomes		454,062	233,902
Other expenses	7	4,006,304	1,069,610
Total Operational expenses	7	29,672,959	14,529,627
Operational activities result		1,224,372	(1,857,991)
Financial incomes	10	152,189	74,424
Financial expenses	10	239,812	40,488
Financial result		(87,623)	33,936
Result before taxation		1,136,749	(1,824,055)
Result continuous activities		1,136,749	(1,824,055)
Other items of the global result		27,460	28,626
- 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	28,626
- Retained earnings from correction of accounting errors		(137)	-
Total global result related to the term		1,164,209	(1,795,429)
Attributable profit/loss	18	1,136,749	(1,824,055)
Result per basic action	18	4.742	(7.609)
Result per diluted action	18	4.742	(7.609)

The separate financial statements were approved by the Board of Directors at the meeting of 13.03.2023 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

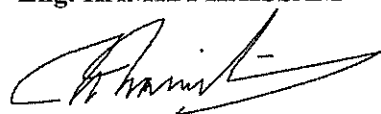


The notes from 1 to 23 are integral part of the financial statements

STATEMENT OF 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

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



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

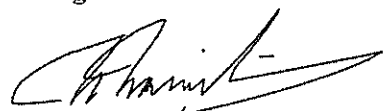
Chief Economic Office,
Ec. Mihai Elena



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE FINANCIAL YEAR ENDED 31 December 2021

	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 2021	2,284,360	(306,533)	2,587,258	456,661	4,080,948	1,030,764	(283,276)	9,850,182
Net result of the period	-	-	-	-	-	(1,824,055)	-	(1,824,055)
Net result transfer of the term in the carried forward result – year 2020	-	-	-	-	-	(1,030,764)	1,030,764	-
Other items of global result								
Surplus from revaluation reserves of tangible assets, amortized measure of the use asset transferred to retained earnings	-	-	(178,912)	-	-	-	178,912	-
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	-	28,626	-	-	-	-	-	28,626
Total items of global result	-	28,626	(178,912)	-	-	-	178,912	28,626
Total global result related to term	-	28,626	(178,912)	-	-	(2,854,819)	1,209,676	(1,795,429)
Transactions with the shareholders, directly recognized in equity								
Dividends to pay related to 2020 year	-	-	-	-	-	-	-	-
Total transactions with the shareholders, directly recognized in equity	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	2,284,360	(277,907)	2,408,346	456,661	4,080,948	(1,824,055)	926,400	8,054,753

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



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

Chief Economic Office,
Ec. Mihai Elena

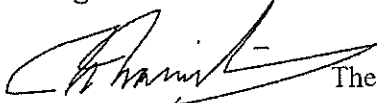


TREASURY FLOW STATEMENT

	<u>31.12.2022</u>	<u>31.12.2021</u>
Treasury flows by operating activities		
Cash receipts from the clients, by the sale of assets, services and merchandise	23,924,265	8,389,815
Cashed interests	30	32
Payments to suppliers	(14,438,924)	(3,467,600)
Payments to employees	(6,613,438)	(5,339,560)
Payments to the state budget and the social security budget	(3,908,583)	(4,902,970)
Other operating transactions	2,123,411	4,246,018
- Cash	3,717,557	4,773,895
- Payments	(1,594,146)	(527,877)
Cash generated by operating activities	1,086,761	(1,074,265)
Paid up interests	-	-
Paid up income tax	-	-
Net cash by operating activities	1,086,761	(1,074,265)
Treasury flows by investment activities		
Payments for the procurement of shares	-	-
Payments for the procurement of tangible assets	(439,003)	(25,983)
Cashments by the sale of tangible assets	-	-
Received dividends	-	-
Net cash by investment activities	(439,003)	(25,983)
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	-	(22)
Currency exchange rate variation effect on credits and payables	-	-
Net cash by financing activities	-	(22)
Net cash and cash equivalent increase/decrease	647,758	(1,100,270)
Cash and cash equivalent at the beginning of period 01 January	168,765	1,269,035
Cash and cash equivalent at the end of period 31 December	816,523	168,765

The separate financial statements were approved by the Board of Directors at the meeting of 13.03.2023 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

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

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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 63% represent the jackets, 28% pants and 9% coats, jackets and other products. In total income, (turnover) the jackets represent about 50%, the trousers represent about 25%, the coats 5%, costumes 11%, jackets 3%, nouvelles and other products 5% and various services 1%.

The products made by S.C. CONTED S.A. are both intended to the internal market and to external market. The export production represents 97% in 2022, and the internal production is 3% 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 10.01.2019, for a term of 4 years from 10.01.2019 to 10.01.2023.

Considering the transfer of ownership dated 07.10.2022 over a number of 194,443 shares, (representing 81.1186% of the share capital) issued by the company Conted S.A. from the account of Mr. Hamidi Haissam to the account of the LaGarde company based in Paris, France, in the Ordinary General Meeting of Shareholders on 28.11.2022 it was decided to approve the termination of the mandate of the members of the Board of Directors elected on 10.01.2019 and the election of the

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 1. Reporting entity (continuare)

members of the Board of Directors, for a new 4-year term in the period 28.11.2022 – 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.

The Board of Directors elected in the Ordinary General Meeting of Shareholders of 10.01.2019 has the following composition:

Surname and first name	Position within Board of Directors
1. Hamidi Haissam	Administrator – President
2. El Turk Ezzedine	Administrator – Member
3. El Turk Ana Maria	Administrator – Member

Starting from 28.11.2022, 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 13.03.2023.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

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.

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, 2022 and December 31st, 2021.

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 2022	Exchange rate 31 December 2021
EUR	4.9474	4.9481
USD	4.6346	4.3707

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 2. Basis of preparation (continuation)

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 whereto 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;

- 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)

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

2021

Outlet		Quantity	Value
- external	France	79.546	7,919,534
- internal		2.106	133,742
TOTAL		81.652	8,053,276

By the described statement, it is ascertained that the French market holds the highest rate of the total volume of exports, of 29,849,807, (2021: 7,919,534) amounting 24,714,737 (2021: 7,919,534 at a rate of 83%, (2021: 100%). The coats and trousers represent approximate 87%, (2021: 69%) 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 3%, (2021: 2%) of the total sales of 30,640,776, (2021: 8,053,276), and the trouser hold the highest rate on the internal market, at the rate of 2%, (2021: 2%) of the total of delivered products.

In the 2022 year, from the total of sales, of 31,032,941, (2021: 8,106,529), the amount of 30,640,776 (2021: 8,053,276) represents the direct sales of products.

From the total of direct sales of products on the internal market, amounting 790,969, (2021: 133,742), the amount of 415,544, (2021: 50,807), represents the sale to the main client on the internal market at the rate of 57%, (2021: 38%), and the following client on the internal market registered a rate of 42%, (2021: 16%), sales amounting 303,495, (2021: 21,690).

The external markets represents 97%, (2021: 98%) of the total sales of 30,640,776, (2021: 8,053,276), and the largest share on the foreign market is held by the trouser product in percentage of 46%, (2021: 42%) of the total delivered products.

With respect to the direct sales of products on the external market, amounting 29,849,807 (2021: 7,919,534), the amount of 11,606,444, (2021: 5,062,164) represents the sales to the main external client, at the rate of 39%, (2021: 64%), and the following customers on the foreign market registered a percentage of 17%, sales amounting to 5,186,361, respectively 15%, sales amounting to 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>31.12.2022</u>	<u>31.12.2021</u>
Sales	31,032,941	8,106,529
Income from operating subsidiaries	-	3,898,060
Other incomes	(135,610)	667,047
Total operating incomes	30,897,331	12,671,636
Amortization	464,363	441,621
Operational expense, other than the amortization	29,208,596	14,088,006
Operational result	1,224,372	(1,857,991)
Profit/loss financial	(87,623)	33,936
Net profit/loss before taxation	1,136,749	(1,824,055)
Net profit/loss	1,136,749	(1,824,055)
Assets	16,652,309	11,718,497
Debts	6,899,279	3,165,594
The non-assigned assets include	-	-
Cash and cash equivalents	-	-
The non-assigned debts include	250,310	277,907
Deferred profit interest	250,310	277,907

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 IFRS 3 “Business combinations” IAS 16 “Tangible fixed assets” IAS 37 “Provisions, contingent liabilities and contingent assets”, “Annual improvements 2018 - 2020”** (all issued as of May 14, 2020 effective for annual periods starting with or after January 1, 2022);

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 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);

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.

NOTE 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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;

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

- 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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.).

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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 cee made a reliable estimate of the amount of the obligation needles. 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.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 3. Significant accounting policies (continuation)

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.

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).

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 according to IFRS

(All amounts are expressed in LEI unless otherwise stated)

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTA 4. Establishment of just amount (continuation)

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>31.12.2022</u>	<u>31.12.2021</u>
Asset sales	30,880,804	8,056,216
Service provisions	152,137	50,313
Total	31,032,941	8,106,529

The turnover of Company, related to 2022 year is 31,032,941 whereof 30,238,128 export and 794,813 internal, compared to 2021 when we registered 8,106,529, whereof 7,971,509 export and 135,020 internal. The turnover was mainly issued in the structure by the sale of its own production at the rate of 99%. The amount of export sales in 2022 year represents 97.44%, (2021: 98.33%), and the amount of internal sales represents 2.56%, (2021: 1.67%) of the turnover.

NOTE 6. Operating incomes

	<u>31.12.2022</u>	<u>31.12.2021</u>
Incomes	31,032,941	8,106,529
Revenue from costs of product stocks and production in progress	(205,540)	610,145
Income from operating subsidies	-	3,898,060
Other incomes	69,930	56,902
Total	30,897,331	12,671,636

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 7. Operating expenses

	<u>31.12.2022</u>	<u>31.12.2021</u>
Expense with raw materials and consumables	10,912,288	2,377,866
Expense with energy and water	1,659,257	831,598
Expense with merchandise	43,142	44,443
Total cost of materials	12,614,687	3,253,907
Expenses for salaries, social contributions and other benefits	12,551,687	9,539,829
Other operating expense, whereof:	4,006,304	1,069,610
Expense with the external provisions:	3,746,000	750,759
- <i>Postal and telecommunication expense charges</i>	27,645	25,734
- <i>Expense with maintenance and repairs</i>	41,488	23,755
- <i>Expense with advertisement and protocol</i>	27,966	4,725
- <i>Expense with securities</i>	20,878	15,926
- <i>Expense with transport and travels</i>	584,142	109,868
- <i>Expenses for the banking and similar</i>	14,469	19,052
- <i>Other expenses with services provided by third parties</i>	3,029,412	551,699
Expenses with other interests, fees and similar payments	255,627	267,397
Expenses with environment protection	362	264
Other expenses	4,315	51,190
Expenses for the amortization	464,363	441,621
Adjustments current asset	-	-
- Expenses	-	-
- Incomes	-	-
Adjustments for provisions	35,918	224,660
- Expenses	489,980	458,562
- Incomes	454,062	233,902
Total	29,672,959	14,529,627

Amounting to 3,029,412 (2021: 551,699) „Other expenses with services provided by third parties" are included expenditure on internal audit and statutory audit in the amount of 28,000 (2021: 28,000).

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

- Expenses with salaries and social securities

	<u>31.12.2022</u>	<u>31.12.2021</u>
Expenses with salaries	11,310,971	8,942,455
Expenses with mandatory social securities	377,426	235,224
Expenses with meal tickets	863,290	362,150
Total	12,551,687	9,539,829

The issued gross salary fund (the salary fund, respectively, without medical rests borne by the employer), during the 2022 year was 11,310,971 compared to 2021 year, when we registered 8,942,455. 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 377,426, (2021: 235,224), as well as the expenses with the granted meal tickets and gift vouchers, amounting 863,290, (2021: 362,150), it results a total expense with the staff, amounting 12,551,687, (2021 : 9,539,829).

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 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)**

- Expenses with other benefits for the employees

	Short term	
	31.12.2022	31.12.2021
Benefits for the employees	863,290	362,150
Meal tickets	863,290	345,150
Social allowance, gift vouchers	-	17,000

NOTE 9. Average number of employees

- a) Employees

The medium number of employees progressed as follows:

	<u>31.12.2022</u>	<u>31.12.2021</u>
Management personnel	5	5
Administrative personnel	41	41
Production personnel	288	291
Total	334	337

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

	<u>31.12.2022</u>	<u>31.12.2021</u>
	%	%
Higher education personnel	3.29	3.24
Secondary education personnel	4.73	5.87
Technical education personnel	5.76	4.82
Handicraft and qualification education	52.09	51.62
Un-qualified personnel	34.13	34.45
Medium number of employees	334	337

NOTE 10. Financial incomes and expenses

	<u>31.12.2022</u>	<u>31.12.2021</u>
Incomes by interests	29	32
Incomes by exchange rate differences	152,160	74,392
Total financial incomes	152,189	74,424
Other expenses	239,812	40,488
Ttal financial expense	239,812	40,488
Net financial result	(87,623)	33,936

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 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>31.12.2022</u>	<u>31.12.2021</u>
Accounting profit/loss	1,136,749	(1,824,055)
Items similar to incomes by other re-treatments	173,029	179,462
Discounts	464,363	441,621
Other non-taxable income	454,062	233,902
Non-deductible expenses	963,865	959,085
Taxable profit/tax loss for the reporting year	1,355,218	(1,361,031)
Tax loss to be carried over from previous years	(1,691,399)	(330,367)
Taxable profit tax loss to be recovered in subsequent years	(336,181)	(1,691,398)

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, 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.

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 2022 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 <u>in</u> <u>progress</u></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 2022 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 2021	915,456	3,856,416	8,566,457	252,406	14,240	13,604,975
Procurements - increase in value	-	-	18,716	-	-	18,716
Outflows of fixed assets	-	-	12,131	2,823	-	14,954
Balance as at 31 December 2021	915,456	3,856,416	8,573,042	249,583	14,240	13,608,737
Amortization						
Balance as at 1 January 2021	32,517	290,613	7,659,632	183,763	-	8,166,525
Amortization during the year	11,150	284,977	132,676	7,257	-	436,060
Depreciation its output	-	-	12,131	2,823	-	14,954
Balance as at 31 December 2021	43,667	575,590	7,780,177	188,197	-	8,587,631
					-	
Balance as at 1 January 2021	882,939	3,565,803	906,825	68,643	14,240	5,438,450
Balance as at 31 December 2021	871,789	3,280,826	792,865	61,386	14,240	5,021,106

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 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

S.C. CONTED S.A.

Separate financial statements of 31 December 2022 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 2021	40,164	168,820	208,984
Procurements	252	2,924	3,176
Outflows of intangible assets	-	-	-
Balance as at 31 December 2021	40,416	171,744	212,160
Amortization			
Balance as at 1 January 2021	38,927	165,351	204,278
Amortization during the year	831	4,730	5,561
Depreciation its output	-	-	-
Balance as at 31 December 2021	39,758	170,081	209,839
Balance as at 1 January 2021	1,237	3,469	4,706
Balance as at 31 December 2021	658	1,663	2,321

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 13. Intangible assets (continuation)

The intangible assets on 31 December 2022, at the net value of 163,291 (01 January 2022: 2,321), represent the non-amortized part of licenses and informatics programs used. The amortization term of intangible assets is 3 years.

NOTE 14. Inventories

	<u>31.12.2022</u>	<u>31.12.2021</u>
Raw materials and consumables	3,062,405	1,158,739
Work in progress	858,119	920,387
Finished goods	1,952,045	2,138,464
Advances for stocks	32,561	-
Total	5,905,130	4,217,590

The stocks registered in 2022 a rotation speed of (5.39 rotations/year), compared to the year 2021 (7.67 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 2022 year with respect to the permanent operations was 10,955,430 (2021: 2,422,309). 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>31.12.2022</u>	<u>31.12.2021</u>
Trade receivables	4,732,596	1,785,010
Advances paid	-	21,915
VAT to be collected	99,512	118,121
Non-exigible VAT	12,703	30,628
Other receivables	15,380	-
Subsidies	-	347,271
Total	4,860,191	2,302,945
Advance expenses	7,241	5,770

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 31.12.2022 of the main receivables is made of:

- Internal clients, amounting 2,448.
- External and intra-community clients, amounting 4,730,148

The recovery period of receivables increased in 2022 to 37 days compared to 2021 year, when it was 165 days. The Company has to recover from customers on 31.12.2022 the amount of 4,732,596 of which the outstanding amount at maturity is 1,065,915.

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 2022 was:

- non past due, amounting 3,666,681
- outstanding debts between 0 and 30 days, amounting 491,675
- outstanding debts between 31 and 60 days, amounting 252,298
- outstanding debts between 61 and 90 days, amounting 160,658
- outstanding debts between 91 and 180 days, amounting 6,436
- outstanding debts between 181 and 365 days, amounting 1,786
- outstanding over 365 days the amount of 153,062

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>31.12.2022</u>	<u>31.12.2021</u>
Foreign currency		
EUR lei equivalent	4,730,148	1,782,530
LEI	2,448	2,480
Total	4,732,596	1,785,010

The advance expenses amounting 7,241 on 31 December 2022, (5,770 la 1 January 2022) 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 31.12.2022 cash and cash equivalents amounting 816,523 lei increased by 383.82% compared to the cash and cash equivalents registered on 31.12.2021 amounting 168,765 and it is made of:

	<u>31.12.2022</u>	<u>31.12.2021</u>
Cash in the cash office	1,920	2,559
Bank current accounts	814,603	166,206
Total	816,523	168,765

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

	Initial balance 31.12.2021	Cashments	Payments	Final balance 31.12.2022
cash in the cash office	2,559	422,675	423,314	1,920
current accounts at the	166,206	43,707,701	43,059,304	814,603
Cash equivalents	-	1,149,956	1,149,956	-
Total	168,765	45,280,332	44,632,574	816,523

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 2022 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 2022 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 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

31 December 2021	Number of shareholders	Number of shares	Amount (lei)	%
Hamidi Haissam	1	194,443	1,853,042	81.1186
Other shareholders, whereof:	432	45,259	431,318	18.8814
- legal entities		14,131	134,668	5.8953
- natural entities		31,128	296,650	12.9861
TOTAL	433	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, 2022 increased by 172,480 as of December 31, 2021, 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 2022, 31 December 2021, 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, 2022, respectively on december 31, 2022 „**other reserves**” account 1068 amounting 4,080,948, including reserves representing tax incentives established in the years 2000-2003.

	<u>31.12.2022</u>	<u>31.12.2021</u>
Tangible asset revaluation reserves	2,235,866	2,408,346
Legal reserves	456,661	456,661
Other reserves	4,080,948	4,080,948
Total	6,773,475	6,945,955

d. Result of the financial

	<u>31.12.2022</u>	<u>31.12.2021</u>
Operating profit/loss	1,224,372	(1,857,991)
Financial profit/loss	(87,623)	33,936
Gross profit/loss	1,136,749	(1,824,055)
Net profit/loss	1,136,749	(1,824,055)

NOTE 18. Result per share

During the 2022 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 2022 year.

Issued shares	239,702
Circulatory shares on 01 January 2022	239,702
Circulatory shares on 31 December 2022	239,702

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

NOTES TO THE SEPARATE FINANCIAL STATEMENTS ACCORDING TO IFRS

NOTE 18. Result per share (continuation)**Profit assignable to shareholders**

	<u>31.12.2022</u>	<u>31.12.2021</u>
Profit/loss of the period	1,136,749	(1,824,055)
Number of ordinary shares	239.702	239.702
Basic profit/loss per share	4,742	(7.609)
Diluted profit/loss per share	4,742	(7.609)

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 2022, 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>31.12.2022</u>	<u>31.12.2021</u>
Customer - creditors	524,421	555,314
Trade payables – suppliers	2,975,560	1,444,794
Payables with personnel and similar accounts	314,226	356,409
Debts to social security and the state budget, other taxes and fees	834,762	382,727
Amounts due to the shareholders	-	148,443
Provisions for employee benefits	534,068	498,150
Total current payables	5,183,037	3,385,837
Payables with deferred tax	250,310	277,907
Debts regarding loans - credit	2,000,000	-
Total long term payables	2,250,310	277,907
Total payables	7,433,347	3,663,744

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 31.12.2022 the amount of 2,975,560, creasing by 105.95% than the date of 31.12.2021 when it registered 1,444,794. 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 31.12.2022 their composition was mainly as follows :

- Procurement suppliers, service provisions, amounting 1,220,178
- Suppliers representing procurements outside EU amounting 585,180
- Suppliers representing intra - Community acquisitions of 1,032,257
- Suppliers of un-arrived invoices 39,025
- Suppliers fixed assets 98,920

The old-age structure of commercial debts - suppliers on December 31, 2022, unpaid at the agreed term of 2,258,749 is the following:

- outstanding over 30 days amount of 1,910,581
- outstanding over 90 days amount of 255,382
- overdue in one year amount of 92,786

The payables with personnel, with the budget of social securities and the state budget represent current liabilities related to December 2022, with the exigibility term in the 2023 year.

NOTE 20. Provisions

The provision constituted for the benefits of short-term employees for the unused leave, presented in the financial statements at 31.12.2022 in the amount of 534,068 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 428 for 4 days of rest leave from the provision established on 31.12.2020 for the rest days not completed for the year 2020.
- the amount of 39,545 for 322 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 489,980 for 3,634 days of unpaid rest leave related to 2022, constituted in December 2022.

In 2022, revenues from provisions amounting to 454,062 were recorded, as a result of the rest leave not made since 2018, 2019, 2020 and 2021. 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 fulfilment 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>31.12.2022</u>	<u>31.12.2021</u>
Total liabilities	7,433,347	3,663,744
Cash and cash equivalents	816,523	168,765
Total equity	9,218,962	8,054,753
Net debt indicator	0.72	0.43

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, 2022 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>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
EUR	4.9315	4.9204	4.9474	4.9481
USD	4.6885	4.1604	4.6346	4.3707

Sensitivity analysis**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)

2021

	EUR 1 EUR = 4.9481	RON 1 RON	TOTAL
Cash and cash equivalents	10,563	158,202	168,675
Trade receivables and other receivables	1,804,445	498,500	2,302,945
Total	1,815,008	656,702	2,471,710
Trade payables and other payables	(1,339,901)	(1,547,786)	(2,887,687)
Total	(1,339,901)	(1,547,786)	(2,887,687)

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.

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

2021

	EUR 1 EUR = 4.9481	RON 1 RON	TOTAL
Position Net Asset/(Debt)	475,107	(891,084)	(415,977)
Profit/(Loss)	23,755	-	23,755

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 2022 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>2022</u>	<u>2021</u>
General Manager	1	118,391	72,417
Management Board Members	3	195,264	129,600

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 13.03.2023 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



AFFIDAVIT
according to the provisions of art. 30 from the Accounting Law no. 82/1991

The undersigned HAMIDI HAISSAM, as Representative of the President of the Board of Directors of S.C. CONTED S.A., headquartered in Dorohoi, str. 1 Decembrie, nr. 8, registered at the Trade Registry under no. J07/107/1991, VAT code RO 622445, I undertake entire responsibility for the drafting of the individual yearly financial statements at 31.12.2022 and I confirm the following:

a) The accounting policies used at the drafting of individual yearly financial statements at 31.12.2022 are in compliance with the International Financial Reporting Standards adopted by the European Union.

b) The individual financial statements at 31.12.2022 offer an accurate and precise image of the assets, liabilities, financial position, comprehensive income and of the other information related to the developed activity.

c) The Board of Directors report on the financial year 2022 contains an accurate analysis of the company's development and performances, as well as a description of the main risks and uncertainties specific to the developed activity.

d) S.C. CONTED S.A. develops its activity in a continuous manner.

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





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The state of compliance with the new Corporate Governance Code of Bucharest Stock Exchange on 31.12.2022.

Indicator	The code's provisions that must be observed	Observed by the company	The company does not observe or partially observes	The non-compliance reason
A1	All companies should have an internal regulation of the Board which includes terms of reference / responsibilities of the Board and the key management positions of the company, and which applies, inter alia, the General Principles of Section A.		X	The company has not adopted an operational regulation for the Board of Directors. The Board of Directors' responsibilities, the key positions and the operating mode are the ones provided by the articles of incorporation and the legal provisions.
A2	The provisions for managing the conflicts of interest should be included in the Board regulation. In any event, the Board members must notify the Board about any conflicts of interest that have arisen or may arise and refrain from participating in discussions (inclusively by default, except the case where the default would prevent the formation of quorum) and from the vote for adopting a decision regarding the issue leading to the afferent conflict of interests.		X	There are no provisions for managing the conflicts of interest.
A3	The Board of Directors or the Supervisory Board must be made of at least five members.		X	The Bylaws provides 3 members, according to art. 137, paragraph 2 from Law 31/1990.
A4	The majority of the Board of Directors members must have no executive position. At least one member of the Board of Directors or of the Supervisory Board must be independent concerning the companies in the Standard Category.		X	The 3 members of the Board of Directors are non-executive administrators.
A5	Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions within the Board of some non-profit companies and institutions, should be disclosed to		X	It shall be implemented.



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	the shareholders and potential investors before the nomination and during his tenure.			
A6	Any member of the Board must provide to it information on any relation to a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation extends to any relation that may affect the member's position against the issues decided by the Board.	X		
A7	The company must appoint a secretary of the Board responsible for supporting the activities of the latter.	X		
A8	The corporate governance statement shall inform if there was an evaluation of the Board under the guidance of the President or of the Nomination Committee and, if so, shall summarize the key measures and changes resulting from it. The company must have a policy / guidelines on the Board evaluation, including the purpose, criteria and frequency of the evaluation process.		X	The Board of Directors has not adopted a policy / guidelines concerning the Board evaluation.
A9	The corporate governance statement must contain information on the number of meetings of the Board of Directors and Committees during the last year, the participation of directors (in person and in absentia) and a report of the Board and committees on their activities.	X		
A10	The corporate governance statement must contain information on the exact number of independent members from the Board of Directors or the Supervisory Board.	X		
B1	The Board should establish an audit committee in which at least one member must be an independent non-executive director. Most members, including the president, must have shown to have		X	Without an independent non-executive director, and due to their impossibility to provide a majority of independent directors within the audit committee, the Board of Directors has not



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	the appropriate qualifications relevant to the functions and responsibilities of the committee. At least one member of the audit committee must have a proven and appropriate accounting or auditing experience.			established such a committee, keeping these responsibilities for themselves.
B2	The president of the audit committee must be an independent non-executive member.		X	No audit committee being established, there is no question of electing an independent non-executive director to manage the committee.
B3	Within its responsibilities, the audit committee should conduct an annual evaluation of the internal inspection system.		X	Without an audit committee, the Board of Directors is the one who receives the inspection reports of the internal auditor and who is responsible for the annual evaluation of the internal inspection system.
B4	The evaluation should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal inspection reports submitted to the audit committee of the Board, the timeliness and effectiveness with which the executive management solves the deficiencies or weaknesses identified during the internal inspection relevant national and submission of relevant reports to the attention of the Board.		X	If no audit committee has been established, the Board of Directors is the one to be responsible for the evaluation of the internal audit activity concerning the efficacy, the adequacy of the risk management and internal inspection reports drawn up by the internal audit, the timeliness and effectiveness of the measures taken to remedy the weaknesses revealed by these ones.
B5	The audit committee should evaluate the conflicts of interests related to the transactions of the company and of its subsidiaries with the affiliated parties.		X	As long as no audit committee is established, the evaluation of the conflicts of interests related to the transactions of the company and its subsidiaries with related parties is the responsibility of the Board of Directors. The company has no subsidiaries.
B6	The audit committee should evaluate the efficiency of the internal inspection system and of the risk management system.		X	The analysis of the internal inspection system and risk management system efficiency is also carried out by the Board of Directors, as long as no audit committee is established.



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B7	The audit committee should monitor the implementation of the legal standards and the internal audit standards generally accepted. The audit committee shall receive and assess the reports of the internal audit team.		X	The Board of Directors receives and evaluates the internal audit reports, monitors the implementation and observance of the generally accepted standards, ensuring thus this function specific to the audit committee.
B8	Whenever the Code mentions reports or analyses initiated by the Audit Committee, these ones have to be followed by periodic or ad-hoc (at least annually) or ad-hoc reports that have to be subsequently submitted to the Board.		X	Without an audit committee, there is no periodic reporting phase of the audit committee by the Board of Directors.
B9	None of the shareholders may be given preferential treatment over other shareholders in relation to transactions and agreements made by the company with shareholders and their affiliates.	X		
B10	The Board should adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relations whose value is equal to or greater than 5% of the net assets of the company (according to the latest financial report) is approved by the Board following a mandatory opinion of the Board's and is properly disclosed to shareholders and potential investors, to the extent that such transactions fall within the category of events subject to the reporting requirements.	X		
B11	Internal audits must be made by a structurally separated division (the internal audit department) within the company or by employment of an independent third party.	X		
B12	In order to ensure the fulfillment of the internal audit department main functions, the latter should report from a functional perspective to the Board through the audit committee. For administrative purposes and under the	X		



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	management obligations to monitor and reduce risks, the audit department must report directly to the Chief Executive Officer.			
C1	<p>The company must publish on its website the remuneration policy and to include a statement in the annual report on the implementation of the remuneration policy during the concerned annual period. The remuneration policy should be drawn up so as to allow shareholders the understanding of the principles and arguments underlying the remuneration of the Board members and of the CEO, as well as of the Executive Board members in the dual system. This policy should describe the manner in which the management of the process is taking place and the manner in which the decisions regarding the remuneration are taken, to detail the components of the executive management remuneration (such as salary, annual bonuses, long-term incentives related to shares value, benefits in kind, pensions and others) and to describe purpose, principles and assumptions underlying each component (including the general performance criteria related to any form of variable remuneration). In addition, the remuneration policy should specify the length of the executive officer contract and the notice period stipulated in the contract, and any compensation for unjust dismissal.</p> <p>[...] Any significant change occurred within the remuneration policy should be timely published on the website of the company.</p>		X	The company does not publish on its website a remuneration policy, but the notes of the annual financial statements contain information regarding the remuneration of directors and executives for the analyzed period.
D1	The company must hold an Investors Relations department – by indicating the responsible person / persons or the organizational unit. In addition to the information	X		



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	required by the law, the company must include on its website a section dedicated to the Investors Relations, in Romanian and English, with all the relevant information for investors, including:			
D1.1.	The main corporate regulations: articles of incorporation, procedures regarding the general meetings of shareholders;	X		
D1.2.	The professional CVs of the management members of the company, other professional commitments of the Board members, including executive and non-executive positions within the boards of directors of companies or non-profit institutions;		X	It shall be implemented.
D1.3.	The current and periodic reports (quarterly, biannual and annual) - at least those specified in paragraph D.8 - including the current reports with detailed information on non-compliance with this Code;	X		
D1.4.	Information on the general meetings of shareholders: the agenda and the informational materials; the procedure for electing the Board members; the arguments supporting nominations for the election within the Board, together with their professional CVs; the shareholders' questions regarding the items on the agenda and the company's responses, including the decisions taken;	X		
D1.5.	Information on corporate events, such as payment of dividends and other distributions to the shareholders, or other events leading to the acquisition or limitation of a shareholder's rights, including the deadlines and principles for such operations. This information will be published within a period to allow investors to take investment decisions;	X		



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D1.6.	The name and contact details of a person who can provide, upon request, relevant information;	X		
D1.7.	The company's overviews (e.g., the overviews for investors, the overviews regarding the quarterly results, etc.), the financial statements (quarterly, biannual, annual), the audit reports and annual reports.	X		
D2	The company will have a policy regarding the annual dividend distribution or other benefits to shareholders, as proposed by the CEO or the Executive Board and adopted by the Board, as a set of guidelines that the company intends to follow on the distribution of net profit. The principles of the policy regarding the annual distribution to shareholders will be published on the website of the company.	X		
D3	The company will adopt a policy regarding forecasts, whether they are made public or not. The forecasts refer to findings quantified conclusions of some research aimed at determining the overall impact of a number of factors relating to a future period (so-called hypotheses): by its nature, this projection has a high level of uncertainty, the actual results being able to significantly differ from the initially presented predictions. The policy regarding forecasts will determine the frequency, period had in view and the content of the forecasts. If published, the forecasts can only be included in the annual, biannual or quarterly reports. The policy regarding forecasts will be published on the website of the company.	X		
D4	The General Meetings of Shareholders rules should not limit the participation of shareholders to the general meetings and the exercise of their rights. The changes	X		



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	to the rules will enter into force no sooner than the following meeting of shareholders.			
D5	The external auditors will attend the general meeting of shareholders when their reports are discussed at these meetings.	X		
D6	The Board will present the annual general meeting of shareholders a brief assessment of the internal inspection and significant risks management systems, as well as some opinions on certain issues subject to the decision of the general meeting.	X		
D7	Any specialist, adviser, expert or financial analyst may participate to the shareholders' meeting based on a prior invitation from the Board. The accredited journalists may also participate to the general meeting of shareholders, unless the Board President decides otherwise.	X		
D8	The quarterly and biannual financial reports shall include information both in Romanian and in English on the key factors generating changes at the level of sales, operating profit, net profit and of other relevant financial indicators, both from one quarter to another and from one year to another.	X		
D9	A company shall hold at least two meetings / teleconferences with analysts and investors every year. The information presented on these occasions shall be published within the Investor Relations section of the company's website at the time of meetings / teleconferences.	X		
D10	If a company supports various forms of artistic and cultural	X		



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	expression, sporting, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of the company as part of its mission and development strategy, they shall publish the policy concerning their activity in this field.			
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**Representative of the President of the Board of Directors,
Eng. Hamidi Haissam**

S.C. MCO CONTAB CONSULT S.R.L
Audit and accounting company
Member of the Romanian Chamber of Financial Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "CONTED" S.A. Dorohoi

Report on financial individual statements

Opinion

1. We audited the enclosed financial statements of the trading company CONTED S.A. (hereby referred to as the „Company”), with registered office in Dorohoi, street 1st December 1918 no. 8, unique identification code 622445, which comprise the statement of financial position at 31 December 2022, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

2. The individual financial statement at 31 December 2022 are identified as follows:

1. Net assets/Total shareholder's equity.	9.218.962 lei
2. Total incomes from the basic activi ...	31.049.520 lei
3. The net result of the financial year:	1.136.749 lei

3. In our opinion, the annexed financial situations of SC CONTED SA supply an exact image of the financial position of the Company at the date of 31 December 2022, as well as the result of the operations and the cash flows for the financial year ended at this date, in accordance with the Order of the Public Finances Ministry number 2844/2016 for the Accounting Regulations in conformity with the International Standards of Financial Reports.

The basis of the opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs). REGULATION (EU) No 537 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL (in the following „Regulation”) and Law nr. 162/2017 („ Law”). Our responsibilities under those standards are further described in the „Auditor's Responsibilities for the Audit of the Financial Statements” section of our report. We

are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, included Regulation and Law, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion .

Key audit issues

5. The key audit issues are those issues that, in our professional reasoning, had the greatest importance to audit the financial statements of the current period. These issues were addressed in the context of the audit of the financial statements as a whole and in forming our opinion, and we do not offer a separate opinion on these issues.

Key audit issues

Approach taken in the audit

1. Revenue recognition

Revenues represent a significant amount of 31.033 thousand lei.

Refer Note 5 „Revenues”

The income recognition policy is presented in note 3 "Accounting Policies" point. g.—„Revenue Recognition. "

According to the International Standards of Audit, there is an implicit risk in recognizing revenue, thanks to the pressure that management can feel in connection with obtaining the results planned.

The company generates income on the basis contractual agreements concluded with its customers for the sale of products and provision of services.

Revenues are recognized at the time delivering products to the customer based on contract conditions.

Our audit procedures included, among others:

- evaluating the principles of recognition of revenue in accordance with IAS 18 "Revenue" and in relation to the accounting policies of the company;
- testing the existence and effectiveness of internal controls as well as performing detail tests to verify correct recording a transactions;
- examining the accuracy of adjustments made by society to respect the principle of the exercises independence, considering delivery terms and contractual provisions on the modalities of delivery;
- Sample testing of trade receivables on December 31st, 2022 by sending confirmation letters.
- examining the sales record after the end of the financial year to identify significant credit notes issued and inspecting the relevant documentation to assess whether the related income has been accounted for in the corresponding financial period

2. Analysis of depreciation of tangible assets

According to Note 14 "Stocks", as of December 31, 2022, the total stocks are worth 5,905.13 thousand lei and represent a significant percentage of the total assets of the company, their valuation implying a high level of management judgment. These stocks consist mainly of raw materials, semi-finished products, work in progress and finished products.

Inventory valuation is, in principle, at the lower of cost and net realizable value.

The cost assessment includes various components such as the cost of purchase or the cost of production, including the trade discounts received.

For finished products, the net realizable value is estimated at the cost of production.

. Our audit procedures for testing the existence of inventories consisted mainly of, but were not limited to, the participation in the inventory of inventory items according to the Inventory Chart approved by management, including reconciling the auditor's count with that of the company's representatives, any physically / morally depreciated stocks.

In order to validate the valuation of the acquisition / production cost of inventories, we performed detailed tests on the valuation in relation to the requirements of IAS 2 "Inventories".

We checked the estimates of the net realizable value in relation to the sale price and we checked whether there were stocks that were sold with a negative margin by analyzing the recent sales invoices from January and February 2023.

Other information – The Report of the Administrators

6. Other information shall include the report of the administrators. The administrators are responsible for the preparation and presentation of the directors' report in accordance with the requirements of OMFP no. 2844/2016 Accounting regulations compliant with International Financial Reporting Standards, which do not contain significant misstatements and for that internal control that the management deems necessary to allow the preparation of the directors' report which does not contain significant misstatements due to fraud or error.

The directors' report is not part of the individual financial statements.

Our opinion on the individual financial statements does not cover this other information and, unless explicitly stated in our report, we do not express any assurance about this.

In connection with our audit of the individual financial statements for the year ended 31 December 2022, it is our responsibility to read that other information - the

Administrators' report and, in this regard, to assess whether there are significant inconsistencies between the Administrators' report and the financial statements, administrators include, in all material respects, the information required by OMFP 2844/2016, paragraphs 15-19, of accounting regulations that comply with International Financial Reporting Standards, and whether based on our knowledge of the Company and its environment acquired during the audit financial statements, the information included in the Administrators' report is erroneous. We are asked to report on these issues. Based on our ongoing activity, we report that:

- In the administrators' report we didn't identify information that do not correspond, in all significant aspects, with the information described in the annexed individual financial situation;

- The Administrators' report includes, in all its significant aspects, the information requested by OMFP nr. 2844/2016, paragraphs 15-19, from the Accounting Regulations in conformity with the International Standards of Financial Report.

In addition, based on our knowledge and understanding acquired during the audit of the individual financial statements for the financial year ended December 31, 2022 regarding the Company and its environment, we have not identified any information included in the directors' report that would be materially erroneous.

Responsibilities of management and of the persons responsible for the governance for the financial statements

7. The management is responsible for the preparation and accurate presentation of the financial statements in accordance with OMFP no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards and for that internal control that the management considers necessary to allow the preparation of financial statements without significant distortions, caused either by fraud or error.

In preparing its financial statements, the management is responsible for assessing the company's ability to continue its operation, setting out, where appropriate, the matters relating to the continuity of activity and using the accounting based on the continuity of the activity unless management either intends to liquidate the Company or cease the operations, or has no other realistic alternative.

The persons responsible for the governance are also responsible for monitoring the financial reporting process of the company..

Auditor's responsibilities in an audit of financial statements

8. Our objectives are to obtain reasonable assurance about the extent to which the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the International Audit Standards will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and

are considered significant if they can reasonably be expected to have an individual or cumulative effect on the economic decisions of users, based on these financial statements.

9. As part of an ISA audit, we exercise professional judgment and maintain professional skepticism during the audit. Also:

- We identify and assess the risks of the financial statements caused either by fraud or by error, and design and execute audit procedures in response to such risks and obtain sufficient appropriate audit evidence to provide a basis for our opinion. The risk of non-detecting a material misstatement due to fraud is higher than the risk of non-detecting of a material misstatement due to error because fraud may involve collusion, forgery, deliberate omissions, misrepresentations and avoiding internal control;
- We consider the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Company;
- We assess the adequacy of the accounting policies used and the reasonableness of accounting estimations and related presentations made by management;
- We formulate a conclusion regarding the suitability of the accounting used by the management based on the business continuity and we determine, based on the audit evidence obtained, if there is a significant uncertainty relating to events or conditions that could generate significant doubts regarding the company's ability to continue its activity. If we conclude that there is significant uncertainty, we must draw the attention in the auditor's report on the presentations related to the financial statements or, if these presentations are inadequate, we must change our opinion. Our conclusions are based on the audit evidence obtained until the date of the auditor's report. However, future events or circumstances may cause the company to no longer operate on the basis of the principle of the continuity of the business;
 - We generally assess the presentation, structure and content of financial statements, including disclosures, and the extent to which financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

10. We communicate to the persons responsible for governance, among other things, the planned scope and timing of the audit, as well as the main audit findings, including any internal control weaknesses that we identified during the audit.

11. We are also required to provide the persons responsible for governance, with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all the relationships and other matters that may reasonably be thought to bear our independence, and where applicable, the related safeguards.

12. From the matters communicated with the persons responsible for governance, we are required to determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We are required to describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matter and when, in extremely rare circumstances, we determine that a matter that has not otherwise been publicly disclose should not be communicated in our report in view of the significance of the adverse consequences that can reasonably be expected to arise as a result of such communication.

Report on other legal and regulatory provisions

13. We were appointed by the General Meeting of Shareholders on April 18, 2022 to audit the financial statements of S.C. CONTED S.A. for the financial year ended 31 December 2022.

14. We confirm that we also maintained our independence from the audited entity in conducting our audit.

15. We confirm that we have not provided the Company with the prohibited non-audit services referred to in Article 5 (1) of EU Regulation no. 537/2014

16. This report of the independent auditor is addressed exclusively to the shareholders of the Company as a whole. Our audit was performed in order to be able to report to the Company's shareholders those aspects that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we accept and assume no liability other than to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

Report on compliance with Commission Delegated Regulation (EU) 2018/815 (Technical Regulatory Standard on the Single European Electronic Reporting Format or ESEF)

17. We have performed a reasonable assurance on compliance with Commission Delegated Regulation (EU) 2018/815 applicable to the financial statements included in the 2022 Annual Financial Report of CONTED S.A. Dorohoi (the Company) as shown in the digital files containing the unique code LEI 549300EDPHHWIUEUH850 (Digital Files).

Responsibility of management and those responsible for governance for Digital Files prepared in accordance with ESEF

18. The management of the Company is responsible for the preparation of the Digital Files in accordance with ESEF.

This responsibility includes:

- designing, implementing and maintaining internal control relevant to the implementation of the ESEF;
- ensuring the compliance between the Digital Files and the financial statements that will be published in accordance with Order no. 2844/2016 with subsequent amendments.

Those in charge of governance are responsible for overseeing the preparation of Digital Files in accordance with the ESEF.

Auditor's responsibility for auditing Digital Files

19. We are responsible for expressing a conclusion as to the extent to which the financial statements included in the annual financial statement are in conformity with the ESEF, in all material respects, based on the evidence obtained. Our reasonable assurance assignment was performed in accordance with International Standard on Assurance Assignments 3000 (revised), Assurance Assignments other than audits or reviews of historical financial information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

20. A reasonable assurance mission in accordance with ISAE 3000 requires procedures to be performed to obtain evidence of ESEF compliance. The nature, timing and extent of the procedures selected depend on the auditor's reasoning, including the assessment of the risk of material misstatement of the ESEF provisions, whether due to fraud or error.

A reasonable assurance includes:

- gaining an understanding of the process of preparing the Digital File in accordance with the ESEF, including relevant internal controls;
- reconciliation of the Digital Files with the audited financial statements of the Company that will be published in accordance with Order no. 2844/2016 with subsequent amendments.
- assessing whether all financial statements that are included in the annual financial statement are prepared in a valid XHTML format.

21. We consider that the evidence obtained is sufficient and adequate to provide a basis for our conclusion. In our opinion, the financial statements for the financial year ended 31 December 2022 included in the annual financial report and presented in the Digital Files comply, in all material respects, with the requirements of the ESEF.

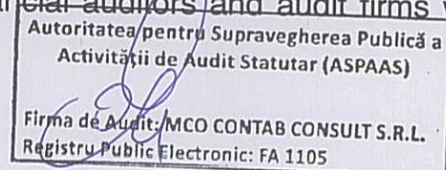
We do not express an audit opinion, a review conclusion, or any other assurance on financial statements in this section. Our audit opinion on the Company's financial statements for the year ended December 31, 2022 is included in the Report on Financial Statements section above.

In the name

On behalf of **S.C. MCO CONTAB CONSULT S.R.L.**

registered in the Electronic Public Register of financial auditors and audit firms with no.

FA1105



Financial Auditor,

MERGHIDAN CONSTANTIN OVIDIU

registered in the Electronic Public Register of financial auditors and audit firms with no.

AF1809

Dorohoi, March 29, 2023

