

CE

BSE REPORT

CLUJ-NAPOCA

ANNUAL RESULTS

2022

12 Month Performance 2022

- ☑ **91.7 million lei operational profit (EBITDA)**
- ☑ **Net turnover: 221.4 million lei**
- ☑ **133.9 million Cash at the end of the period**

General Manager Statement

CEMACON achieved a very good financial performance in 2022, in the context of some important challenges (the war in Ukraine, the energy crisis, volatility in the construction market, uncertain macroeconomic perspectives), and also some major projects ongoing: setting up a new brick slips factory (over 13 million euros investment) in Sălaj, as well as starting the acquisition procedure of a brick factory in Bihor county.

These results are the confirmation of the fact that the strategic management so far, the focus on technology, digitalization, sustainability and the development of human resources skills are correct premises to achieve performance in the industrial sector in which we operate.

We are motivated, at the management level, to continue the development of CEMACON, to expand and take advantage of new opportunities in the construction materials production area, to create new partnerships and to strengthen the existing ones, having the conviction that equitable and honest business relations are essential for the development of the business environment in Romania.

In 2023 we will respond to the market demands with energy efficient products, that will cover the quality, efficiency and comfort needs of the beneficiaries, but also with a new range of products intended for the aesthetic segment of buildings, educating and cultivating the appetite for an architecture of beauty and good taste.

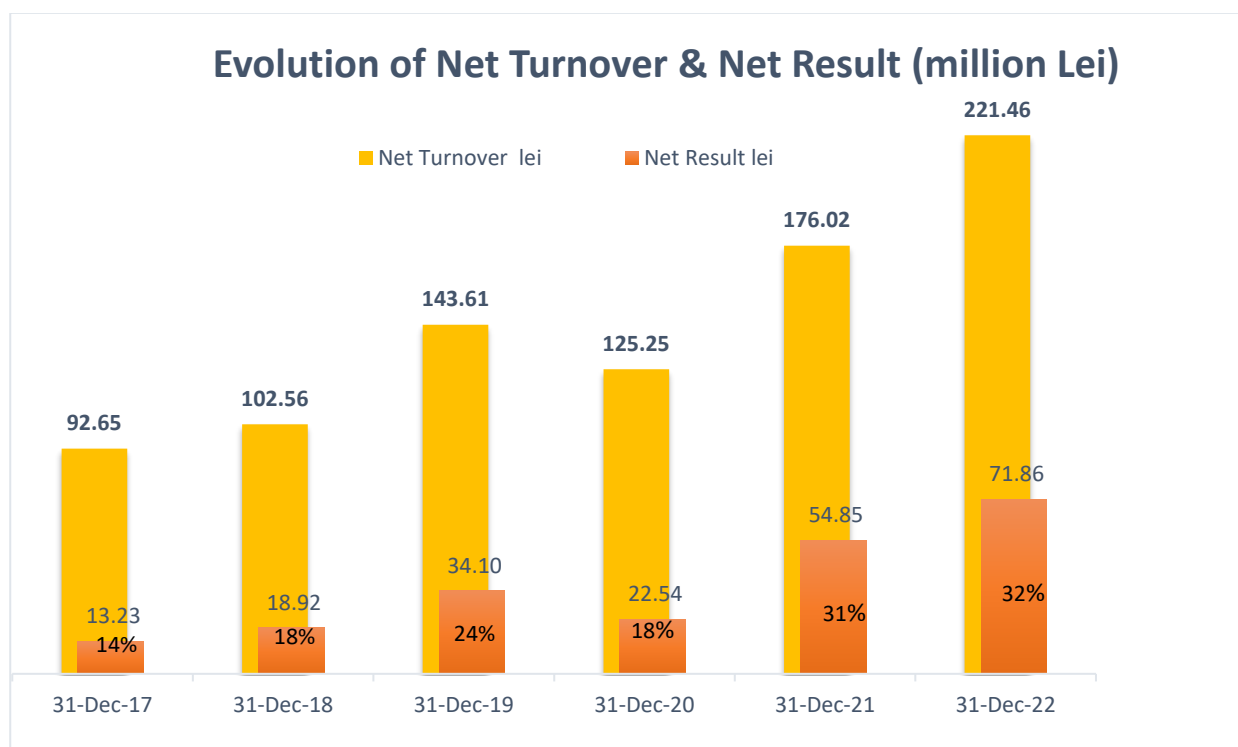
Profit and loss Account – 12 Months Results 2022

In 2022, Cemacon managed to maintain the upward trend of business, registering a turnover of 221 million lei, a 26% increase compared to the previous year, a net result of 71.8 million lei and a profitability rate of 32.45%.

All these results came in an economic context quite difficult to anticipate, with many changes in the area of energy resources, the increase in interest rates and a generalized inflation. Not having predictability and stability of costs for electricity and gas, we managed to make the investment in the cogeneration plant, implemented in May 2021, fruitful.

Also in 2022, Cemacon received a non-refundable financing of 45% of the investment value, for a photovoltaic park with an installed power of 1 MWH, through the Norwegian Financial Mechanism 2014-2021, Program for Energy in Romania Call 3.1 'Increased supply capacity of renewable energy' The project is being implemented and we expect to benefit from this new investment in the 2nd half of 2023.

The production lines operated at capacity, with no major interruptions in the production flow, which allowed significant operational synergies to be obtained, with a direct impact on the production cost and the company's profitability.



Profit and loss Account – 12 Months Results 2022

	31-Dec-22	31-Dec-21	2022 vs 2021	2022 vs 2021
	LEI	LEI	LEI	%
Gross Turnover	246,187,970	190,903,036	55,284,935	29%
Net Turnover	221,456,096	176,020,735	45,435,361	26%
Sales revenues	221,435,406	176,008,642	45,426,763	26%
Other operating revenues	11,489,841	9,582,675	1,907,167	20%
Other gains and losses	348,255	3,874,971	(3,526,716)	-91%
Change in inventories of FG & WIP	10,962,415	876,093	10,086,321	1151%
Raw materials and consumables	(40,303,581)	(29,843,988)	(10,459,593)	35%
Personnel expenses	(38,846,840)	(29,208,067)	(9,638,773)	33%
Other operating expenses	(76,123,732)	(59,874,808)	(16,248,924)	27%
EBITDA	91,740,331	74,722,091	17,018,240	23%
Depreciation and amortization expenses	(14,488,179)	(12,850,394)	(1,637,785)	13%
Income impairment of assets	-	-	-	0%
EBIT	74,473,585	58,565,125	15,908,459	27%
Financial Income	5,080,371	1,450,509	3,629,862	250%
Financial Expenses	(1,590,951)	(1,135,629)	(455,322)	40%
Financial result	3,489,420	314,880	3,174,540	1008%
Profit before tax*	77,963,005	58,880,006	19,082,999	32%
Income tax expenses	(6,104,868)	(4,029,057)	(2,075,811)	52%
Profit after tax	71,858,135	54,850,948	17,007,187	31%
Total other elements of other Comprehensive income	(95,048)	17,228,069	(17,323,117)	-101%
Comprehensive income total	71,763,086	72,079,018	(315,932)	0%

* EBITDA = Operating profit + Expenses with depreciation + Financial discounts granted - Income impairment of non-current assets

Statement of financial position- Results 31 December 2022

	31-Dec-22	31-Dec-21	2022 vs 2021	2022 vs 2021
	LEI	LEI	LEI	%
NON-CURRENT ASSETS				
Property, plant and equipment	203,699,307	156,211,126	47,488,180	30%
Investment property	8,885,960	8,885,960	-	0%
Intangible	1,131,377	1,555,775	(424,398)	-27%
Rights of use assets	17,026,366	18,496,865	(1,470,499)	-8%
Investments	1,000	1,000	-	0%
Other non-current assets	554,017	411,127	142,890	35%
NON-CURRENT ASSETS TOTAL	231,298,027	185,561,854	45,736,173	25%
CURRENT ASSETS				
Inventories	22,579,886	13,075,235	9,504,650	73%
Trade and other receivables	50,248,650	17,064,942	33,183,708	194%
Other assets	16,612,591	11,330,612	5,281,979	47%
Cash and cash equivalents	133,909,885	84,223,350	49,686,535	59%
CURRENT ASSETS TOTAL	223,351,011	125,694,140	97,656,872	78%
TOTAL ASSETS	454,649,038	311,255,994	143,393,045	46%
CURRENT LIABILITIES				
Trade and other payables	47,212,962	35,223,686	11,989,276	34%
Loans and borrowings	-	-	-	0%
Lease liabilities	702,461	645,008	57,453	9%
Obligations under finance leases	1,843,729	2,088,135	(244,407)	-12%
Grants received	766,040	621,092	144,948	23%
Tax liability	-	975,690	(975,690)	-100%
Provisions	10,045,567	11,096,948	(1,051,381)	-9%
CURRENT LIABILITIES TOTAL	60,570,757	50,650,559	9,920,197	20%
NON-CURRENT LIABILITIES				
Non-current trade and other liabilities	-	-	-	0%
Loans and borrowings	-	-	-	0%
Lease liabilities	4,937,224	5,329,619	(392,394)	-7%
Obligations under finance leases	2,555,458	4,259,133	(1,703,675)	-40%
Grants received	6,735,832	6,885,531	(149,699)	-2%
Tax liability	3,004,628	3,756,047	(751,419)	-20%
Provisions	2,848,866	2,780,548	68,318	2%
NON-CURRENT LIABILITIES TOTAL	20,082,008	23,010,877	(2,928,870)	-13%

	31-Dec-22	31-Dec-21	2022 vs 2021	2022 vs 2021
	LEI	LEI	LEI	%
TOTAL LIABILITIES	80,652,765	73,661,438	6,991,327	9%
NET ASSETS	373,996,272	237,594,555	136,401,718	57%
EQUITY				
Issued capital as per IFRS	102,745,391	59,779,702	42,965,689	72%
TOTAL EQUITY	373,996,272	237,594,555	136,401,716	57%

At the balance sheet level, the changes in the fixed assets area are generated by the implementation of the new manufacturing line for apparent clinkerized brick plates, a project that is proceeding according to schedule.

The stocks increased as a result of the production carried out during the winter period, in direct correlation with the income from the stored production, thus preparing the commercial strategy for the year 2023.

The increases in receivables are mainly due to the advances paid to the immobilization suppliers for the ongoing projects of the company.

The cash increased both as a result of the commercial activity carried out during the period and of the capital increase completed in September of 2022, corresponding to the increase in the share capital.

Short-term and long-term debts did not undergo significant changes, the increases being determined by the operational and investment activity of the period.

The company's net assets at the end of the reporting period ended on Dec 31, 2022 registered an increase of 57% compared to the previous year, totaling 373.9 million lei.

Main Financial Ratios

Main Financial Ratios	31-Dec-22	31 Dec 21
1. Current liquidity indicator	3.69	2.48
2. Leverage indicator	0%	0%
3. Turnover speed for client debit items (days)	50	42
4 Turnover speed for total assets	106%	103%

Statement of Changes in Equity- 31st December 2022

	Capital subscris si ajustari	Prime de emisiune	Rezerve din reevaluare	Rezerve legale	Alte rezerve	Rezultat nedistribuit	Alte elemente ale capitalurilor proprii	Total
	Issued capital and adjustments	Share Premium	Reevaluation reserves	Legal reserves	Other reserves	Undistributed result	Other capital elements	Total
31-Dec-21	59.779.702	253.004	31,455,172	9,430,921	33,589,330	106,689,799	(3,603,372)	237,594,556
Rezultatul global current	-	-	-	-	-	71,858,135	-	71,858,135
<i>Current global result</i>								
Majorare capital social	42,965,689	-	-	-	-	-	-	42,965,689
<i>Increase in equity</i>								
Diferente capitalizate aferente impozitului amanat	-	-	-	-	-	-	95,048	95,048
<i>Capitalised differences related to deffered tax</i>								
Majorare prime de emisiune	-	21,482,844	-	-	-	-	-	21,482,844
Rezerva din reevaluare	-	-	-	-	-	-	-	-
<i>Revaluation reserve</i>								
Constituire rezerva legala	-	-	-	3,930,969	-	(3,930,969)	-	-
<i>Legal Reserve</i>								
Alte rezerve	-	-	-	-	19,590,272	(19,590,272)	-	-
<i>Other reserve</i>								
31-Dec-22	102,745,391	21,735,848	31.455.172	13,361,890	53,179,602	155,026,694	(3,508,324)	373,996,272

Statement of Cash Flow- Results for 31st December 2022

	31-Dec-22	31-Dec-21
	LEI	LEI
Fluxuri din activitati de exploatare		
Cash flow from operating activities		
Incasari de la clienti	251,585,867	209,398,690
<i>Customer encashments</i>		
Plati catre furnizori	(123,734,501)	(80,704,732)
<i>Supplier payments</i>		
Plati catre angajati	(26,213,071)	(20,917,275)
<i>Payments to employees</i>		
Plati impozite si taxe	(33,673,033)	(27,672,332)
<i>Tax Payments</i>		
Impozit pe profit platit	(12,823,463)	(2,660,352)
<i>Income Tax Paid</i>		
Incasari din asigurari	-	-
<i>Insurance encashments</i>		
Plati de asigurari	(678,693)	(701,309)
<i>Insurance payments</i>		
Dobanzi platite	-	(303,940)
<i>Interest Paid</i>		
Alte incasari	103,434	289,651
<i>Other Encashments</i>		
Alte plati	-	-
<i>Other Payments</i>		
Plati ctr. leasing pe termen scurt si active de valoare mica	(114,716)	(99,145)
<i>Payments for short term leasing contracts and low value assets</i>		
	54,451,824	76,629,258
Trezoreria neta din activitati de exploatare		
Cash from operating activities		
Fluxuri de trezorerie din activitati de investitii		
Cash flow from investing activities		
Plati pentru achizitionarea de actiuni	-	-
<i>Payments for acquiring shares</i>		
Plati pentru achizitionarea de imobilizari corporale	(70,557,316)	(12,764,943)
<i>Payments for acquiring assets</i>		
Incasari din vanzarea de imobilizari corporale	377,520	124,209
<i>Encashments from sold assets</i>		
Dobanzi incasate	4,060,528	843,733
<i>Encashments from interest</i>		
Credite catre parti afiliate	-	-
<i>Loans to affiliated parties</i>		
Alte incasari – subventii pentru investitii	596,478	4,099,797
<i>Other encashments</i>		
	(65,522,790)	(7,697,204)
Trezoreria neta din activitati de investitie		
Cash from investing activities		

Statement of Cash Flow- Results for 31st December 2022 (continued)

	31-Dec-22	31-Dec-21
	LEI	LEI
Fluxuri din activitati de exploatare		
Cash flow from operating activities		
Fluxuri de trezorerie din activitati de finantare		
Cash flow from financing activities		
Incasari din aport de capital	64,448,533	-
<i>Encashments from share capital increase</i>		
Incasari din imprumuturi		
<i>Encashments from loans</i>		
Plata datoriilor aferente leasing-ului financiar - capital	(3,547,974)	(3,721,471)
<i>Payments for financial lease</i>		
Plata datoriilor aferente leasing-ului financiar-dobanda	(238,231)	(774,352)
<i>Payments for financial lease - interest</i>		
Rambursari credite	-	(31,531,035)
<i>Dividends paid and bank interest paid</i>		
Incasari garantie achizitionare actiuni	-	-
<i>Encashments from share purchase</i>		
Plata garantie achizitionare actiuni	-	-
<i>Payment for share purchase</i>		
Trezoreria neta din activitati de finantare	60,662,328	(36,026,858)
Cash from financing activities		
Efectul variatiilor cursului de schimb	95,172	3,583
Effect of exchange rate changes		
Crestere /scadere neta de numerar	49,686,535	32,908,779
Net increase/decrease in cash and cash equivalents		
Numerar si echivalente de numerar la inceputul perioadei	84,223,350	51,314,569
Cash and cash equivalents at beginning of period		
Numerar si echivalente de numerar la sfarsitul perioadei	133,909,885	84,223,350

The report, together with the related documents, can be consulted starting with 28 April 2023 at 18:00 at the company headquarters on Calea Turzii Street, no. 178K, Hexagon Offices, Cluj-Napoca or electronically on the company's website: www.cemacon.ro and on the Bucharest Stock Exchange website: www.bvb.ro***

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

CEMACON SA ranks second in the top of masonry manufacturers in Romania and is the market leader in Transylvania. The company operates the most modern and largest manufacturing capacity in Romania with innovative, differentiated products that bring added value to users, at very competitive production costs. CEMACON SA is a company listed on the Bucharest Stock Exchange; the company management is professional, independent, having strong sector expertise.

ernică expertiză de sector.

CEMACON SA

STANDALONE FINANCIAL STATEMENTS

**Prepared in accordance with
Order of the Minister of Public Finance
no. 2844/2016 for the approval of the Accounting Regulations in accordance with the
International Financial Reporting Standards,**

**AT AND FOR THE YEAR ENDED AT
DECEMBER 31, 2022**

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*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders,
Cemacon S.A.

Report on the Audit of the Standalone Financial Statements

Opinion

1. We have audited the standalone financial statements of Cemacon S.A. (the Company), with registered office in Calea Turzii Street, No 178, identified by the unique tax registration code 677858, which comprise the statement of financial position as at December 31, 2022, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, including a summary of significant accounting policies and notes to the financial statements.
2. The standalone financial statements as of December 31, 2022 are identified as follows:
 - Net assets/ Equity RON 373,996,272
 - Net profit for the financial year RON 71,858,135
3. In our opinion, the accompanying standalone financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and the Council (forth named The "Regulation") and Law 162/2017 ("the 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), in accordance with ethical requirements relevant for the audit of the financial statements in Romania including the Regulation and the Law and we have fulfilled our other 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 Matters

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	How our audit addressed the key audit matter
<p>Revenue recognition – Bill and Hold Sales</p>	
<p>The Company performs a significant amount of Bill-and-hold transactions within its main revenue stream. In this form of sales arrangement, a seller of a good bills a customer for products but does not ship the product until a later date.</p> <p>In order for a customer to have obtained control of a product in a bill-and-hold arrangement, all of the following criteria must be met:</p> <ul style="list-style-type: none"> (a) the reason for the bill-and-hold arrangement must be substantive (for example, the customer has requested the arrangement); (b) the product must be identified separately as belonging to the customer; (c) the product currently must be ready for physical transfer to the customer; and (d) the entity cannot have the ability to use the product or to direct it to another customer. <p>Given the particularity of this transaction type and the related risk, we identified this stream as a key audit matter in order to ascertain the way in which the Company complies with the completion of the revenue recognition criteria for this type of revenue, and whether the revenue was recognized in the appropriate period.</p> <p>The accounting policies for the revenue recognition of Bill-and-hold sales are set out in Note 3 to the financial statements of the Company.</p>	<p>In order to address this key audit matter, we have taken an approach constructed around testing the design, implementation and operating effectiveness of the internal controls performed concurrently with the tests of details as a single procedure (dual purpose testing) that the Company performs in relation to Bill-and-Hold transactions.</p> <p>We have performed the following audit procedures:</p> <ul style="list-style-type: none"> – We have tested based on a sample subsequent delivery documents to ascertain transactions have been finalized through a delivery; – We have assisted at the inventory count at year-end, and correlated such inventories, which were physically inspected to the revenue transactions, audited to ascertain that inventories subject to such transactions are readily available for delivery to the clients, and are on hand at the time the revenue is recognized; – We have reviewed based on a sample the supporting documentation whereby the customers agreed to this type of commercial arrangement the buyer, rather than the seller, has requested this type of transaction or alternatively verified the subsequent delivery. Moreover, our analytical procedures revealed that most frequently the buyers are construction companies with limited depositing facilities who prefer to have the inventories delivered to their construction sites on a 'just-in-time' basis. – We have tested that the selected payment terms specified within the agreements are the usual payment terms and the compliance to such terms by the customers through reviewing subsequent encashment.

Other information- Administrator's Report

6. The administrator is responsible for preparation and presentation of the other information. The other information comprises the Administrator's report and the Remuneration Report, but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, unless otherwise explicitly mentioned in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements for the year ended December 31, 2022, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

With respect to the Administrator's report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU. With respect to the Remuneration report, we read it and report if this has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

On the sole basis of the procedures performed within the audit of the financial statements, in our opinion:

- a) the information included in the administrators' report and the Remuneration Report for the financial year for which the financial statements have been prepared is consistent, in all material respects, with these financial statements;
- b) the administrators' report has been prepared, in all material respects, in accordance with the provisions of Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU.
- c) the Remuneration report has been prepared, in all material respects, in accordance with the provisions of Law 24/2017, article no. 107.

Moreover, based on our knowledge and understanding concerning the Company and its environment gained during the audit on the standalone financial statements prepared as at December 31, 2022, we are required to report if we have identified a material misstatement of this Administrator's report and the Remuneration report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

7. Management is responsible for the preparation and fair presentation of the standalone financial statements in accordance with Ministry of Public Finance Order no. 2844/2016, with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
9. Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

10. Our objectives are to obtain reasonable assurance about whether 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 is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
11. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
 - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
 - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
 - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
 - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
12. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
 13. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
 14. From the matters communicated with those charged with governance, we 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 describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

15. We have been appointed by the General Assembly of Shareholders on April 29, 2022 to audit the financial statements of Cemacon S.A. for the financial year ended December 31, 2022. The uninterrupted total duration of our commitment is 7 years, covering the financial years ended December 31, 2016 until December 31, 2022.

We confirm that:

- Our audit opinion is consistent with the additional report submitted to the Audit Committee of the Company that we issued the same date we issued and this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- No non-audit services referred to in Article 5 (1) of EU Regulation No.537 / 2014 were provided.

The engagement partner on the audit resulting in this independent auditor's report is Ana-Corina Dimitriu.

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

16. We have undertaken a reasonable assurance engagement on the compliance with Commission Delegated Regulation (EU) 2019/815 applicable to the financial statements included in the annual financial report of Cemacon S.A. ("the Company") as presented in the digital files "254900T01T4FKBLCWU07" ("Digital Files").

(I) *Responsibilities of Management and Those Charged with Governance for the Digital Files prepared in compliance with ESEF*

Management is responsible for preparing the Digital Files that comply with ESEF. This responsibility includes:

- the design, implementation and maintenance of internal controls relevant to the application of ESEF;
- ensuring consistency between the Digital Files and the financial statements to be submitted in accordance with Order no 2844/2016 with subsequent amendments.

Those charged with governance are responsible for overseeing the preparation of the Digital Files that comply with ESEF.

(II) Auditor's Responsibilities for the Audit of the Digital Files

Our responsibility is to express a conclusion on whether the financial statements included in the annual financial report complies in all material respects with the requirements of ESEF based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about compliance with ESEF. The nature, timing and extend of procedures selected depend on the auditor's judgment, including the assessment of the risks of material departures from the requirements set out in ESEF, whether due to fraud or error. A reasonable assurance engagement includes:

- obtaining an understanding of the Company's process for preparation of the digital files in accordance with ESEF, including relevant internal controls;
- reconciling the digital files with the audited financial statements of the Company to be submitted in accordance with Order no 2844/2016 with subsequent amendments, for the approval of accounting regulations conforming with International Financial Reporting Standards as adopted by EU;
- evaluating if the financial statements contained in the annual report have been prepared in a valid XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In our opinion, the financial statements for the year ended 31 December 2022 included in the annual financial report in the Digital Files comply in all materials respects with the requirements of ESEF.

In this section, we do not express an audit opinion, review conclusion or any other assurance conclusion on the financial statements. Our audit opinion relating to the financial statements of the Company for the year ended 31 December 2022 is set out in the "Report on the audit of the financial statements" section above.

Ana-Corina Dimitriu, Audit Partner

For signature, please refer to the original signed Romanian version.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under AF 3677

On behalf of:

DELOITTE AUDIT S.R.L.

Registered in the Electronic Public Register of Financial Auditors and Audit Firms under FA 25

The Mark Building, 84-98 and 100-102 Calea Griviței, 9th Floor, District 1
Bucharest, Romania
March 23, 2023

CEMACON SA

**Standalone statement of financial position (*Situatia individuală a pozitiei financiare*)
for the financial year ended 31 December 2022 (*pentru exercitiul financiar incheiat la 31 Decembrie 2022*)
(all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)**

	Notes	31-Dec-22 <i>LEI</i>	31-Dec-21 <i>LEI</i>
ACTIVE (ASSETS)			
ACTIVE IMOBILIZATE NON-CURRENT ASSETS			
Imobilizari corporale	11	203,699,307	156,211,126
Property, plant and equipment			
Investitii imobiliare	23	8,885,960	8,885,960
Investment property			
Imobilizari necorporale	12	1,131,377	1,555,775
Intangible			
Drept de utilizare a activelor in leasing*	26	17,026,366	18,496,866
Right of use assets			
Investitii in actiuni	14	1,000	1,000
Investments			
Alte active imobilizate	14	554,017	411,127
Other non-current assets			
		231,298,027	185,561,854
ACTIVE CIRCULANTE CURRENT ASSETS			
Stocuri	15	22,579,885	13,075,236
Inventories			
Creante comerciale si similare	16	50,248,650	17,064,942
Trade and other receivables			
Alte active financiare		-	-
Other financial assets			
Alte active	19	16,612,591	11,330,612
Other assets			
Numerar si echivalente numerar	30	133,909,885	84,223,350
Cash and cash equivalents			
		223,351,011	125,694,140
Active clasificate drept detinute în vederea vânzării		-	-
Assets classified as held for sale			
TOTAL ACTIVE (TOTAL ASSETS)		454,649,038	311,255,994
DATORII CURENTE CURRENT LIABILITIES			
Datorii comerciale si similare	17	47,212,962	35,223,687
Trade and other payables			
Imprumuturi	20	-	-
Loans and borrowings			
Datorii din operatiuni de leasing*	26	702,461	645,008
Lease liabilities			
Obligatii din leasing financiar**	26	1,843,727	2,088,135
Obligations under finance leases			
Subventii pentru investitii	27	766,040	621,092
Grants received			
Datorii privind impozitul pe profit		-	975,690
Tax liability			
Provizioane	22	10,045,567	11,096,948
Provisions			
		60,570,757	50,650,560

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA

**Standalone statement of financial position (*Situatia individuală a pozitiei financiare*)
for the financial year ended 31 December 2022 (*pentru exercitiul financiar incheiat la 31 Decembrie 2022*)
(all amounts are expressed in RON, unless otherwise stated) (*toate sumele sunt exprimate in RON, daca nu este specificat altfel*)**

	Notes	31-Dec-22	31-Dec-21
		<i>LEI</i>	<i>LEI</i>
DATORII PE TERMEN LUNG			
NON-CURRENT LIABILITIES			
Datorii comerciale si similare	17	-	-
Non-current trade and other liabilities			
Imprumuturi	20	-	-
Loans and borrowings			
Datorii din operatiuni de leasing*	26	4,937,224	5,329,619
Lease liabilities			
Obligatii din leasing financiar**	26	2,555,458	4,259,133
Obligations under finance leases			
Subventii pentru investitii	27	6,735,832	6,885,531
Grants received			
Impozit amanat	8	3,004,628	3,756,047
Deferred tax			
Provizioane	22	2,848,866	2,780,548
Provisions			
		20,082,008	23,010,878
TOTAL DATORII (TOTAL LIABILITIES)		80,652,765	73,661,438
ACTIVE NETE (NET ASSETS)		373,996,272	237,594,556
CAPITAL SI REZERVA (EQUITY)			
Capital social	24	102,745,391	59,779,702
Issued capital			
Alte elemente de capitaluri proprii - impozit amanat		(3,508,324)	(3,603,372)
Other equity elements - Deffered Tax			
Prime legate de emiterea de actiuni		21,735,848	253,004
Share premium			
Rezerve	25	97,996,664	74,475,423
Reserves			
Rezultat reportat		155,026,694	106,689,799
Retained earnings			
TOTAL CAPITALURI (TOTAL EQUITY)		373,996,272	237,594,556

* The indicated lines are for the application of IFRS 16.

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocaru-Lungu Bogdan

For signature, please refer to the original signed Romanian version.

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA

**Standalone statement of comprehensive income (*Situatia individuală a rezultatului global*)
for the financial year ended 31 December 2022 (*pentru exercitiul financiar incheiat la 31 Decembrie 2022*)
(all amounts are expressed in RON, unless otherwise stated) (*toate sumele sunt exprimate in RON, daca nu este specificat altfel*)**

	Notes	Exercitiu financiar incheiat la 31-Dec-22 <i>LEI</i>	Exercitiu financiar incheiat la 31-Dec-21 <i>LEI</i>
Venituri din vanzari	3	221,435,406	176,008,642
Sales revenues			
Alte venituri din exploatare	4	11,489,841	9,582,674
Other operating revenues			
Alte castiguri si pierderi	4	348,255	3,874,971
Other gains and losses			
Variatia stocurilor		10,962,415	876,096
Change in inventories of FG & WiP			
Materii prime si consumabile	15	(40,303,581)	(29,843,988)
Raw material and consumables used			
Cheltuieli de personal	6	(38,846,840)	(29,208,067)
Personnel Expenses			
Cheltuieli cu amortizarea	11,12,24	(14,488,179)	(12,850,394)
Depreciation and amortisation expenses			
Alte cheltuieli din exploatare	5	(76,123,732)	(59,874,808)
Other operating expenses			
Profit / (Pierdere) din exploatare		74,473,585	58,565,126
Profit / (Loss) from operation			
Venituri financiare	7	5,080,371	1,450,509
Financial income			
Cheltuieli financiare	7	(1,590,951)	(1,135,629)
Financial expenses			
Rezultat Financiar		3,489,420	314,880
Financial Result			
Profit / (Pierdere) inainte de impozitare		77,963,005	58,880,006
Cheltuieli cu impozite	8	(6,104,868)	(4,029,057)
Profit before tax			
Profit		71,858,135	54,850,949
Profit after tax			

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA

**Standalone statement of comprehensive income (*Situatia individuală a rezultatului global*)
for the financial year ended 31 December 2022 (*pentru exercitiul financiar incheiat la 31 Decembrie 2022*)
(all amounts are expressed in RON, unless otherwise stated) (*toate sumele sunt exprimate in RON, daca nu este specificat altfel*)**

Notes	31-Dec-22	31-Dec-21
	<i>LEI</i>	<i>LEI</i>
Alte elemente ale rezultatului global care nu pot fi reclasificate in contul de profit si pierdere		
Reevalurea imobilizarilor corporale Fixed Assets Revaluation	-	14,877,034
Impozit Amanat Aferent Diferentelor din reevaluare	(95,048)	2,351,035
	<hr/>	<hr/>
Total alte elemente ale rezultatului global	(95,048)	17,228,069
Tolat other elements of other comprehensive income	<hr/>	<hr/>
Total rezultat global	71,763.087	72,079,018
Comprehensive income total	<hr/>	<hr/>

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocaru-Lungu Bogdan

<p><i>For signature, please refer to the original signed Romanian version.</i></p>
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CEMACON SA

Standalone statement of cash flow (Situatia individuală a fluxurilor de trezorerie)

for the financial year ended 31 December 2022 (pentru exercitiul financiar incheiat la 31 Decembrie 2022)

(all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)

The direct method	31-Dec-22	31-Dec-21
	LEI	LEI
Fluxuri de trezorerie din activitati de exploatare		
Cash flow from operating activities		
Incasari de la clienti	251,585,867	209,398,690
Customer encashments		
Plati catre furnizori	(123,734,501)	(80,704,732)
Supplier payments		
Plati catre angajati	(26,213,071)	(20,917,275)
Payments to employees		
Plati impozite si taxe	(33,673,033)	(27,672,332)
Tax Payments		
Impozit pe profit platit	(12,823,463)	(2,660,352)
Income Tax Paid		
Incasari din asigurari	-	-
Insurance encashments		
Plati de asigurari	(678,693)	(701,309)
Insurance payments		
Dobanzi platite	-	(303,940)
Interest Paid		
Alte incasari - subventii	103,434	289,651
Other Encashments		
Alte plati	-	-
Other Payments		
Plati ctr leasing pe termen scurt si active de val. mica	(114,716)	(99,145)
Payments for short term leasing contracts and low value assets		
Trezoreria neta din activitati de exploatare	54,451,824	76,629,256
Cash from operating activities		
 Fluxuri de trezorerie din activitati de investitii		
Cash flow from investing activities		
Plati pentru achizitionarea de actiuni	-	-
Payments for acquiring shares		
Plati pentru achizitionarea de imobilizari corporale	(70,557,316)	(12,764,943)
Payments for acquiring assets		
Incasari din vanzarea de imobilizari corporale	377,520	124,209
Encashments from sold assets		
Dobanzi incasate	4,060,528	843,733
Encashments from interest		
Credite catre parti afiliate	-	-
Loans to affiliated parties		
Incasari credite parti afiliate	-	-
Encashments from third parties		
Alte incasari-subventii pentru investitii	596,478	4,099,797
Other encashments- investment grants		
Trezoreria neta din activitati de investitie	(65,522,790)	(7,697,204)
Cash from investing activities		-

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA

Standalone statement of cash flow (Situatia individuală a fluxurilor de trezorerie)

for the financial year ended 31 December 2022 (pentru exercitiul financiar incheiat la 31 Decembrie 2022)

(all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)

	31-Dec-22	31-Dec-21
	LEI	LEI
Fluxuri de trezorerie din activitati de finantare		
Cash flow from financing activities	64,448,533	-
Incasari din aport de capital		
Encashments from share capital increase		
Incasari din imprumuturi	-	-
Encashments from loans		
Plata datoriilor aferente leasing-ului financiar-capital	(3,547,974)	(3,721,471)
Payments for financial lease		
Plata datoriilor aferente leasing-ului financiar-dobanda		
Payments for financial lease-interest	(238,231)	(774,352)
Rambursari credite	-	(31,531,035)
Dividends paid and bank interest paid		
Incasari garantie achizitionare actiuni	-	-
Encashments from share purchase		
Plata garantie achizitionare actiuni	-	-
Payment for share purchase		
Trezoreria neta din activitati de finantare	60,662,328	(36,026,858)
Cash from financing activities		
Efectul diferentelor de curs	95,172	3,583
Effect of exchange rate changes		
Crestere /(scadere) neta de numerar	49,686,535	32,908,777
Net increase/(decrease) in cash and cash equivalents		
Numerar si echivalente de numerar la inceputul perioadei	84,223,350	51,314,569
Cash and cash equivalents at beginning of period		
Numerar si echivalente de numerar la sfarsitul perioadei	133,909,885	84,223,350
Cash and cash equivalents at end of period		

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocaru-Lungu Bogdan

For signature, please refer to the original signed Romanian version.

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA
Statement of standalone changes in equity (*Situația individuală a modificării capitalurilor proprii*)
for the financial year ended 31 December 2022 (pentru exercitiul financiar încheiat la 31 Decembrie 2022)
(all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate în RON, dacă nu este specificat altfel)

	Capital subscris și ajustări	Prime de emisiune	Rezerve din reevaluare	Rezerve legale	Alte rezerve	Rezultat nedistribuit	Alte elemente ale capitalurilor proprii	Total
	Issued capital and adjustments	Share Premium	Reevaluation reserves	Legal reserves	Other reserves	Undistributed result	Other capital elements	Total
31-Dec-20	59,779,702	253,004	16,578,139	6,514,540	23,665,062	83,124,263	(1,252,337)	188,662,374
Rezultatul global current	-	-	-	-	-	54,850,949	-	54,850,949
Current global result	-	-	-	-	-	54,850,949	-	54,850,949
Rezultat reportat din fuziune	-	-	-	-	-	(18,444,764)	-	(18,444,764)
Reported result	-	-	-	-	-	(18,444,764)	-	(18,444,764)
Diferente capitalizate aferente impozitului amanat	-	-	-	-	-	-	(2,351,035)	(2,351,035)
Capitalised differences related to deferred tax	-	-	-	-	-	-	(2,351,035)	(2,351,035)
Rezerva din reevaluare	-	-	14,877,033	-	-	-	-	14,877,033
Revaluation reserve	-	-	14,877,033	-	-	-	-	14,877,033
Constituire rezerva legala	-	-	-	2,916,381	-	(2,916,381)	-	-
Legal Reserve	-	-	-	2,916,381	-	(2,916,381)	-	-
Alte rezerve	-	-	-	-	9,924,268	(9,924,268)	-	-
Other reserve	-	-	-	-	9,924,268	(9,924,268)	-	-
31-Dec-21	59,779,702	253,004	31,455,172	9,430,921	33,589,330	106,689,799	(3,603,372)	237,594,556

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocar-Lungu Bogdan

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Romanian version.*

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA
Statement of standalone changes in equity (*Situația individuală a modificării capitalurilor proprii*)
for the financial year ended 31 December 2022 (*pentru exercitiul financiar încheiat la 31 Decembrie 2022*)
(all amounts are expressed in RON, unless otherwise stated) (*toate sumele sunt exprimate în RON, dacă nu este specificat altfel*)

	Capital subscris și ajustări	Prime de emisiune	Rezerve din reevaluare	Rezerve legale	Alte rezerve	Rezultat nedistribuit	Alte elemente ale capitalurilor proprii	Total
	Issued capital and adjustments	Share Premium	Reevaluation reserves	Legal reserves	Other reserves	Undistributed result	Other capital elements	Total
31-Dec-21	59,779,702	253,004	31,455,172	9,430,921	33,589,330	106,689,799	(3,603,372)	237,594,556
Rezultatul global current <i>Current global result</i>	-	-	-	-	-	71,858,135	-	71,858,135
Majorare capital social <i>Increase in equity</i>	42,965,689	-	-	-	-	-	-	42,965,689
Diferente capitalizate aferente impozitului amanat <i>Capitalised differences related to deferred tax</i>	-	-	-	-	-	-	95,048	95,048
Majorare prime de emisiune <i>Increase share premium</i>	-	21,482,844	-	-	-	-	-	21,482,844
Rezerva din reevaluare Revaluation reserve	-	-	-	-	-	-	-	-
Constituire rezerva legală Legal Reserve	-	-	-	3,930,969	-	(3,930,969)	-	-
Alte rezerve Other reserve	-	-	-	-	19,590,272	(19,590,272)	-	-
31-Dec-22	102,745,391	21,735,848	31,455,172	13,361,890	53,179,602	155,026,694	(3,508,324)	373,996,272

A se vedea și Nota 25.

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocaru-Lungu Bogdan

*For signature, please refer to the original signed
Romanian version.*

*Notes attached form an integral part of these financial statements.
This is a free translation from the original version in Romanian.*

CEMACON SA

Notes to the standalone financial statements (Note la Situatii Financiare Individuale) for the financial year ended 31 December 2022 (pentru exercitiul financiar incheiat la 31 Decembrie 2022) (all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)

INFORMATION ON THE PRESENTATION OF THE COMPANY:

Cemacon SA ("Societatea") is a Romanian legal entity, incorporated as a joint stock company pursuant to the GD No. 1200/1991 with registered office in Cluj-Napoca, 178K Calea Turzii Street, Hexagon Offices, 1st Floor, county of Cluj. The company's main object of activity is the "Manufacture of bricks, tiles and construction products, from baked clay".

As described in Note 24, the Company, as of December 31, 2022, is owned by PAVAL Holding, 78,2031%, by PIF INDUSTRIAL, 16,7570% (acts in concert with Dedeman SRL), as well as other shareholders in a percentage of 5.0399%.

1. ACCOUNTING POLICIES OF CEMACON

Drafting principles

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

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

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

These separate financial statements were prepared in accordance with OMFP 2844/2016 applicable to the entities traded on the stock exchange with the subsequent amendments and respectively in accordance with:

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

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

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

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

Based on these analyses, the management believes that the Company will be able to continue doing its business in the predictable future and, therefore, the application of the principle of business continuity in drafting the financial statements is well-founded. Individual financial statements of the Company are available on its website - www.cemacon.ro section "Shareholder Relations / Financial Statements".

Measurement basis

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

CEMACON SA

Notes to the standalone financial statements (Note la Situațiile Financiare Individuale) for the financial year ended 31 December 2022 (pentru exercitiul financiar încheiat la 31 Decembrie 2022) (all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate în RON, dacă nu este specificat altfel)

1. ACCOUNTING POLICIES OF CEMACON (continued)

Change of accounting policies

Initial application of new amendments to the existing standards effective for the current reporting period

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

- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** - Interest Rate Benchmark Reform — Phase 2 adopted (effective for annual periods beginning on or after 1 January 2021),
- **Amendments to IFRS 16 “Leases”** - Covid-19-Related Rent Concessions beyond 30 June 2021 adopted by the EU on 30 August 2021 (effective from 1 April 2021 for financial years starting at the latest, on or after 1 January 2021),
- **Amendments to IFRS 4 Insurance Contracts “Extension of the Temporary Exemption from Applying IFRS 9”** adopted by the EU on 16 December 2020 (the expiry date for the temporary exemption from IFRS 9 was extended from 1 January 2021 to annual periods beginning on or after 1 January 2023).

Starting with January 1, 2019, the Company adopted a new IFRS 16 standard “Leasing”, using and at the date of transition, the modified retrospective method. Considering, the existing contracts and those concluded in 2019, the Company recognized in the financial statements, as of December 31, 2019, a right of use for assets and a lease liability. Also, an expense is recognized regarding the depreciation of the right of use of the assets, and expenses related to the interest related to the lease liability.

The adoption of these amendments to the existing standards has not led to significant changes in the financial statements of the CEMACON SA.

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective

At the date of authorisation of these financial statements, there are no new standards, amendments to the existing standards nor interpretations which are issued by IASB and adopted by the EU and which are not yet effective.

- **Amendments to IFRS 16 “Leases”** - Covid-19-Related Rent Concessions beyond 30 June 2021 (effective for annual reporting periods beginning on or after 1 April 2021. Earlier application permitted, including in financial statements not yet authorised for issue at the date the amendment is issued.),*
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IFRS 3 “Business Combinations”** - Reference to the Conceptual Framework with amendments to IFRS 3 adopted by the EU on 28 June 2021 (effective for annual periods beginning on or after 1 January 2022),

CEMACON SA

Notes to the standalone financial statements (Note la Situațiile Financiare Individuale) for the financial year ended 31 December 2022 (pentru exercitiul financiar încheiat la 31 Decembrie 2022) (all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate în RON, dacă nu este specificat altfel)

1. ACCOUNTING POLICIES OF CEMACON (continued)

Standards and amendments to the existing standards issued by IASB and adopted by the EU but not yet effective (continued)

- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued by IASB on 25 June 2020 - adopted by the EU on 19 November 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 16 “Property, Plant and Equipment”** - Proceeds before Intended Use (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract (effective for annual periods beginning on or after 1 January 2022),
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording - adopted by the EU on 28 June 2021 (The amendments to IFRS 1, IFRS 9 and IAS 41 are effective for annual periods beginning on or after 1 January 2022. The amendment to IFRS 16 only regards an illustrative example, so no effective date is stated)

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

At the present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except for the following new standards and amendments to the existing standards, which were not endorsed for use in EU as at the effective dates stated below is for IFRS as issued by IASB:

- **IFRS 14 “Regulatory Deferral Accounts”** (effective for annual periods beginning on or after 1 January 2016) - the European Commission has decided not to launch the endorsement process of this interim standard and to wait for the final standard,
- **IFRS 17 “Insurance Contracts”** including amendments to IFRS 17 issued on 25 June 2020 and amendments to IFRS 17 “Initial Application of IFRS 17 and IFRS 9” issued on 9 December 2021 (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Non-current Liabilities with Covenants (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IAS 1 “Presentation of Financial Statements”** - Disclosure of Accounting Policies (effective for annual periods beginning on or after 1 January 2023),

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1. ACCOUNTING POLICIES OF CEMACON (continued)

New standards and amendments to the existing standards issued by IASB but not yet adopted by the EU (continued)

- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”** - Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IAS 12 “Income Taxes”** - Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective for annual periods beginning on or after 1 January 2023),
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures”** - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture and further amendments (effective date deferred indefinitely until the research project on the equity method has been concluded).
- **Amendments to IFRS 16 “Leases”** - Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024),
- **Amendments to IFRS 17 “Insurance contracts”** - Initial Application of IFRS 17 and IFRS 9 – Comparative Information (effective for annual periods beginning on or after 1 January 2023).

Cemacón S.A. anticipates that the adoption of these new standards and amendments to the existing standards will have no material impact on the financial statements of the company in the period of initial application. Hedge accounting for a portfolio of financial assets and liabilities whose principles have not been adopted by the EU remains unregulated.

According to the Company’s estimates, the application of hedge accounting to a portfolio of financial assets or liabilities pursuant to **IAS 39 “Financial Instruments: recognition and valuation”** would not significantly impact the financial statements, if applied as at the balance sheet date.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate:

- **IFRS 14 “Regulatory Deferral Accounts”** issued by IASB on 30 January 2014. This standard is intended to allow entities that are first-time adopters of IFRS, and that currently recognise regulatory deferral accounts in accordance with their previous GAAP, to continue to do so upon transition to IFRS.
- **IFRS 17 “Insurance Contracts”** issued by IASB on 18 May 2017. The new standard requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 “Insurance Contracts” and related interpretations while applied. Amendments to IFRS 17 “Insurance Contracts” issued by IASB on 25 June 2020 defer the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023. Additionally, the amendments introduce simplifications and clarifications of some requirements in the Standard and provide additional reliefs when applying IFRS 17 for the first time.
- **Amendments to IFRS 4 “Insurance Contracts”** – Extension of the Temporary Exemption from Applying IFRS 9 issued by IASB on 25 June 2020. Amendments change the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.
- **Amendments to IFRS 9 “Financial Instruments”, IAS 39 “Financial Instruments: Recognition and Measurement”, IFRS 7 “Financial Instruments: Disclosures”, IFRS 4 “Insurance Contracts” and IFRS 16 “Leases”** - Interest Rate Benchmark Reform – Phase 2 issued by IASB on 27 August 2020. The changes relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting:
 - a) **Modification of financial assets, financial liabilities and lease liabilities** - the IASB introduces a practical expedient for modifications required by the reform (modifications required as a direct consequence of the IBOR reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.
 - b) **Hedge accounting requirements** - under the amendments, hedge accounting is not discontinued solely because of the IBOR reform. Hedging relationships (and related documentation) must be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements.
 - c) **Disclosures** - in order to allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition, the amendments require that an entity discloses information about:
 - how the transition from interest rate benchmarks to alternative benchmark rates is managed, the progress made at the reporting date, and the risks arising from the transition;
 - quantitative information about non-derivative financial assets, non-derivative financial liabilities and derivatives that continue to reference interest rate benchmarks subject to the reform, disaggregated by significant interest rate benchmark;

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1. ACCOUNTING POLICIES OF CEMACON (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)

- to the extent that the IBOR reform has resulted in changes to an entity's risk management strategy, a description of these changes and how is the entity managing those risks.
- d) The IASB also amended IFRS 4 to require insurers that apply the temporary exemption from IFRS 9 to apply the amendments in accounting for modifications directly required by IBOR reform.
- **Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investments in Associates and Joint Ventures” - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business.
- **Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions** issued by IASB on 28 May 2020. The amendments exempt lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to covid-19-related rent concessions that reduce lease payments due on or before 30 June 2021.
- **Amendments to IFRS 16 “Leases” - Covid-19-Related Rent Concessions beyond 30 June 2021** issued by IASB on 31 March 2021. Amendments extend by one year the application period of the practical expedient in IFRS 16. The relief was extended by one year to cover rent concessions that reduce only lease payments due on or before 30 June 2022.
- **Amendments to IFRS 17 “Insurance contracts” - Initial Application of IFRS 17 and IFRS 9 – Comparative Information** issued by IASB on 9 December 2021. It is a narrow-scope amendment to the transition requirements of IFRS 17 for entities that first apply IFRS 17 and IFRS 9 at the same time.
- **Amendments to IAS 1 “Presentation of Financial Statements” - Classification of Liabilities as Current or Non-Current** issued by IASB on 23 January 2020. The amendments provide a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. Amendments to IAS 1 issued by IASB on 15 July 2020 defer the effective date by one year to annual periods beginning on or after 1 January 2023.
- **Amendments to IAS 1 “Presentation of Financial Statements” - Disclosure of Accounting Policies** issued by IASB on 12 February 2021. Amendments require entities to disclose their material accounting policies rather than their significant accounting policies and provide guidance and examples to help preparers in deciding which accounting policies to disclose in their financial statements.
- **Amendments to IAS 1 “Presentation of Financial Statements” - Non-current Liabilities with Covenants** issued by IASB on 31 October 2022. Amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.
- **Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” - Definition of Accounting Estimates** issued by IASB on 12 February 2021. Amendments focus on accounting estimates and provide guidance how to distinguish between accounting policies and accounting estimates.
- **Amendments to IAS 12 “Income Taxes” - Deferred Tax related to Assets and Liabilities arising from a Single Transaction adopted by the EU on 11 August 2022 (effective for annual periods beginning on or after 1 January 2023).**
- **Amendments to IAS 16 “Property, Plant and Equipment” - Proceeds before Intended Use** issued by IASB on 14 May 2020. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

More details about individual standards, amendments to existing standards and interpretations that can be used as appropriate (continued)

- **Amendments to IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”** - Onerous Contracts — Cost of Fulfilling a Contract issued by IASB on 14 May 2020. The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.
- **Amendments to various standards due to “Improvements to IFRSs (cycle 2018 -2020)”** issued by IASB on 14 May 2020. Amendments to various standards resulting from the annual improvement project of IFRS (IFRS 1, IFRS 9, IFRS 16 and IAS 41) primarily with a view to removing inconsistencies and clarifying wording. The amendments: (a) clarify that subsidiary which applies paragraph D16(a) of IFRS 1 is permitted to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs (IFRS 1); (b) clarify which fees an entity includes when it applies the ‘10 per cent’ test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf (IFRS 9); (c) removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example (Illustrative Example 13 accompanying IFRS 16); and (d) removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique (IAS 41).

Revenue recognition

a) Revenue from contracts with customers

Revenues are valued in accordance with IFRS 15 - Revenue from contracts with customers. This Standard introduces a comprehensive model for income recognition and measurement, replacing IAS 18 "Revenue", IAS 11 "Construction Contracts" and IFRIC 13 "Customer Loyalty Programs".

IFRS 15 establishes a five-step model to record revenue from customer contracts:

- Step 1: Identify the contract with a customer
- Step 2: Identify the performance obligations of the contract
- Step 3: Determine the transaction price
- Step 4: Allocation of transaction price for contract performance obligations
- Step 5: Determine when to recognise revenue

In accordance with IFRS 15, income is recognized when or as the customer acquires control of the goods or services in the amount that reflects the consideration to which an entity expects to have the right in exchange for the transfer of goods or services to a customer. The entity delivers goods under contract conditions based on internationally accepted delivery conditions (INCOTERMS). The time when the client obtains control over the goods is considered to be substantially the same for most of the company's contracts in accordance with IFRS 15. The company concluded that the income should be recognized at a point in time, when the control of the asset is transferred to the client.

Revenue is not recognized when there is only the intention to acquire or produce the goods in a timely manner for delivery. If the entity holds significant risks related to the property, the transaction is not a sale and the income is not recognized. If the company retains only a minor risk related to the property right, then the transaction is a sale and the income is recognized.

Cemacón SA and presented the financial discounts as a revenue cut.

The entity adopted the new standard at the mandatory entry into force using the modified retrospective method. As a result of the entity's analysis, there was no impact from IFRS 15 that required the restatement of the retained earnings, so no reversal effect was recorded in the carried forward.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Revenue recognition (continued)

a) Revenue from contracts with customers (continued)

In preparation for the adoption of IFRS 15, the entity took into account the following:

Variable consideration

Some customer contracts involve volume rebates, financial cutbacks, price discounts, or the right of return for quality defects. Currently, earnings from these sales are recognized on the basis of the price specified in the contract, net returns and income reductions, trade discounts and volume cuts, customer loyalty programs (as a result of marketing or policy actions sales transactions implemented over a financial year) recorded under accrual accounting when a reasonable estimate of revenue adjustments can be made.

In accordance with IFRS 15, it is necessary to estimate the variable income at the beginning of the contract. Revenue will be recognized to the extent that it is highly probable that a significant reversal of the amount of recognized cumulative income will not occur. Consequently, for those contracts for which the entity is not in a position to make a reasonable estimate of the rebates, income will be recognized when a highly probable estimate can be made.

However, since the contractual periods for most contracts coincide with the calendar years for which the annual financial statements are drawn up, and because the entity is currently reporting annual revenue from contracts with netting adjustments such as volume cuts or financial cuts, the impact on the result carried forward from the treatment of variable income as a result of the adoption of IFRS 15 is not material. At the same time, complaints about quality (return rights) are isolated and insignificant, based on information from past periods, so at the reporting date the entity can reasonably estimate such an income reversal as immaterial.

Considerations where the entity is acting as principal or agent

In accordance with IFRS 15, the measurement will be based on whether the entity controls specific assets before transferring it to the final customer, rather than having exposure to significant risks and rewards associated with the sale of goods.

The entity concluded that it acts in its own name in all contractual sales relationships as it is primarily responsible for fulfilling the promise to provide the specified goods, it has the right to set the price and is exposed to the risks related to stocks.

Recognition of income if the entity satisfies distinct performance obligations

The entity analyzed its contracts with clients to determine all its performance obligations and did not identify any new performance obligation that should be accounted for separately in accordance with IFRS 15.

Bill and Hold

The revenues from „bill & hold” sales (escrow at seller) through which the purchaser becomes the owner of the goods and accepts their invoicing, but the delivery is deferred at its request. The revenues are recognized when the purchaser has the ownership of goods under the following conditions:

- a) The reason for the bill-and-hold arrangement must be substantive (the customer has requested the arrangement);
- b) The product currently must be ready for physical transfer to the customer;
- c) The product must be identified separately as belonging to the customer;
- d) The entity cannot have the ability to use the product or to direct it to another customer.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

b) Revenues from the provision of services

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

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

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

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

c) Other income recognition

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

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

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

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

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

Conversion of foreign currency transactions

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

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

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

Financial assets

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

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, aggregating all three aspects of financial instruments accounting: classification and measurement; impairment and hedge accounting.

IFRS 9 makes significant changes to the recognition and measurement of financial assets, based on a business model and contractual cash flows, and implements a new model for the recognition of impairment adjustments based on expected credit losses on receivables. Additionally, the Standard discloses changes in accounting for hedging instruments to better reflect the effect of risk management activities that a company adopts to manage exposures.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Financial assets (continued)

Being permitted by the Standard, the Company adopted IFRS 9 as of January 1, 2018 using the revised retrospective method with the cumulative adjustments in the original application recognized on 1 January 2018 in equity and without modifying the figures for prior periods. For the Company's financial assets, there are no significant differences between the IAS 39 initial measurement method and the new valuation categories under IFRS 9.

IFRS 9 presents three main categories of financial assets: measured at amortized cost, measured at fair value through other comprehensive income, and measured at fair value through profit or loss.

The categories are determined according to the following two criteria: the Company's business model used in the process of managing the assets and the analysis of the contractual cash flows of the instruments to determine if they represent only payments of the principal and of the interest related to the principal.

The new impairment model in IFRS 9 provides for impairment adjustments to be recognized on the basis of expected loss on receivables and not on the pattern of incurred credit loss under IAS 39. IFRS 9 requires the Company to record an allowance for expected loan losses for all loans and other financial assets attached to debts that are not held at fair value through profit or loss. Financial assets measured at amortized cost will be subject to impairment provisions in accordance with IFRS 9. Generally, applying the model of expected credit loss on receivables will require earlier recognition of loss on receivables and will lead to an increase in impairment adjustments for the relevant items.

For some financial instruments, such as trade receivables, impairment losses are estimated based on a simplified approach, with expected credit losses on receivables recognized over their lifetime. The Company has established a provision matrix based on the Company's historical lending experience, adjusted for prospective debt-specific factors and the economic environment.

For other financial assets (Long-Term Loans to Receive), expected loss from credit is based on 12 months' loss or over the life of the instrument, depending on the evolution of credit risk from the grant date to the balance sheet date. Expected losses on 12-month credit are the portion of the lifetime loss projections resulting from non-performing events on a financial instrument that are possible within 12 months of the reporting date. However, when there is a significant increase in the credit risk from the initial recognition, the allowance will be based on the expected lifetime loss of credit.

Accounting for foreign currency transactions is carried out both in the currency in which it was carried out and in the national currency, the conversion into the national currency is made according to the accounting policies related to *the conversion of the foreign currency transactions* presented above in these notes.

Financial liabilities

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

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

Bank loans are initially recognised at their amortised cost less the transaction costs directly attributed to obtaining the loans.

Liabilities and other short-term monetary liabilities are initially recognised at their amortised cost, being later on presented at their amortised cost using the effective interest rate method.

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Equity

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

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

Indebtedness cost

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

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

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

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

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

The cost capitalization starts when:

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

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

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

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

Pensions and other post-retirement benefits

During the normal course of business, the Company makes payments to the public health fund, pensions fund, and unemployment fund on behalf of its employees, at the statutory rates. All the Company's employees are members of the pension scheme of the Romanian state. These costs are recognized in the profit and loss account at the same time wages are recognized.

According to the collective employment contract, the Company rewards the employees at their retirement age by giving them financial bonuses depending on their seniority in the company. The Company does not independently manage a private pension scheme.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Other benefits granted to employees

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

Other employee benefits that are not extinguished within 12 months as of the end of the reporting period are presented as long-term liabilities and are calculated using discount rates. This is the case of employee benefits upon retirement. For more details, please refer to Note 21 – Employee Benefits.

Leasing contracts

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the individual statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Leasing contracts (continued)

The Company as a lessee (continued)

The Company updated in 2022 the right to use the asset, as a result of the annual indexation of the rent, in accordance with the terms and conditions specified in the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the individual statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy (not part of this Appendix).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in 'Other expenses' in the individual statement of profit or loss.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has not used this practical expedient. For contracts that contain a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Intangible assets

a) Purchased Intangible Assets

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

An intangible asset must be recognised if and only if:

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Intangible assets (continued)

a) Purchased Intangible Assets (continued)

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

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

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

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

b) Internally generated intangible assets (development costs)

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

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

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

Development expenses are recognised at their production cost. The production of tangible and intangible assets requires separating the process into a research phase and a development phase.

When distinction between the research phase and the development phase in an internal project creating an intangible asset is not possible, expenses incurred in such project will be attributable to the research phase and will be recognised in the profit and loss account.

No fixed asset deriving from research or from the research stage of an internal project is recognized. Research expenses are recognized as expenditure in the profit and loss account as soon as they are generated. Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding.

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

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Intangible assets (continued)

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

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

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

d) Goodwill

Internally generated goodwill will not be recognised as an intangible asset.

Goodwill may arise after the purchase of a business or as a result of merger operations. Goodwill can be recognised as an intangible asset only in case all assets or a part thereof and, as the case may be, debts and equity, are transferred.

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

Tangible assets

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

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

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

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

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

The fixed asset will be called “Stripping activity asset”. Please refer to note 11.

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

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

The asset associated with the stripping activity will be recorded as an additional item or as an improvement of an existing asset.

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Tangible assets (continued)

b) Purchased Tangible Assets

The acquired tangible assets are:

- a) They are held for use in the production or supply of goods or services, for rent to others or for administrative purposes;
- b) It is estimated that they will be used for several periods.

These assets are recognized provided that the following criteria are met:

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

The acquisition cost comprises:

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

c) Internally Generated Tangible Assets

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Tangible assets (continued)

Indebtedness cost

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

The costs subsequent to tangible assets are recognized:

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

Conditions for the recognition as investments in fixed assets:

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

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

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

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

a) Straight-line amortization:

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

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

The amortization of an asset begins when it is available for use, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

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

b) Amortisation method calculated per production unit

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

The amortisation method calculated per product unit is applied because the nature of the tangible fixed asset justifies the application of such an amortisation method, the useful life of fixed assets is expressed using the number of units produced and expected to be obtained by the enterprise by using the asset in question, namely 8.470.000 m³ in the Company's case.

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

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

Amortisation is ceased for assets classified as held for sale.

Tangible fixed assets that are quashed or sold are eliminated from the balance sheet together with the relevant aggregated amortization. Any profit or loss resulting as a difference between the revenues generated by the quashing and its unamortised value, including the expenses generated by such an operation, is included in the profit and loss account at its net value, as earnings from the sale of assets.

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

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

Impairment of fixed assets

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

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Revaluation of fixed assets

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

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

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

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

Any revaluation increase arising on the revaluation of such land and buildings is credited to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

If the carrying amount of an asset is diminished as a result of a revaluation, this decrease must be recognized in profit or loss. However, the reduction must be recognized in other items of the overall result to the extent that the revaluation surplus presents a credit balance for that asset. The reduction recognized in other elements of the global result diminishes the amount accumulated in the own capitals as a revaluation surplus.

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Fixed assets held for sale

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

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

Assets held for sale are evaluated at the book value or the fair value, whichever is lower.

Assets held for sale are not amortized.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation (including property under construction for such purposes), is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Dividends

Dividends are recognised when they can be paid according to law:

- as regards interim dividends corresponding to existing shareholders, their recognition is made when such dividends are declared by the Directors;
- as regards final dividends, their recognition is made when such dividends are approved by the General Meeting of Shareholders (GMS).

Deferred tax

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

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

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

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

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

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

Inventories

Inventories are current assets:

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

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

In the case of end products, the production cost includes the acquisition cost of raw materials and consumables, as well as the production expenses directly attributable to the asset.

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Inventories (continued)

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

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

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

Subsidies

Government grants are not recognized until there is reasonable assurance that the entity will comply with the provisions of the related conditions and that the grants will be received.

The subsidies are recognized in the profit or loss account systematically in the periods in which the Company recognizes as expenses the related costs for which the subsidies are intended to compensate. Specifically, grants whose main condition is that the entity buy, construct or otherwise purchase fixed assets (including tangible assets) are recognized as deferred income in the individual statement of financial position and transferred to profit or loss in a systematic and rational way. the useful life of the related goods.

Please refer to note 27.

Provisions

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

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

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

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

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

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

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Provisions (continued)

According to IAS 37, the operating expenses can not be subject to establishing provisions.

The same is transport expenses corresponding to the sales in Bill & Hold system.

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

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

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

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

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

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

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

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

Provisions will be revised with each balance sheet and adjusted so as to reflect the best current estimate if a resource outflow incorporating the economic benefits is no longer probable. In order to extinguish a liability, the provision must be cancelled.

If a discount is used, the book value of a provision increases during each period in order to reflect the passage of time. This increase is recognised as indebtedness cost.

Related parties

A related party is a person or entity that is related to the entity that is preparing and presenting the financial statements.

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Related Persons:

A person or a close member of that person's family is related to the reporting entity if:

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

Related Entities:

An entity is related to a reporting entity if any of the following conditions applies:

- the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- one entity is an associate or joint venture of the other entity
- both entities are joint ventures of the same third party
- one entity is a joint venture of a third party and the other entity is an associate of the same third party
- the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity
- the entity is controlled or jointly controlled by a person, as defined under related persons
- the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Transactions with the related parties are defined as a transfer of resources, services or liabilities between the reporting entity and the related party, regardless of whether a price is paid. All the transactions with the related parties are made based on the transfer pricing principles.

Subsequent events to the reporting period

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

- a) Those that prove the conditions existing at the balance sheet date (events that lead to the adjustment of the financial statements); and
- b) Those that provide indications on the conditions appeared after the balance sheet date (events that do not lead to the adjustment of the financial statements).

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

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

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

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

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1. ACCOUNTING POLICIES OF CEMACON (continued)

Subsequent events to the reporting period (continued)

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

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

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

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

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

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

Share-based payment

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

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

EUA Certificates

According to the environmental regulations in force, Cemacon SA receives certificates for greenhouse gas emissions (EUA) according to the program developed during 2021-2025.

The company decided to adopt the treatment for the evaluation of certificates and debt at cost, because according to the previously used treatment based on IFRIC 3 it would be difficult to track the impact on the equity at the final settlement of the transactions.

Thus, the accounting treatment as described in the modified approach would generate more relevant information about the entity's financial position, financial performance and cash flows, and the criteria required by IAS 8:14 for changes in accounting policies are being met.

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2. ACCOUNTING ESTIMATES

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

Estimates and assumptions

IFRS 13 fair value measurement

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

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

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

- a) Transactions with share-based payment that fall under IFRS 2.
- b) Leasing transactions that fall under IFRS16.
- c) Measurements similar to fair value, but which are not fair value, such as net realizable value, that falls under IAS 2.
- d) Plan assets measured at fair value as per IAS 19.
- e) Investments in pension plans measured at fair value as per IAS 26.
- f) Assets whose recoverable value is fair value less disposal-associated costs as per IAS 36.

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

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

Litigations

The company examines litigations, events following the reporting date, in order to assess the need for a provision or presentation in the financial statements.

In 2022, the litigation with the supplier Bedeschi continued, in which Unicredit, as the owner of the line purchased from the supplier, and CEMACON, the user, as defendants, and the supplier Bedeschi, as the plaintiff, are parties. In 2019, in application of the contractual provisions, Unicredit and CEMACON applied late penalties to the supplier Bedeschi and executed the bank guarantee letter of good execution. The supplier contests the application of these penalties. The dispute is judged by the Bucharest Court. Cemacon submitted to the case file, arguments and documents from which it can be concluded that Bedeschi's claims are unfounded, so that Cemacon has the first chance to convince the court that Bedeschi's requests are unfounded.

In 2021, CEMACON started a dispute with the National Environmental Guard - Salaj County Commissariat for contesting a minutes by which GNM - Salaj Commissariat ordered the application of measures related to CEMACON SA - Zalau work point, for alleged violations of some provisions from the Integrated Environmental Authorization of the Zalau work point. CEMACON SA challenged the ordered measures in court, these being suspended until a final decision is issued by the courts.

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

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2. ACCOUNTING ESTIMATES (continued)

Depreciation at product level

For the equipment at the Recea manufacturing plant, the company's management has decided that depreciation be calculated per production unit.

The Units of Production Method of Depreciation is applied since the nature of the tangible asset justifies the application of such a depreciation method, the useful life of fixed assets is expressed by means of manufactured units expected to be obtained by the company by the use of the respective asset, in the Company's case, 8.470.000 m3.

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

Corporate tax

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

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

Provision for pensions

Provisions for pensions: according to the collective labour agreement valid in 2021, the Company's employees shall receive on retirement, function of their working time for the company, as a one-time payment, the following allowances:

< 2 ani	0
2 – 10 ani	1 individual monthly wages had at pensioning date
10 - 20 ani	2 individual monthly wages had at pensioning date
> 20 ani	3 individual monthly wages had at pensioning date

For additional details, please check Note 21 - Employee benefits.

Provision for untaken holiday

The provisions for untaken holiday: the company has recorded provisions for the expense related to the leave not taken by the employees during 2022. The provisioned amounts were estimated based on the number of vacation days from 2021 which are still to be taken by the company's employees, and the related vacation bonuses. The company estimates that the amounts related to these provisions shall be made during 2023.

For additional details, please check Note 22 - Provisions.

Provision for environmental restoration

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

For additional details, please check Note 22 - Provisions.

Other provisions

This category includes various provisions for which the entity expects to make short-term cash outflows, yet of an uncertain amount. To estimate these amounts, the company has used the best estimates and knowledge of generating factors on 31 December 2022, and they are updated to mirror the value of money over time, as these are amounts to be compensated on the long term.

For additional details, please check Note 22 - Provisions.

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2. ACCOUNTING ESTIMATES (continued)

Asset Impairment

31 December 2022, the entity has reviewed the factors that might lead to clues for impairment. Considering the aspects analysed the entity believes that there are no indications of impairment for Recea and Zalau Plant, except for the assets acquired from the supplier Bedeschi, with which the Company has a dispute.

For further details please check Note 11 – Tangible Assets

In the below table are presented the estimations performed by the Company as of December 31, 2022:

Estimated values at the end of the reporting period	31-Dec-22	31-Dec-21
Provisions related to employees and administrators	10,648,293	11,279,290
Provision for environmental restoration	2,196,140	2,077,858
Litigation	50,000	50,000
Deferred tax	3,004,628	3,831,287
Total valori estimate	15,899,061	17,238,435

3. SALES REVENUES

Sales revenues	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Sales of finished products	230,885,240	181,104,879
Sales of goods	13,477,507	8,469,563
Sales of services	1,804,533	1,316,501
Financial discounts	(2,778,566)	(3,306,571)
Trade discounts	(21,953,308)	(11,575,730)
Total	221,435,406	176,008,642

The Company analyzed its contracts with clients to determine all its execution obligations and did not identify any new performance obligation that should be accounted for separately in accordance with IFRS 15.

The main revenues earned by the Company in 2022 are considered the sales of finished products 230.88 million lei, sales of merchandise 13.47 million lei and the provision of services 1.8 million lei, and the value of the trade and financial discounts granted, related to the sales of products was of 24.73 million lei.

In the case of "Bill & Hold" sales, the revenue related to transport is recorded the entity typically satisfies its performance obligations.

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4. OTHER OPERATING REVENUES

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

Other operating income	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Revenues from various activities	11,112,116	9,241,488
Revenues from indemnifications	134,774	90,119
Subsidies for operating activities	167,315	175,430
Revenues from subsidy to asset values	75,636	75,637
Total	11,489,841	9,582,674

In 2010, the Company received a subsidy for investments in the amount of 1.6 million lei, and starting with 2021, the Company recognized as income related to these subsidies the amount of 0.045 million lei (2021: 0.075 million lei). The income from the subsidy is recognized according to the depreciation of the fixed assets to which it refers. In 2022, the Company did not receive any subsidy for investments.

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

Other gains and losses	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Revenues from the sale of assets	377,520	124,210
Expenses from the sale of assets	(52,845)	(28,673)
Revenues from reevaluation	-	686,580
Revenues from cancellation of provisions (note 22)	10,798,206	7,430,120
Revenues from the resumption of value adjustments regarding impairment of current assets	1,013,138	10,242,323
Expenses from establishing provisions (note 22)	(9,696,964)	(11,082,819)
	(2,090,800)	(3,496,770)
Total gains /losses	348,255	3,874,971

Income corresponding to the reversal of provisions has numbered 10.79 mil lei. Expenses corresponding to establishing provisions are in amount of 10.98 mil lei (for more details, see Note 22 "Provisions").

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5. OTHER OPERATING EXPENSES

Other operating expenses	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Utilities	27,349,388	16,454,426
Repairs	3,179,234	2,203,611
Rent	114,716	83,315
Insurances	757,602	690,148
Trainings	208,069	183,926
Fees	244,457	329,925
Publicity	2,444,672	1,916,699
Transport and logistics	19,647,044	19,517,804
Post and telecommunications	148,119	145,892
Other services provided by third parties	3,709,467	3,825,312
Taxes to the state budget	1,736,167	1,908,733
Environmental Protection Expenses	457,993	129,832
Expenses with EUA Certificates	14,124,965	11,220,311
Miscellaneous	2,001,839	1,264,874
Total	76,123,732	59,874,808

EUA certificate expenses starting this year will be reported separately. In previous years, they were included in the Miscellaneous Expenses category.

6. PERSONNEL EXPENSES

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

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

Personnel expenses without key management

	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Salaries	20,043,905	16,653,837
Bonuses	8,542,207	6,054,395
Civil contracts	-	-
Tax and social insurance	645,833	525,391
Other benefits	1,514,333	1,030,108
Total	30,746,278	24,263,731
Outstanding salaries at the end of the period	1,968,191	1,282,843

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6. PERSONNEL EXPENSES (continued)

Key Management

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

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

Indemnities expense:

	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Administrators	1,421,933	1,424,498
Remuneration of managers	988,430	927,656
Bonuses of Managers	5,511,889	2,483,330
Tax and social insurance	178,310	108,852
Total	8,100,562	4,944,336

<i>Outstanding salaries at the end of the period</i>	31-Dec-22	31-Dec-21
Administrators	39,150	39,150
Managers	48,582	23,856
Total	87,732	63,006

During year 2022 the Company has had 2 directors: General Manager – Sologon Daniel, Financial Manager - Cojocarui Bogdan.

The current component of the board of directors of CEMACON SA is the following:

1. Mr. Daniel Sologon – Chairman of the Board
2. Mr. Dragos Paval
3. Ms. Karina Paval
4. Ms. Dana Rodica Beju
5. Mr. Adrian Fercu

The Board of Directors of CEMACON SA decided to appoint Mr. Sologon Daniel as provisional administrator starting on 01.01.2022. At the same time Mr. Sologon was elected as President of the Board of Directors. Starting from 28.04.2022, Mr. Sologon was elected to the position of Administrator by the General Assembly of Actinaris of the company. At the same time, during the meeting of the Board of Directors on 28.04.2022, Mr. Sologon was elected as President of the Council.

In 2022, the composition of the Board of Directors of the CEMACON company was as follows:

1. Mr. Liviu Ionel Stoleru - Chairman of the Board
2. Mr. Dragos Paval
3. Ms. Ana Bobirca
4. Ms. Dana Rodica Beju
5. Mr. Marian Adam

* Note (history): During the period 28.04.2020-31.12.2021 the composition of the Board of Directors of CEMACON SA was the following:

1. Mr. Liviu Ionel Stoleru - Chairman of the Board
2. Mr. Dragos Paval
3. Ms. Ana Bobirca
4. Ms. Dana Rodica Beju
5. Mr. Marian Adam

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6. PERSONNEL EXPENSES (continued)

b) Advances and credits granted to the members of the administrative, management and supervisory bodies:

In 2022, no advances and credits were granted to the members of the administrative, management and supervisory bodies.

Employees

The structure and average number of employees as at 31 December 2022 is: 268.

<i>Average number of employees</i>	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Management staff	73	69
Production staff	195	187
Total	268	256

7. FINANCIAL INCOME AND EXPENSES

Financial Income	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Interest income	4,060,530	1,184,062
Income from exchange rate differences	1,019,841	266,447
Other financial income	-	-
Total	5,080,371	1,450,509

Financial expenses	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Interest costs	(238,234)	(634,917)
Costs from exchange rate differences	(1,029,569)	(178,323)
Other financial expenses	(323,148)	(322,389)
Total	(1,590,951)	(1,135,629)

Financial income is represented by interest income of 4.06 mil lei, exchange differences income of 1.01 mil lei.

The financial expenses consist mainly of the following categories: interest expenses 0.23 mil lei, exchange differences expenses 1.02 mil lei and other financial expenses 0.32 mil lei.

The structure of income and expenses from exchange differences corresponding to the period from January to December of 2022:

	Revaluation Suppliers	Revaluation Leasing	Reevaluation of Cash	Reevaluation borrowing	Total
Foreign exchange differences expenses	(228,667)	(157,367)	(643,534)	-	(1,029,568)
Foreign exchange differences revenues	127,201	153,939	738,702	-	1,019,842

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8. TAXES

Current Tax Reconciliation	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Profit for period before tax	77,963,005	58,880,006
Elements similar to revenues	-	-
Not taxable revenues and other	(8,131,044)	(18,579,426)
Deductible legal reserve	(3,930,969)	(2,916,381)
Not taxable expenses and other	14,318,551	16,075,847
Profit before tax	80,219,543	53,460,046
Tax Rate	16%	16%
Tax calculated using local tax rate	12,835,127	8,553,607
Fiscal loss from previous years	-	(13,171,664)
Tax to be paid after loss recovery	12,835,127	6,446,141
Sponsorship deducted from tax	(1,581,312)	(901,172)
Deductions related to reinvested profit	(3,299,414)	(1,671,456)
Payment bonus	-	-
Deductions for early childhood education	-	(10,549)
Reduction in capital growth	(1,193,160)	(386,296)
Tax to be paid	6,761,240	3,476,668
Reconciliation of the current corporate tax	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Profit/Loss before taxation	77,963,005	58,880,006
Corporate tax calculated applying the statutory rate of 16%	12,474,081	9,420,801
Effect of non-deductible expenses	2,290,968	2,572,136
Effect of non-taxable income	(8,003,809)	(8,516,268)
Corporate tax	6,761,240	3,476,669
Deferred corporate tax	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Total deferred tax at the beginning of period	(3,756,048)	(852,625)
Expenses with deferred tax corresponding to temporary differences	656,372	(552,387)
Recognition of deferred tax that was not previously recognized	95,048	(2,351,035)
Total deferred corporate tax	(3,004,628)	(3,756,047)

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8. TAXES (continued)

Debts and receivables from deferred tax

	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Debts relative to deferred corporate tax		
Fixed assets	6,573,356	4,174,827
Total of debts relative to deferred corporate tax	6,573,356	4,174,827

	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Receivables relative to deferred corporate tax		
Equity securities	-	-
Income adjustment IFRS 15	925,411	278,087
Provisions	1,935,458	2,092,747
Receivables	213,221	201,997
Inventories	494,639	348,575
Total of receivables relative to deferred corporate tax	3,568,729	2,921,406

	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Element		
Current corporate tax recognized in the overall result	6,761,240	3,476,669
Deferred corporate tax recognized in the overall result	(656,372)	552,388
Total tax recognized In the Overall result	6,104,868	4,029,057

In 2022, the Company applied the reinvested profit facility for equipment from group 2.1 and 2.9, with the greatest impact having the commissioning line of the Supply Month - preparation of the new Special Elements Factory.

The recovered fiscal loss refers to the loss taken over after the merger with Cemacon Real Estate, amounting to 13.171.664 lei, and comes from the following years:

- 135.030 lei from the year 2015
- 1.287.015 lei from the year 2017
- 10.234.867 lei from the year 2019
- 964.329 lei from the year 2020
- 550.423 lei from the year 2021
- NOT CASE FOR year 2022

The fiscal loss taken over after the merger was fully recovered by Cemacon SA in 2021.

During the ordinary course of business, there are transactions and calculations being made, for which the determination of final tax is uncertain. Therefore, the company records fiscal liabilities based on estimates regarding the certitude that the additional taxes and interests shall be due. Such liabilities or debts are recorded, although the entity believes that tax return is probable, the entity believes that certain positions are likely to be challenged and not be fully supported by a possible revision from the tax authorities.

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

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

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9. EARNINGS PER SHARE

Earnings per share	Financial Year ended on 31-Dec-22	Financial Year ended on 31-Dec-21
Number of outstanding shares	935,310,418	505,653,533
Total profit/ (loss)	71,858,135	54,850,949
Total profit/ (loss) per share	0.0768	0,1085

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

For details relative to the number of shares, see Note 24 – “Issued Capital”.

10. DIVIDENDS

In 2022 the Company did not pay any dividends.

The Company’s reported result at the end of 2021 is 106,689,799 lei, so that the current result increases the gain, cumulatively the reported value being 155.026.694 lei.

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11. TANGIBLE ASSETS

Gross value of fixed assets December 31 2022

Imobilizari corporale	Sold initial	Achizitii	Intrari din fuziune	Majorari de valoare	Transfer lesire din leasing	Cedari	Investitii imobiliare	Diminuari din reeval prin fuziune	Sold final
Lands	20,862,773	2,599,911	-	-	-	-	-	-	23,462,684
Landscaping	2,065,161	118,179	-	-	-	-	-	-	2,183,340
Constructions	57,678,069	441,610	-	2,869,106	-	-	-	-	60,988,785
Machines, installations and equipment	132,835,106	24,148,345	-	5,818,112	2,177,672	(1,946,578)	-	-	163,032,657
Office furniture and equipment	1,736,088	142,171	-	58,148	-	(33,864)	-	-	1,902,543
Fixed assets in progress	2,293,619	60,536,537	-	-	-	(37,414,855)	-	-	25,415,301
Total	217,470,815	87,986,753	-	8,745,366	2,177,672	(39,395,297)	-	-	276,985,309

Gross value of fixed assets December 31 2021

Imobilizari corporale	Sold initial	Achizitii	Intrari din fuziune	Majorari de valoare	Transfer lesire din leasing	Majorari din reevaluare	Cresteri din reeval prin fuziune	Cedari	Diminuari din reevaluare	Diminuari din reeval prin fuziune	Sold final
Terenuri	7,215,310	-	2,095,014	-	-	1,060,700	10,491,749	-	-	-	20,862,773
Amenajari de terenuri	1,956,340	108,821	-	-	-	-	-	-	-	-	2,065,161
Constructii	53,303,016	4,466,891	4,114,481	1,419,139	-	3,531,692	-	-	(5,042,669)	(4,114,481)	57,678,069
Masini, instalatii si utilaje	118,767,513	9,619,223	-	3,798,960	1,150,315	-	-	(500,905)	-	-	132,835,106
Mobilier si aparatura de birotica	1,541,881	168,427	-	25,780	-	-	-	-	-	-	1,736,088
Imobilizari in curs	11,326,076	25,015,752	-	-	-	-	-	(21,142,577)	-	-	2,293,618
Total	194,110,136	39,379,114	6,209,495	5,243,878	1,150,315	4,592,392	10,491,749	(21,643,482)	(5,042,669)	(4,114,481)	217,470,815

*The value of the entries was 60,536,537, of which 37,414,855 were put into operation during the year and the remaining balance is 24,415,301. The movement of investments in progress are presented in the table below and are correlated with the fixed assets and leasing notes. See Note.10

**The current assets line refers to a transfer from one analytical account to another analytical account

***The line of value increases refers to value increases of existing assets, improvements (eg through capitalization, capital repairs etc.).

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11. TANGIBLE ASSETS (continued)

In the accounting of the absorbed company Cemacon Real Estate SRL, the assets were recorded at historical cost, according to OMFP 1802/2014. The assets subject to this treatment are the land and the buildings from the Zalau location. The merger between the two companies was made through the method of net accounting assets, and in order not to present in the financial statements a combination of costs and values calculated according to different methods (historical cost and fair value), after the merger the assets that were taken over were revalued at fair value.

**Amount of depreciation and impairment as of
31st of December 2022**

Amortization	Sold Initial	Amortizari si deprecieri in cursul anului	Amortizari afere mijloacelor fixe cedate	Amortizari afere Mijloacelor fixe detinute spre vanzare	Amortizari afere Mijloacelor fixe iesite din leasing	Ajustari constituite in an	Ajustari reluate la venituri	Sold final
Depreciation of land arrangements	1,585,903	3,608	-	-	-	-	-	1,589,511
Depreciation of buildings	-	3,140,551	-	-	-	-	-	3,140,551
Depreciation of machinery, equipment, installations	58,824,633	9,385,085	1,895,216	-	1,186,757	-	-	67,501,259
Depreciation of furniture and office equipment	541,091	220,134	14,605	-	-	-	-	746,620
Adjustments for impairment of land	-	-	-	-	-	-	-	-
Adjustments for impairment of machines, equipment, installations	308,062	-	-	-	-	-	-	308,062
Total	61,259,690	12,749,378	1,909,821	-	1,186,757	-	-	73,286,004

**Valoarea amortizarilor si ajustarilor din deprecieri
31 Decembrie 2021**

Amortization	Sold Initial	Amortizari si deprecieri in cursul anului	Amortizari afere mijloacelor fixe cedate	Amortizari afere Mijloacelor fixe detinute spre vanzare	Amortizari afere Mijloacelor fixe iesite din leasing	Ajustari constituite in an	Ajustari reluate la venituri	Sold final
Depreciation of land arrangements	1,581,013	4,890	-	-	-	-	-	1,585,903
Depreciation of buildings	2,349,322	2,693,347	5,042,669	-	-	-	-	-
Depreciation of machinery, equipment, installations	51,097,397	7,696,433	480,864	-	511,667	-	-	58,824,633
Depreciation of furniture and office equipment	321,899	219,192	-	-	-	-	-	541,091
Adjustments for impairment of land	-	-	-	-	-	-	-	-
Adjustments for impairment of machines, equipment, installations	308,062	-	-	-	-	-	-	308,062
Total	55,657,693	10,613,862	5,523,533	-	511,667	-	-	61,259,689

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11. TANGIBLE ASSETS (continued)

Net value of tangible assets on 31st of December 2022

Imobilizari Decembrie 2022	Valoare bruta la 31 Dec 2022	Amortizari	Ajustari	Valoare neta 31 Dec 2022
Land	23,462,684	-	-	23,462,684
Land improvements	2,183,340	(1,589,511)	-	593,829
Buildings	60,988,785	(3,140,551)	-	57,848,234
Machinery, Equipment and installations	163,032,657	(67,501,259)	(308,062)	95,223,336
Furniture and office equipment	1,902,543	(746,620)	-	1,155,922
Fixed assets in progress	25,415,301	-	-	25,415,301
Total	276,985,309	(72,977,942)	(308,062)	203,699,307

Net value of tangible assets on 31st of December 2021

Imobilizari Decembrie 2021	Valoare bruta la 31 Dec 2021	Amortizari	Ajustari	Valoare neta 31 Dec 2021
Land	20,862,773	-	-	20,862,773
Land improvements	2,065,161	(1,585,903)	-	479,258
Buildings	57,678,069	-	-	57,678,069
Machinery, Equipment and installations	132,835,106	(58,824,633)	(308,062)	73,702,411
Furniture and office equipment	1,736,088	(541,091)	-	1,194,996
Fixed assets in progress	2,293,619	-	-	2,293,619
Total	217,470,816	(60,951,627)	(308,062)	156,211,126

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11. TANGIBLE ASSETS (continued)

Ongoing Investments component

Investitii in curs	Sold initial	Intrari	Iesiri	Sold final
Land	-	2,695,704	2,599,911	95,793
Bulidings	480,510	15,910,005	3,310,716	13,079,799
Machinery, Equipment and installations	1,787,014	38,387,318	29,966,457	10,207,875
Furniture and office equipment	26,095	519,598	200,319	345,374
Equipment in leasing	-	821,961	821,961	-
Right to use assets in leasing	-	327,620	327,620	-
Intangible assets	-	626,563	187,871	438,692
Fixed assets in progress	-	1,247,768	-	1,247,768
Total	2,293,619	60,536,537	37,414,855	25,415,301

Details of final balance Investments in progress

	31-Dec-22
Lands	95,793
Buildings	13,079,799
Machinery, Equipment and installations	10,207,875
Other	2,031,834
Total	25,415,301

Fixed assets held for sale

As at 31.12.2022 the Company has no assets held for sale.

Asset related to the stripping activity

The Cemacon Company performs clay exploitation activities, through open mining works in the exploitation perimeter Recea Cemacon, the commune of Varsolt, county of Salaj (company's own quarry).

From the activity of the quarry, the following types of materials may result:

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

Rubbish (stripped) - following the stripping activity, not used in the production activity, is recorded as per the International Financial Reporting Standards IFRIC 20. The fixed asset will be referred to as "asset related to stropping activity" being included in the fixed assets register at Buildings.

The stripping cost includes:

- a) the cost of materials and services used or consumed for performing the stripping activities;
- b) the cost of employee benefits arising from generating the stripping asset.

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11. TANGIBLE ASSETS (continued)

Net value of stripping asset on 31.12.2021 (which is found in the category of constructions):

Assets December 2022	Initial balance	Depreciation	Value additions	Revaluation decreases	Reductions from revaluation	Final balance
Stripping	1,918,124	(398,134)	1,353,289	-	-	2,873,279
Total	1,918,124	(398,134)	1,353,289	-	-	2,873,279

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

Revaluation of fixed assets

For the financial reports concluded on 31.12.2022, the company drew up a Report on maintaining the value of assets (land and buildings) with the help of an independent appraiser, represented by ETOS BUSINESS VALUATION & ADVISORY SRL, in accordance with the legal provisions in force. The methods used in the revaluation were the income approach and the cost approach.

The methods used for revaluation were the income approach and the cost approach.

In order to determine fair value as at 31 December 2022, the following methods were used:

Locations	The valuation procedure
Tunari (quarry)	The land was appraised by direct comparison technique (2 comparisons grids have been prepared: one for the compact surface of 87,895 sqm and one for the surface of 42,988 sqm for non-compact plots)
Recea (land and constructions)	The land was appraised by direct comparison technique and the constructions by the revenue approach- the cost of net replacement being the criterion for allocating the result obtained by the income approach.
Land Panic (com. Hereclean)	The land was appraised by direct comparison technique.
Meses training Center	The property was valued through the income approach - the method of direct capitalization. The value of the land was not estimated.

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11. TANGIBLE ASSETS (continued)

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

Movements of revaluation reserves	2022	2021
Revaluation reserve at the beginning of financial year	31,455,172	16,578,139
Increases from the revaluation reserve	-	4,385,284
Increases in the reserve as a result of the merger	-	10,491,749
Deductions from the revaluation reserve	-	-
Amounts transferred from the reserve during the financial year	-	-
Revaluation reserve at the end of the financial year	31,455,172	31,455,172

In the individual Statement of changes in equity, the revaluation reserve is presented on the net amount.

Treatment of revaluation reserve for tax purposes

According to tax laws in Romania, by May 1, 2009 revaluation reserves of tangible assets became taxable only when their destination was changed. Subsequently to changing the tax code, starting May 1, 2009 revaluation reserves of fixed assets made after January 1, 2004, which are deducted from the calculation of the taxable income through tax depreciation or expenditure on sold assets and / or retired, taxation is made at the same time with deduction of tax depreciation, that is at the discharge of these fixed assets, as appropriate.

The impact of the revaluation reserve in the deferred tax, on 31.12.2022 amounts to 1.873.704 lei.

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

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

At December 31, 2022, the company re-analyzed the factors that could lead to impairment indices using the same cash flow method as follows: The company considered in its impairment analysis assets existing on 31 December 2022 both in the entity Recea Factory and Zalau Factory. Based on the results obtained in 2022 and the estimates for 2023, a 5-year forecast was prepared in order to achieve a stable cash flow, based on which the terminal value was calculated.

To calculate the present value of cash flows, we used a 12% post-tax discount rate calculated on the Weighted Average Cost of Capital (WACC) / Weighted Average Cost of Capital. At the end of the 5-year forecast, the value of the entity was determined by the perpetuity growth method using a 2% perpetuity growth rate. In order to ensure the accuracy of data on the obtained values, a sensitivity analysis was performed with 9 results of the terminal value taking into account both different update rates (WACC 10.5%, 11.2%, 12%) and growth rates in different perpetuity (2%, 2.5%, 3%). The discount rates were calculated according to the Weighted Average Cost of Capital (WACC) methodology, aggregating items such as Market First, Equity Risk Prize, Country Ratio Prize, Specific Risk Primer, Beta using sources such as Damodaran, available public information and activity-specific information. Cash flows have been projected for a period of 5 years, for the rest of the period the residual value is calculated.

When using the net working capital in the calculation, only the investments for the replacement of the existing fixed assets, not the additional ones, were considered. To analyze the depreciation adjustments, the company approached a prudent attitude, considering the lowest result (Average Weighted Average Capital of 12% and Percentage Growth Rate of 2%). Other elements that helped to improve the result are the production capacity from Recea Factory from 67% in 2011 to 100% starting with 2014, and the production capacity at Factory in Zalau. Company sales increased steadily from year to year, so that in 2020 the Company's turnover is 358% higher than in 2011. (176.008.642 lei in 2021 vs 27.370.101 lei in 2011). The ceramic blocks market also recorded an increase compared to the values in 2011. The Company's sales increased constantly from year to year, so that in 2022 the turnover of the Company increased by 29% higher than in 2021 (176,020,735 lei in 2021 vs 221,456,). The ceramic block market also recorded an increase compared to the values of 2022.

Taking into account the analyzed aspects, the Company considers that there were no indications on December 31, 2021, regarding the depreciation of the assets at Recea and Zalau Factory.

Taking into account the aspects analyzed, the Company considers that there is no indication on 31.12.2022 regarding the depreciation of the assets from the Recea Factory or the Zalau Factory

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12. INTANGIBLE ASSETS

The structure of intangible assets is:

31 December 2022

Intangible assets	Initial balance	Internal developments	Acquisitions	Disposals	Final balance
Development expenditure	1,941,813	-	32,317	-	1,974,130
Concessions, licenses, patents	618,884	-	57,648	-	676,532
Other intangible assets	796,232	-	43,691	-	839,923
Intangible assets in progress	-	-	-	-	-
Total	3,356,929	-	133,656	-	3,490,585

31 Decembrie 2021

Imobilizari Necorporale	Initial balance	Internal developments	Acquisitions	Inputs	Transfer other assets	Cessions	Final balance
Development expenditure	1,941,813	-	-	-	-	-	1,941,813
Concessions, licenses, patents	177,450	-	260,538	205,105	-	(24,209)	618,884
Other intangible assets	4,480,060	-	608,634	-	(4,292,462)	-	796,232
Intangible assets in progress	17,165	-	-	-	-	(17,165)	-
Total	6,616,488	-	869,172	205,105	(4,292,462)	(41,374)	3,356,929

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

Amortization and adjustments intangible assets 31 December 2022	Initial balance	In-year amortization	Adjustments for depreciation	Final balance
Development expenditure	1,327,990	236,012	-	1,564,002
Concessions, licenses, patents	179,991	119,829	-	299,820
Other intangible assets	293,172	202,214	-	495,386
Total	1,801,153	558,055	-	2,359,208

Amortization and adjustments intangible assets 31 December 2021	Initial balance	In-year amortization	Adjustments for depreciation	Final balance
Development expenditure	1,091,977	236,012	-	1,327,990
Concessions, licenses, patents	142,544	61,656	(24,209)	179,992
Other intangible assets	144,388	148,785	-	293,172
Total	1,378,909	446,453	(24,209)	1,801,154

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Notes to the standalone financial statements (Note la Situatii Financiare Individuale) for the financial year ended 31 December 2022 (pentru exercitiul financiar incheiat la 31 Decembrie 2022) (all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)

12. INTANGIBLE ASSETS (continued)

Net value of intangible assets:

Intangible asset type	2022		2021	
	Inventory value	Net value	Inventory value	Net value
Development expenditure	1,974,130	410,128	1,941,813	613,823
Concessions, licenses, patents	676,532	376,712	618,884	438,892
Other intangible assets	839,923	344,537	796,232	503,060
Intangible assets in progress	-	-	-	-
Total	3,490,585	1,131,377	3,356,929	1,555,775

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

13. GOODWILL AND DEPRECIATION

The company does not hold, on 31 December 2022, intangible assets in the form of Goodwill. Tangible and intangible assets are tested for depreciation when facts and circumstances indicate that it is possible that the accounting value may not be recoverable. A loss from depreciation is recorded as amount by which the accounting value of the asset exceeds the recoverable amount. The recoverable amount is the highest value from the asset's fair value minus the sales costs, and the value in use. To avoid depreciation, assets are grouped down to the lowest level where there are separately identifiable treasury flows.

14. FINANCIAL ASSETS

The company had no investments in subsidiaries in 2021 and 2022, respectively.

15. INVENTORIES

	31-Dec-22	31-Dec-21
Raw materials and consumables	4,637,181	4,196,186
Adjustments	-	(14,757)
Packaging	4,735,920	3,272,094
Value adjustments for packaging	(2,400,413)	(1,302,556)
Production in progress	139,893	97,136
Value adjustments for current production	-	-
Semi-products and finished products	13,430,515	6,335,595
Value adjustments for semi-finished products and finished products	(328,479)	(205,280)
Goods	2,727,870	1,352,818
Adjustments	(362,602)	(656,000)
Total	22,579,885	13,075,236

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15. INVENTORIES (continued)

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

Raw materials and consumables	Financial year ended on 31-Dec-22	Financial year ended on 31-Dec-21
Raw materials	17,928,339	13,066,653
Additional material	7,723,322	5,509,053
Packaging	5,859,453	1,821,379
Goods	1,586,174	3,983,970
Inventory items	511,888	297,545
Other supplies	129,013	179,321
Miscellaneous	6,565,391	4,986,067
Total	40,303,581	29,843,988

In the category of various raw materials and materials, we can find fuel expenses in the amount of 3.17 million lei and expenses regarding spare parts in the amount of 3.39 million lei. (as of December 31, 2021: expenses regarding fuel in the amount of 2.1 million lei and expenses regarding spare parts in the amount of 2.88 million lei).

Adjustments for inventory

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

Adjustment element	31-Dec-22	31-Dec-21
Adjustment for impairment inventory established during the year	(1,306,288)	(914,886)
Adjustment for impairment inventory reversed during the year	393,389	916,366
Net result	(912,899)	1,480

The depreciation adjustments made in 2022 are related to stocks that are no longer found in the corresponding technical parameters. The reversal of the adjustments for impairment from 2021 was carried out as a consequence of selling and decommissioning the assets related to the establishment of the adjustments for impairment in the previous years, the adjustment becoming devoid of purpose at the end of the reporting period.

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16. TRADE RECEIVABLES AND OTHER RECEIVABLES

Trade and other receivables	31-Dec-22	31-Dec-21
Trade receivables	26,231,945	13,524,020
Adjustments for trade receivables	(1,623,228)	(1,458,464)
Corporate tax	5,086,507	-
Other debts against the State Budget	864,365	470,962
Subsidies	630,237	641,891
Sundry debtors and other receivables	301,501	327,870
Adjustments for other receivables	-	-
Total financial assets other than cash, classified as loans and receivables	31,491,326	13,506,279
Advances and expenses paid in advance	18,757,323	3,558,663
Total	50,248,650	17,064,942

The structure of receivables according to their age on December 31, 2022 is as follows:

Analysis of age	31-Dec-22	31-Dec-21
Receivables not yet	40,904,906	13,953,462
Unadjusted outstanding receivables:	-	-
– up to 3 months	8,738,811	2.098.620
– months 3 to 6	(244,276)	8.573
– months 6 to 12	(76,778)	72.249
– over 12 months	925,986	932.038
Total	50,248,650	17.064.942
Adjustments	31-Dec-22	31-Dec-21
At the beginning of the period	1,458,464	8,202,538
Established during the year	784,512	2.581.884
Costs in the bad debt period	-	-
Cancellation of unused adjustments	619,748	9.325.958
Exchange differences	-	-
At the end of the period	1,623,228	1,458,464

The significant change regarding the annulled unused adjustments is due to the merger between Cemacon and Cemacon Real Estate from 2021. The merger has annulled a provision of 7.3 mil lei, a provision set up for receivables in relation with Cemacon Real Estate.

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16. TRADE RECEIVABLES AND OTHER RECEIVABLES (continued)

For commercial receivables, the Company has established a matrix of provisions based on the experience of the Company's historical credit losses, adjusted for the specific prospective factors of the debtors and the economic environment. In 2022, the Company recorded a provision for debt receivables in amount of 784,512 lei from the application of IFRS 9, and for doubtful debts, the difference of 838,716 lei.

In order to reduce the credit risk, the Company has established a commercial credit insurance with the company Coface. On 31st of December 2022 the number of customers insured with Coface is of 122. The total value of these limits offers a significant coverage of the non-collection risk.

As of December 31, 2022, 99% of the registered trade receivables are insured by Coface.

The financial risk arising from transactions in foreign currencies have little impact on the company's operational activity; sales and revenues are made in national currency (RON) sale price without being affected by the variation of the exchange rate and foreign currency purchases are below the 23% of turnover.

Date	Element (RON)	Not Due	Until 3 months	Between 3 and 6 months
31-Dec-22	Commercial Receivables and Simmilar	-	50,248,650	-
31-Dec-22	Cash and Cash Equivalentents	133,909,885	-	-
31-Dec-22	Commercial Liabilities and Simmilar	-	(47,212,962)	-
31-Dec-22	Loans and leasing	-	(635,930)	(628,283)
31-Dec-22	Net Exposure	133,909,885	2,399,757	(628,283)

Data	Element (RON)	Between 6 and 12 months	Over 12 months	Total
31-Dec-22	Commercial Receivables and Simmilar	-	-	50,248,650
31-Dec-22	Cash and Cash Equivalentents	-	-	133,909,885
31-Dec-22	Commercial Liabilities and Simmilar	-	-	(47,212,962)
31-Dec-22	Loans and leasing	(1,281,977)	(7,492,682)	(10,038,872)
31-Dec-22	Net Exposure	(1,281,977)	(7,492,682)	126,906,701

Company policy on liquidity is to maintain sufficient liquid resources to meet its obligations as they become due. The Company monitors liquidity through regular budgetary process.

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17. TRADE AND OTHER PAYABLES

Trade and other liabilities	31-Dec-22	31-Dec-21
Trade liabilities	17,179,797	14,637,374
Suppliers of fixed assets	7,479,514	917,077
Intra-group liabilities (Note 28)	11,239	497,725
Lease liabilities	2,838	93,086
Debt related to employees	2,081,858	1,364,769
Taxes and social contributions	1,065,719	660,602
Other tax liabilities	745,965	2,121,679
Other liabilities	13,568,543	9,702,930
Interest to pay	-	-
Total debt less loans classified as measured at amortized cost	42,135,473	29,995,242
Dividends	-	-
Paid advances	425,669	4,132,423
Revenue in advance	4,651,820	1,096,022
Total	47,212,962	35,223,687

93% of the trade debts, registered on 31st of December 2022 have not reached their maturity, and 6% have exceeded their maturity with maximum 30 days, this gap being determined by the period of winter holidays which overlapped with the closing of the financial year.

The significant increase registered in 2022 regarding debts, compared to 2021, is due to the price increases of energy and gas, but also of raw materials side. The increase of trade debt is also influenced by the additional volume produced in 2022 compared to 2021. In 2022, the company recorded advance revenue referring to the bonus campaign related to the distributors and architects, respectively to the transport for products sold in custody (Bill&Hold).

18. FINANCIAL INSTRUMENTS

The Company is mainly exposed to EURO and USD. The financial risk generated by foreign currency transactions has a small impact on the Company's operational activity; sales and encashments are made in the national currency (lei); thus the sale price are not affected by the exchange rate variation; also the purchases in foreign currency are below the threshold of 23% from the turnover.

The Company does not use derivative financial instruments to mitigate this risk. The Company's carrying values of the monetary assets and liabilities denominated in foreign currency, at the reporting date, are as follows:

1. Division on foreign currency

2022	RON	EUR	USD	CHF	GBP	Total
Trade receivables and others	37,380,178	12,865,140	-	-	-	50,245,318
Cash and cash equivalents	112,921,548	20,988,337	-	-	-	133,909,885
Total monetary assets	150,301,726	33,853,477	-	-	-	184,155,203
Trade debts and others	43,796,942	3,416,020	-	-	-	47,212,962
Loans	-	-	-	-	-	-
Debts from leasing operations	-	5,639,685	-	-	-	5,639,685
Financial leasing obligations	3,911,949	487,238	-	-	-	4,399,185
Total monetary debts	47,708,889	9,542,943	-	-	-	57,251,832
Net exposure	102,592,837	24,310,534	-	-	-	126,903,371

CEMACON SA

Notes to the standalone financial statements (Note la Situatii Financiare Individuale) for the financial year ended 31 December 2022 (pentru exercitiul financiar incheiat la 31 Decembrie 2022) (all amounts are expressed in RON, unless otherwise stated) (toate sumele sunt exprimate in RON, daca nu este specificat altfel)

18. FINANCIAL INSTRUMENTS (continued)

2. Time division

31 Decembrie 2022	Mai putin de 1 an	Intre 1 si 2 ani	Intre 2 si 5 ani	Peste 5 ani	Total
Trade receivables and others	50,245,318	-	-	-	50,245,318
Cash and cash equivalents	133,909,885	-	-	-	133,909,885
Total financial assets	184,155,203	-	-	-	184,155,203
Trade debts and others	47,212,962	-	-	-	47,212,962
Loans	-	-	-	-	-
Debts from leasing operations	702,461	762,974	2,525,541	1,648,709	5,639,685
Financial leasing obligations	1,843,727	1,499,095	1,056,363	-	4,399,187
Total financial debts	49,759,150	2,262,069	3,581,904	1,648,709	57,251,832
Net exposure	134,396,053	(2,262,069)	(3,581,904)	(1,648,709)	126.903.371

3. Impact

The Company is mainly exposed to the EUR / RON exchange rate. The following table details the Company's sensitivity to a 10% increase and decrease of the LEU against the relevant currencies. 10% is the sensitivity rate used when reporting internal risk to key management and represents the management's assessment of reasonably possible changes in exchange rates.

	-10% 2022	-10% 2021
Debts	405,899	695,565
Active	995,689	171,939
Net profit / loss	589,790	(523,626)

19. OTHER ASSETS

In 2022, the Company changed the presentation of greenhouse gas emission certificates, from the category of tangible assets, to the category of other assets, because the analyses showed that these certificates will be consumed in 2023, in the context in which the factories operate at maximum capacity.

Other assets	Initial balance	Income from intangible assets	Aquisitions	Cessions	Final balance
Certificates for greenhouse gas emissions- EUA	11,330,612	-	14,475,178	9,506,677	16,299,113
Green Certificates	-	-	638,604	325,126	313,478
Total	11,330,612	-	15,113,782	9,831,803	16,612,591

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19. OTHER ASSETS (continued)

In 2018, as the policy should apply consistently to all gas emission certificates (assets) and related liabilities, the Company decided to adopt the treatment of valuing the certificates and debt at cost, because according to the previously used treatment based on IFRIC 3 it would be difficult to track the impact on equity at the final settlement of transactions. More details can be found in Note 1 - Accounting policies.

As of December 31, 2022, the Company had recorded at cost, a number of 42.523 certificates for greenhouse gas emissions, amounting to 16.299.113 lei. These are received free of charge according to the regulations in force and the plan for the allocation of certificates for greenhouse gas emissions, for the period 2021-2025, or purchased by the Company, depending on the number of certificates with which the Company must comply.

20. LOANS

On the 31st of December 2022 Cemacon SA has no bank loans.

21. EMPLOYEE'S BENEFITS

The debts regarding the employees' benefits consist of:

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

Upon retirement, according to the collective labour agreement valid in 2022, the employees shall receive once, according to the seniority in the company, the following indemnities:

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

For this type of indemnity, the company established a provision with the value of benefits granted at retirement. For details, see note 22. Provisions.

Employee's benefits	31-Dec-22	31-Dec-21
Benefits upon retirement	2,848,866	684,143
Provision related to the annual leave	248,742	249,435
Employee Bonuses	2,153,504	2,636,944
Management bonuses	5,397,181	8,179,016
Total	10,648,293	11,749,538

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21. EMPLOYEE'S BENEFITS (continued)

Structure of Benefits	31-Dec-22	31-Dec-21
Short-term	9,087,777	11,046,948
Long-term	2,848,866	702,590
Total	11,936,643	11,749,538

22. PROVISIONS

The structure of provisions on the 31st of December 2022 is the following:

Provision	Initial balance	Additional provisions	Used amounts	Increases regarding the discount of amounts once with the passing of time	Final balance
Litigations	50,000	-	-	-	50,000
Untaken holiday	249,436	-	(693)	-	248,743
Retirement benefits	684,143	2,164,723	-	-	2,848,866
Environmental restoration provision	2,077,958	118,179	-	-	2,196,137
Bonus provision for employees	2,636,941	2,135,060	(2,618,497)	-	2,153,504
Bonus provision for management	8,179,016	5,191,882	(8,179,016)	-	5,191,882
Bonus provision for administrators	790,261	205,299	(790,261)	-	205,299
Other provisions	-	-	-	-	-
Total	14,667,756	9,815,142	(11,588,467)	-	12,894,433

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

Structure of provisions	Short-term	Long-term
Litigations	50,000	-
Untaken holiday	248,743	-
Pensions	-	2,848,866
Environmental restoration provision	2,196,137	-
Bonus provision for employees	2,153,504	-
Bonus provision for management	5,191,882	-
Bonus provision for administrators	205,299	-
Total	10,045,567	2,848,866

During the year 2022 the company reversed a series of provisions referring to the following elements:

Cancellation of employee bonus provisions, management and administrators, constituted at the end of 2021 and granted in 2022 for the year 2021 in the amount of 8.83 million lei. Cancellation of provisions untaken holidays in the amount of 693 lei.

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22. PROVISIONS (continued)

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

- Provisions for unused leaves: the Company registered provisions for leave-related expenses unused by the employees in 2022. The provisioned amounts were estimated based on the number of leave days related to 2022 which remained to be used by the company's employees and related leave indemnities. The Company estimates that the amounts related to such provisions shall be done in 2023.
- Environmental reclamation provisions: due to the fact that the Company also carries out activities related to mineral resource exploitation (clay) under the operating permits and licenses, it is liable to make environmental reclamation expenses related to the exploited perimeters. The related expenses are estimated to be achieved by the end of the exploitation period, which is why the company established provisions related to such expenses.
- Other provisions: within such categories, various provisions are included for which the Company is expected to achieve short-term cash outflows but with uncertain value. To estimate such amounts, the company used the best estimates and knowledge on the generating facts on the 31st of December, 2022.

23. INVESTMENT PROPERTY

At December 31, 2021, the revaluation of investment property was registered in accordance with IAS 40- Investment property, in the profit or loss account.

The investment property according with IAS 40, at 31.12.2022:

Fixed assets	Book value on 31 Dec.2022	Transfers	Increases/decrease from determination of fair value	Book value on 31 Dec 2022
Land	8,780,071	-	-	8,780,071
Buildings	105,889	-	-	105,889
Total	8,885,960	-	-	8,885,960

24. ISSUED CAPITAL

On the 31st of December 2022 the structure of issued capital was as follows:

Issued capital structure	31-Dec-22	31-Dec-21
Subscribed share capital	93,531,042 lei	50,565,353 lei
Elements assimilated to capital	9,214,349 lei	9,214,349 lei
Total issued capital	102,745,391 lei	59,779,702 lei

On the 31st of December 2022 the structure of subscribed share capital was as follows:

Structure of subscribed share capital	31-Dec-22	31-Dec-21
Number of authorized shares	935,310,418 pcs	505,653,533 pcs
Number of subscribed and paid-up shares	935,310,418 pcs	505,653,533 pcs
Number of subscribed and unpaid-up shares	-	-
Nominal value of a share	0.10 lei	0.10 lei
Subscribed share capital value	93,531,042 lei	50,565,353 lei

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

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24. ISSUED CAPITAL (continued)

The movements of the capital structure in 2022 are presented in the following table:

	31-Dec-22		31-Dec-21	
	Number	Value	Number	Value
Ordinary shares of RON 0,1 each	505.653.533 pcs	50.565.353 lei	505.653.533 pcs	50.565.353 lei
Reduction by entrainment of losses	-	-	-	-
Emissions during the year	429,656,885 pcs	429,656,885 lei	-	-
Purchase of own shares	-	-	-	-
TOTAL	935,310,418 pcs	935,310,418 lei	505.653.533 pcs	50.565.353 lei

The shareholding structure as of December 31, 2022:

Shareholding structure of the 31 st of December 2022:	Number of shares	Percent
PAVAL HOLDING SRL	731,442,021	78.2031%
PIF INDUSTRIAL	156,730,172	16.7570%
Alti actionari / Others	47,138,225	5.0399%
TOTAL	935,310,418	100%

Source: CENTRAL DEPOSITORY, Date: 12/31/2022

The shareholding structure as of December 31, 2020:

Shareholding structure of the 31 st of December 2021:	Number of shares	Percent
S.C. DEDEMAN S.R.L.	393,492,536	77.8186%
PIF INDUSTRIAL	84,315,847	16.6746%
Alti actionari / Others	27,845,150	5.5068%
TOTAL	505,653,533	100%

Source: CENTRAL DEPOSITORY, Date: 12/31/2021.

Premiums related to the issuance of shares

31-Dec-22	Initial balance	Inputs	Final Balance
Issue premiums	253.004	21.482.844	21.735.848
Total Issue premiums	253.004	21.482.844	21.735.848

In the year 2022, the increase of the social capital with the amount of 42,965,689 pin is approved for the issue of a number of 429,656,885 shares at a nominal value of 0.1 lei/share and an issue premium of 0.05 lei/share

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25. RESERVES

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

Type of reserve	Description and purpose
<i>Legal reserve</i>	They are annually established from the company's profit in the quantities and limits provided by the law. In 2021, the limits are 5% applied on the accounting profit until it reaches 20% of the paid-up subscribed capital. At the end of 2022, the company's reserves not reached 20% of the subscribed capital, which is why in 2021 there are reserves in amount of 3,930,969 lei.
<i>Revaluation reserve</i>	The revaluation reserves are established from the differences resulted from the revaluation of tangible and intangible assets. The presentation of the revaluation reserves shall be done according to each type of non-current asset and on each revaluation operation which took place. In 2022 the Company dis not registered revaluation reserve.
<i>Reserves from reinvested profit</i>	In 2022, the company registered at other reserves the amount of 19,590,272 lei, representing the profit for which the tax exemption for reinvested profit was applied. This reinvested profit refers to acquisition of equipment from 2.1. and 2.2.9. classification as per Fiscal Code.
<i>Other reserves</i>	There are other reserves not provided by the law which were optionally established on the net profit to cover the accounting losses or for other purposes, under the decision of the general meeting of shareholders, by complying with the legal provisions.

The movements of reserves in the financial year ended on December 31, 2022 are:

Type of reserve	Initial balance	Increases	Merger increases	Reduction	Final balance
Legal reserves	9,430,921	3,930,969	-	-	13,361,890
Revaluation reserves	31,455,172	-	-	-	31,455,172
Reserves from reinvested profit	31,888,397	19,590,272	-	-	51,478,669
Other reserves	1,700,933	-	-	-	1,700,933
Total	74,475,423	23,521,241	-	-	97,996,664

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26. LEASES AND RIGHT-OF-USE ASSETS

On the 31.12.2022 the company concluded financial lease agreements with the following lease companies:

Lease company	Type of lease	Leased property
PORSCHE LEASING ROMANIA IFN	Financial lease	Vehicles
UNICREDIT LEASING CORPORATION IFN	Financial lease	Machines, equipment
BT LEASING	Financial lease	Equipment

For leases that were previously classified as financial leases in accordance with IAS 16, the carrying amount of financial leasing assets and liabilities resulting from financial leases, measured in accordance with IAS 16 immediately prior to the date of initial application, have been reclassified in the line of usage of the the respective leasing assets, without any adjustments. Also, for rental contracts, the Company has proceeded in accordance with IFRS 16.

The situation of the right of use of the assets, as of December 31, 2022 is the following:

Right-of use assets	Buildings	Plant	Equipment	Total
Cost				
At 1 January 2022	7,032,568	1,676,057	14,806,319	23,514,944
Additions	327,620	454,012	367,955	1,149,587
Transfers – out of leasing	-	965,197	1,212,475	2,177,672
At 31 December 2022	7,360,188	1,164,872	13,961,799	22,486,859
Accumulated depreciation				
At 1 January 2022	1,554,490	589,870	2,873,719	5,018,079
Charge for the year	724,763	139,501	764,906	1,629,170
Amortization of fixed assets that are out of leasing	-	(482,417)	(704,340)	(1,186,757)
At 31 December 2022	2,279,253	246,954	2,934,285	5,460,492
Carrying amount	5,080,935	917,918	11,027,514	17,026,366

The situation of lease liability on the 31st of December, 2022 is the following:

Leas assets	Initial balance	Increases	Reduction	Final balance
Vehicles	545,002	174,458	384,930	334,530
Equipment	5,802,266	4,211	1,741,821	4,064,656
Buildings	5,974,627	467,895	802,837	5,639,685
Total	12,321,895	646,564	2,929,588	10,038,871

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26. LEASES AND RIGHT-OF-USE ASSETS (continued)

The due date of the lease payments in 2021 is presented in the following table:

Lease payment due date 2022	Total value	Interest	Net value
Year 1	3,005,747	459,557	2,546,190
Year 2	2,579,650	317,581	2,262,069
Year 3	2,072,738	215,252	1,857,486
Year 4	997,369	156,189	841,179
Year 5	997,369	114,130	883,238
over 5 years	1,745,393	96,684	1,648,709
Total	11,398,265	1,359,394	10,038,871

The due date of the lease payments in 2020:

Lease payment due date 2021	Total value	Interest	Net value
An 1	3,264,987	531,844	2,733,143
An 2	2,800,069	412,648	2,387,421
An 3	2,520,803	303,748	2,217,054
An 4	2,013,882	203,671	1,810,211
An 5	938,509	146,972	791,538
peste 5 ani	2,580,901	198,373	2,382,528
Total	14,119,152	1,797,257	12,321,895

27. GRANTS RECEIVED

Grants received	31-Dec-22	31-Dec-21
Current	766,040	621,092
Long-term	6,735,832	6,885,531
Total	7,501,872	7,506,623

In 2022, the amount of 705.001 lei refers to the investment subsidy received in 2010 in the total amount of 1.6 million lei. The recognized grant refers to the grant of 15% of the value of the credit received by the company from EBRD sources, for the energy efficiency project started in 2009 with the creation of the new brick factory in Recea.

In 2022, the amount of 112,478.77 lei refers to the investment subsidy received in 2019, through POCU 2, to purchase IT Equipment

In the year 2022, the amount of 5,281,722.70 lei refers to the subsidy for investments related to the project "Optimization of primary energy consumption within CEMACON SA by installing a high-efficiency cogeneration plant" (POIM 6.4, SMIS code 2014+ 119391). The general objective of the project is to reduce carbon emissions and increase energy efficiency by installing a high-efficiency cogeneration unit.

In 2022, the amount of 11,805.44 lei refers to the subsidy received for the purchase of equipment for telework employees in the context of the SARS-COV-2 pandemic.

In the year 2022, the amount of 773,757.63 lei refers to the subsidy for investments related to the project "Intelligent system for monitoring energy consumption within Cemacon SA" (POIM 6.2, SMIS code 2014+ 127985). The general objective of the project is to reduce energy consumption and increase the energy efficiency of the Cemacon SA Company by implementing a consumption monitoring system.

In 2022, the amount of 617,107 lei refers to the subsidy for the purchase of 2 pcs LINDE E60 ELECTRIC FORKLIFT for the SPECIAL ELEMENTS PRODUCT LINE through the Norwegian Funds Project.

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28. TRANSACTIONS WITH AFFILIATES

The company's affiliates in 2022 are:

- DEDEMAN SRL with registered office in loc Bacău, Str. Alexei Tolstoi, nr. 8, 600093, C.I.F.: RO 2816464, Nr.Ord.Reg.Com.: J04/2621/1992 – significant shareholder;
- PIF INDUSTRIAL SRL with registered office in loc Bacău, Str. Alexei Tolstoi, nr. 8, CUI 18227759, Nr.Ord.Reg.Com.: J4/2200/2005 – shareholder;
- DEDEMAN AUTOMOBILE SRL cu sediul in Municipiul Bacău, Strada Alexei Tolstoi, Nr. 8, Judet Bacău; Nr.Ord.Reg.Com.: J4/ 2621/1992 - Dedeman group company;
- PAVAL HOLDING SRL cu sediul in Mun. Bacău, Str. Alexei Tolstoi, nr. 8, Judet Bacău, CUI: 39895050, Nr.Ord.Reg.Com.: J04/ 1405/2018 - societate din grupul Dedeman;
- Sologon Daniel – General Manager and President of Board of Directors
- Karina Paval – member of the Board of Directors
- Dana-Rodica Beju – member of the Board of Directors
- Dragos Paval – member of the Board of Directors
- Adrian Fercu – member of the Board of Directors

On 22.12.2021, the Board of Directors of CEMACON SA decided to appoint Mr. Daniel Sologon in the capacity of provisional administrator starting from 01.01.2022 and until the date of the first Ordinary General Meeting of Shareholders. At the same time Mr. Sologon was elected as President of the Board of Directors of the company.

Also during the meeting of the Board of Directors, it was decided to appoint Mr. Bogdan Cojocar-Lungu as Chief Financial Officer of Cemacon SA.

The transactions with affiliates are summarized in the following table:

	Sales		Acquisitions	
	1 Jan – 31 Dec. 2022	1 Jan – 31 Dec. 2021	1 Jan – 31 Dec. 2022	1 Jan – 31 Dec. 2021
Affiliates				
Dedeman SRL	20,061,585	22,190,686	191,239	232,371
Total	20,061,585	22,190,686	191,239	232,371

The balances with affiliates are summarized in the following table:

	Receivables from affiliates		Debts to affiliates		Loans granted and interest	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Affiliates						
Dedeman SRL	9,023	-	11,239	497,725	-	-
Total	9,023	-	11,239	497,725	-	-

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29. WAR IN UKRAINE

Romania's economy was affected by the war in Ukraine and the unprecedented energy crisis generated by it. The increase in electricity and natural gas prices fueled the inflation dynamics, but the underlying inflationary pressures also intensified.

30. SUBSEQUENT EVENTS

CEMACON SA reports the following events that occurred after 31.12.2022:

On 12.01.2023, the CEMACON SA company initiated the acquisition of the Euro Caramida SA company from Bihor county, submitting to this effect, to the Competition Council, the necessary documentation to obtain the Council's approval. The purchase transaction will take place after receiving the approval from the Competition Council.

31. OTHER INFORMATION

Segment reporting:

The company presents a single reporting segment, represented by the production and marketing of construction bricks. The nature of the products in the Company's range is similar, as is their production process. Also, the nature of the economic and legislative environment to which the Company's activity is subject is the same for all the production and marketing activities undertaken by it.

The company does not register significant sales on the foreign market, which would meet the reporting criteria of a distinct segment. The assets owned by the Company are fully located within Romania, and are used for the purpose of producing and marketing the aforementioned products. Also, all the liabilities, respectively the results recorded in the individual financial statements, are exclusively related to the only segment of activity of the Company, represented by the production and marketing of bricks for construction.

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

The way used to express the property items in national currency, income and expenses emphasized in a foreign currency is presented in Note 1. The main exchange rates used for RON conversion of balances expressed in foreign currency on the 31st of December 2020 and 31st of December, 2021 are:

Foreign currency	Abbreviation	Exchange rate	
		31-Dec-22	31-Dec-21
USA Dollar	USD	4.6885	4.3707
Euro	EUR	4.9315	4.9481

Fees paid to auditors:

All paid fees refer to the audit services on the individual financial statements prepared by the Group under IFRS. The auditor's fee for 2022, in accordance with the contract concluded between the parties, is in the amount of EUR 29.000. The auditor of the Company is Deloitte Audit SRL.

Amendments:

The directors are not entitled to subsequently amend the financial statements.

The financial statements together with the notes to the financial statements are authorised in order to be published on the 28th of April 2022.

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

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32. CONTINGENTS

Taxation

The Company deems that it paid on time and fully all taxes, fees, penalties and penalty interest, if applicable.

All amounts due to the State for taxes and fees were paid or registered on the balance date. The Romanian tax system is undergoing consolidation and harmonization with the European legislation, there being different interpretations of the authorities in connection with the tax legislation, which may give rise to taxes, fees and additional penalties. If the state authorities discover violations of the Romanian legal provisions, they may be determined as applicable: confiscation of the concerned amounts, imposition of additional tax liabilities, imposition of fines, application of delay increases (applied to remaining actual payment amounts). Therefore, the tax sanctions resulted from violations of the legal provisions may lead to important amounts to be paid to the State.

In Romania, the tax year is opened for verifications for a period of 5 years.

Transfer price

Under the relevant tax legislation, the tax assessment of a transaction with the affiliates is based on the market price concept related to that transaction. Under this concept, the transfer prices must be adjusted so as to reflect the market prices which would have been established between the entities between which there is no relation of affiliation and which act independently under "normal market conditions".

It is likely that the transfer price verifications are carried out in the future by the tax authorities to determine whether these prices comply with the principle of "normal market conditions" and that the taxable base of the Romanian taxpayer is not distorted.

These financial statements were signed and approved on March 23, 2023 by:

General Manager

Sologon Daniel

Financial Manager

Cojocaru-Lungu Bogdan

*For signature, please refer to the original signed
Romanian version.*

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

BORDER OF DIRECTORS REPORT



23.03.2023

Annual report according to Annex 15, ASF Regulation no. 5/2018

For the financial year

2022

Report date

03/22/2023

Company name:

Cemacon S.A.

Social headquarters:

Calea Turzii street Nr. 178K, first floor, Cluj-Napoca, Romania

Unique Registration Code

RO677858

Registered business number

J12 / 2466/2012

The regulated market on which the issued securities are traded:

Bucharest Stock Exchange - Main Market Standard category

Subscribed and paid-up share capital

93.531.041,80 LEI

Main characteristics of the securities issued by the company:

Shares with a nominal value of RON 0.1 / traded share

1. Analysis of commercial activity

1.1. Description of the Company's core activity

Description of the core activity

The company's main activity profile is the production and sale of fired clay masonry elements, used in civil and industrial construction works.

The experience of over 50 years and the permanent desire for innovation have left their mark on the evolution of the company. By improving and diversifying the range of products, the company has managed to maintain an upward evolution over the years, registering constant increases in productivity and reaching the top of the masonry system manufacturers in Romania.

Since the fall of 2010, the company operates the most modern production line of ceramic blocks in Romania, with a maximum capacity of 385,000 m³/year, investment carried out between 2008-2010. Since 2018, the company also operates a lintel factory, in Recea commune, Salaj county.

The production lines operated at capacity, with no major interruptions in the production flow, which allowed significant operational synergies to be obtained, with a direct impact on the production cost and the company's profitability.

Specifying the date of incorporation of the Company

The company was founded in 1969, being currently listed on the Bucharest Stock Exchange, standard category, with the symbol CEON. The year 2010 marked the application of a turnaround management process that radically changed the company's performance, innovation and performance becoming basic principles.

Starting with 2017, DEDEMAN - national leader in the retail of construction materials and interior design, with 100% Romanian capital, operating a network of over 50 stores, entered the company's shareholding.

During 2018, DEDEMAN, acting in concert with PIF INDUSTRIAL SRL and Paval Holding SRL, became the largest shareholder of Cemacon S.A. reaching by the end of 2020 a holding of over 90% of the company's share capital. At the beginning of 2021, DEDEMAN transferred the package owned by Cemacon to Paval Holding, the investment vehicle of the DEDEMAN group. Currently, Cemacon is owned by Paval Holding and PIF Industrial SRL. The shareholding structure of Cemacon, on 31.12.2022, is presented as follows:

Shareholder	Number of share	Percentage of share capital
PAVAL HOLDING SRL	731.442.021	78,2031%
PIF INDUSTRIAL SRL	156.730.172	16,7570%
OTHERS	47.138.225	5,0399%

The headquarters of Cemacon is in Cluj-Napoca. The production is mainly ensured by the factory in the town of Recea, Salaj county, where the company uses the most modern manufacturing line in South-Eastern Europe, as well as by the factory in Zalau, put back into operation starting from 2015. The production of lintels is provided by the factory in the town of Recea, Salaj county.

On 31.12.2022, the company had a number of 283 employees, the average number of employees in 2022 being 268 people, increasing compared to 2021 when the average number of employees was 256 people.

Cemacon has a vast national distribution network, currently having over 350 outlets throughout the country.

Description of any mergers or significant reorganizations of the company, its subsidiaries or controlled companies during the financial year.

Not Applicable

Description of acquisitions and/or alienation of assets

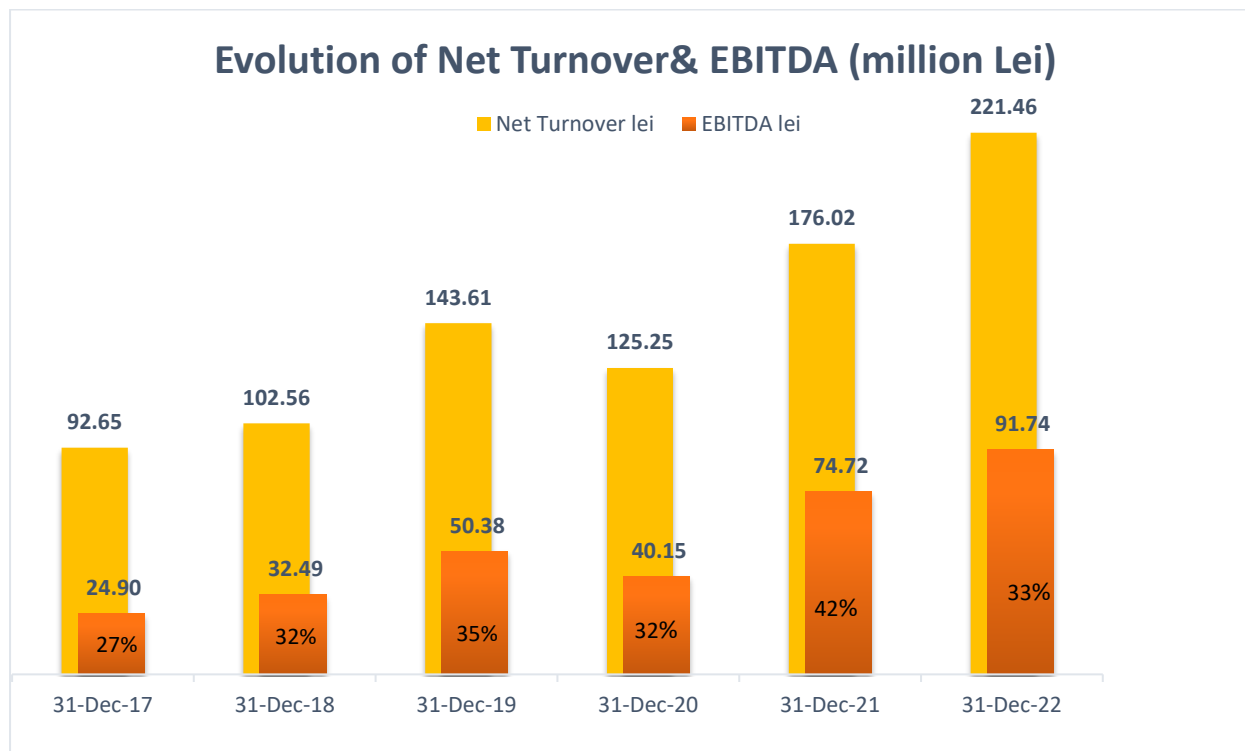
The main acquisitions and sales of assets in the period January-December 2022 are presented in the following table:

Intangible assets	Acquisitions	Assignments
Licences and Patents	57,648	-
Development costs	32,317	-
Other intangible assets	43,691	-
Total	133,656	-
Tangible assets	Acquisitions	Assignments
Lands	2,599,911	-
Land harnessing	118,179	-
Constructions	441,610	-
Machines, Installations and Tools	24,148,345	(1,946,578)
Furniture and Office Appliances	142,171	(33,864)
Total	27,450,216	(1,980,442)

In 2022, Cemacon SA continued the implementation of the investments started in 2021, also accessing non-refundable financing for a photovoltaic park with an installed power of 1 MWH, through the Norwegian Financial Mechanism 2014-2021, Program for Energy in Romania Call 3.1.

1.1.1. Description of the main results in assessing the company's activity

General assessment elements (profit, turnover, export, costs, % market, liquidity)



Compared to 2021, the company recorded a 26% increase in turnover, correlated with a 41% increase in EBITDA margin, against the background of the increased demand for ceramic blocks and the lessening of the effects of the COVID19 pandemic.

For the period ending on December 31, 2022, CEMACON recorded an operating profit of 77,963,005 lei and a net profit of 71,858,135 lei.

Indicator	2018	2019	2020	2021	2022
Net turnover (lei)	102,56	143,61	125,25	176.02	221.46
EBITDA (lei)	32,49	50,38	40,15	74.72	91.74
Financial result (lei)	-1,78	-1,33	-1,13	0.31	3.4
Net result (lei)	18,91	34,10	22,54	54.85	71.86

The national market share estimated for 2022 is 18%.

As of 31.12.2022, the available on the company's account was 133,909,885 lei.

1.1.2. Assessment of the Company's Technical level

Description of the main products realized and/or services provided, mentioning

a) the main outlet market for each product and service and the distribution methods

CEMACON has an estimated market share of approx. 18% nationally. This performance was facilitated by the involvement of the distribution network, strongly consolidated and motivated by our partnership and a good national coverage, having more than 350 points of sale of CEMACON products throughout the country. The company managed to attract important regional distributors, and now we collaborate with the largest DIY networks in Romania.

The efficiency and quality of the products in the portfolio, together with the CEMACON brand's notoriety in the market, supported the increase in demand for the three categories of masonry solutions. We focused on selling products with added value for users, the entire portfolio being based on high-performance products that offer substantial cost reductions for customers.

b) the share of each product or service category in the revenue and total turnover of the company for the last three years

In the year 2022, the ceramic block market maintained its pace of growth in demand for masonry products and recorded a constant increase in interest for products with benefits in the area of thermal and sound insulation, considering the expansion of the NZEB concept. We estimate that the impact of the increase in energy and gas prices will implicitly lead to an increase in the demand for more energy efficient buildings, and CEMACON products meet this need. In 2023, CEMACON will put into operation a new factory dedicated to the production of decorative facade elements and ceramic coating elements related to the production of lintels. As of the date of this report, the production hall has been received and the installed tools and equipment are in the testing phase, following which the production tests will be started in the next period.

1.1.3. Assessment of the technical-material supply activity

(mention data regarding: supply sources (indigenous/import), safety of supply sources and prices of raw materials and dimensions of stocks of raw materials and materials)

The main materials purchased by CEMACON SA are: wooden pallets; stretch hood foil; wood sawdust; power plant ash; bulk diesel fuel. Pallets, sawdust, ash and diesel are purchased from indigenous suppliers, and the stretch hood film, both from indigenous and imported sources. The supply and price of materials is ensured by supply contracts signed with each individual supplier. The company works with several suppliers to ensure the necessary materials in order to avoid any kind of supply syncope. Stocks of raw materials are dimensioned in such a way that possible supply interruptions by a supplier do not disrupt the production activity. The company is not dependent on single suppliers.

1.1.4. Assessment of selling activity

- a) Description of sequential evolution of sales on the domestic and/foreign market and sales prospects on medium and long term*
- b) Description of the competitive situation in the field of activity of the company, the share market of the Company's products and services and key competitors.*
- c) Description of any significant dependence of the company to a single client or to group of clients whose loss would have a negative impact on the company revenues**

In the conditions of the national increase in the sales of ceramic blocks, Cemacon kept the production level at 100% capacity at both factories, thus registering an estimated national market share of 18%. The company has in mind the general context of price increases with construction materials, an increase due in particular to increased energy costs, carbon certificates and restrictions from European environmental policies. We believe that the main challenge that the construction sector will face will continue to be the lack of labor, followed by the lack of stocks.

The main competitors of the company are:

Wienerberger Sisteme de Caramizi SRL

Sos. Bucuresti - Ploiesti nr 42-44, Sector 1, Baneasa Business & Technology Park, Cladirea A1, Etaj 1
Postal Code 013696, Bucuresti, Romania.

Brikston Construction Solutions SA – member of Leier Group

Iasi, Calea Chisinaului nr. 176

Siceram SA - member of Leier Group

Sighisoara, Viilor Street, nr. 123, 545400 Jud. Mures

Soceram SA

Drumul Taberei Street, nr. 46, Campina, jud. Prahova

Europoroton SA

Caramizii Street, nr.1, Biharia, Bihor, Romania

1.1.5. Assessments of aspects linked to the Company's employees/staff

- a) Specifying the number and level of training of company employees and the degree of unionization of the workforce*

CEMACON SA ended the year 2022 with a number of 283 employees. The annual average (FTE) being 268 employees.

Of the total number of employees, 33% have higher education. Approximately 32% of the employees are part of the Free Trade Union from SC CEMACON SA, affiliated to Familia Construct.

Approximately 34% of employees are part of the Free Trade Union of SC CEMACON SA, affiliated with „Familia Construct” Union.

b) Description of the relationship between manager and employees and any conflicting elements that characterize these relations

The development and consolidation of the organizational culture of the CEMACON SA company is a constant concern of the company's management. The performance of each employee is monitored through the performance management system, which defines from the beginning of the year what is the level of individual expected results. The feedback received from the direct managers specifically targets the employee's performance and actions and not his person, based on the achievements on the job compared to the expectations. Thus, the relations between management and employees are based on dialogue, figures and concrete objectives, any kind of unprofessional conduct on the part of any of the parties being sanctioned by the Internal Regulation.

1.1.6. Assessment of aspects linked to the impact of the issuer's core activity on the environment (synthetic description of the issuer's core activities impact on the environment as well as any existing or envisaged litigation regarding the violation of the legislation on environmental protection)

The manufacturing activity of the ceramic blocks at the Recea Factory and at the Zalau Factory was carried out in compliance with all the requirements of the integrated environmental permit. The impact of the emissions generated by the activity was within the limits imposed by the environmental legislation in force.

1.1.7. Assessment of the research-development activity (Specifying the expenditure in the financial year and those that are anticipated in the next financial year for research and development activity)

Cemaccon constantly invests in research and development to provide its customers with innovative solutions for efficient construction. The cutting-edge technology we use allows us to produce building materials to the highest standards of efficiency and strength. The products in the EVO CERAMIC range combine innovation with state-of-the-art technology to offer superior performance to other products on the market, whether it's lower mortar consumption, reduced material wastage, or increased thermal efficiency and sound insulation.

1.1.8. Assessment of the Company's activity regarding risk management

- a) Description of the company's exposure to price, credit, liquidity and cash flow risks.***
- b) Description of the Company's policies and objectives regarding risk management***
- c) Internal controll***

Internal risks

Internal Risks

The achievement of strategic and operational objectives is directly influenced by both opportunities and multiple risks and uncertainties generated by external factors such as the evolution of the residential construction market, seasonality and weather conditions, but also by various internal factors.

Cemacon has implemented a risk management process characterized by the identification, quantification and proactive management of potential risks through measures to reduce them to a reasonable and consciously assumed level.

The risk management process aims to:

- the objectives assumed by the management are feasible,
- significant risks are identified and evaluated objectively, for all processes and departments,
- adequate resources are allocated to reduce, transfer or eliminate significant risks,
- the necessary measures for preventive control, risk reduction and loss minimization in the event of a negative event are defined and implemented,
- the stage of implementation of control measures is constantly monitored,
- the level of risk in the organization is periodically reassessed,
- remaining risks are communicated and made aware in the organization.

At the company level, there is an internal control and risk management function that monitors business risks. Periodically, an update of the risk map is drawn up, which is discussed at the management level and presented to the board of directors. The annual budget package also contains an analysis of the main risks and the measures considered by the management for their management.

The main operational risks in 2021 with influence on the company's performance and observations regarding their evolution are presented below:

1. Commercial credit

In the conditions of the pressure to increase the credit limits granted to clients that have characterized the construction sector, commercial credit represents one of the most relevant risk dimensions for Cemacon.

Within the financial department, there is a specialized person with the role of credit controller; in order to minimize the risk, the company used in 2022, for the ninth consecutive year, commercial credit insurance from the market leader - the French company Coface, as well as the retention of guarantees from customers, including bank guarantee letters, pledges and guaranteed payment instruments . As of 31.12.2022, the number of clients insured at COFACE is 123, the total value of these insured limits provides a significant coverage of the risk of non-payment.

The credit controller performs a continuous evaluation of the balances and the risk of non-payment; clients are distributed by risk class following a complex analysis that takes into account the Coface rating, the ceiling covered by commercial credit insurance, their guarantees and quality, the client's payment behavior as well as other qualitative information collected directly from the market through sales agents and from other sources. Depending on the defined risk class, periodic monitoring is applied regarding insolvency procedures, ONRC status, pending processes, ANAF debts, CIP, as well as analyzes of financial information updated with annual/semiannual frequency.

2. Compliance with legal requirements.

The management team and the Board of Directors are committed to respecting and fully complying with all legal requirements, of any nature.

3. Competition actions

The actions of the competition were countered by the implementation of promotional and motivational campaigns for the traditional partners.

4. The COVID 19 pandemic

In the context of the outbreak of the COVID 19 pandemic in 2020, the management of the company took all measures to protect the health of employees, but despite this, in 2020 and 2021 the incidence of cases was high. The year 2022 brought a substantial decrease in the number of cases. The company continued to apply the necessary measures to ensure continuous flows of activity.

External risks

External Risks

1. The risk of increasing inflationary pressures

The company has paid special attention to the evolution of inflation, which has manifested itself prominently in the area of energy and gas. Also in the area of auxiliary raw materials, packaging, logistics and in the area of equipment and works related to the investments made, the effects of the accelerated increase in inflation from 2022 will be they made themselves felt. In order to reduce the effects of inflation on employees' incomes, the company made a series of changes to the salary packages.

2. The risk of exchange rate variations

The company's transactions in foreign currency are recorded in accounting at the exchange rates from the date of their execution, the gains and losses resulting from the settlement of such transactions as well as from the conversion of some monetary assets and liabilities expressed in foreign currency, being recognized as expenses or income in the account of profit and loss.

The balances of availability in foreign currency are converted into lei at the exchange rate at the end of the year.

The company has no loans in foreign currency as of 31.12.2022.

3. Interest rate risk

Interest rate risk represents the risk that the value of a financial instrument will fluctuate as a result of the variation of interest rates on the market. As of 31.12.2022, the company has no committed bank loans.

4. Liquidity risk

Liquidity risk management belongs to the management of the company, which constituted an appropriate risk management framework regarding the provision of short- and medium-term funds. The company manages the liquidity risk by continuously monitoring the real cash flow and by matching the maturity profiles of financial assets and liabilities.

The available cash and cash equivalents at the end of 2022 is 133.909.885 lei, representing 65.37% of the net turnover of 221.456.096 lei.

5. Risks regarding the Shares

From the point of view of the value of the transactions carried out or of the market capitalization, the Bucharest Stock Exchange can be considered a small exchange, compared to other exchanges in the world, thus there are risks related to the low liquidity of the market, as well as the high volatility of the price traded shares.

The reduced liquidity of the market may determine the impossibility of buying or selling shares of the Company without having a significant impact on the price of that share, thus generating a high volatility of the share price.

The shareholding structure at the end of 2022 is concentrated, the company having at the end of 2022 two large shareholders who act in concert and who accumulate a holding of over 90%, a fact that determines a small free float and on the way to consequence a low liquidity on the stock market.

Internal control system

The internal control system represents the set of measures and actions implemented at all levels, in order to achieve the company's objectives through optimal risk management, ensuring the efficiency and effectiveness of operations, the accuracy of financial reports and compliance with legal requirements. Control is an integral part of every process and is the responsibility of all employees, regardless of their role in the organization.

The internal control system implemented at Cemacon is based on several components, the most important being the following:

- ✓ The manual of internal procedures, based on best practices adapted to the field of activity, which defines control activities and responsibilities for all risk areas in the company and is revised periodically,
- ✓ The Quality-Environment-Health and Safety at Work Integrated Management System, which ensures the harmonization, consistency and improvement of processes and working methods and compliance with legal requirements,

- ✓ The budgeting and budget tracking system, which ensures the establishment and monitoring of financial and operational objectives,
- ✓ The internal reporting system, which ensures relevant, accurate and timely information for process monitoring and decision-making,
- ✓ Periodic performance analyzes carried out in order to evaluate the functioning of processes and operational results,
- ✓ Automation of processes and transactions in the IT system, by managing a well configured, used and secured IT system,
- ✓ Carrying out internal and external audits, with the role of ensuring effectiveness and compliance with control and financial reporting standards.
- ✓ The TUV certification system, which ensures an annual reverification of compliance in order to obtain the ISO certifications and recertifications that the company holds.

An important objective of the Internal Control System is the implementation of the best practices by optimizing and automating control procedures within the company, so that control activities are not omitted or duplicated, errors or mistakes are prevented and the necessary corrective measures are taken on time.

The operation and performance of the internal control system is audited every year and the Management Team is committed to increasing the standards of professional competence and implementing all necessary corrective and improvement measures to provide a solid basis of trust and assurance regarding risk management and fulfillment objectives.

1.2 Perspectives on the company's activity

- a) Presentation and analysis of trends, items, events or uncertainty factors that affect or could affect the company's liquidity compared with the same period of the previous year.***
- b) Presentation and analysis of the effects of current or anticipated capital expenditures on the financial position of the company compared to the same period last year. Costs;***
- c) Presentation and analysis of the events, transactions, economic changes that significantly affect revenues from core activities.***

a) Among the negative trends for the next period that the company's management monitors and that may affect the Company and the branch in which it operates, we mention the conflict in Ukraine, the price increases for electricity, natural gas, auxiliary materials and packaging, the prospect of maintaining inflation at a high level for a time horizon of more than 3 years, the increase in interest on loans and the reduction of the degree of indebtedness, having the effect of decreasing the demand for new homes and, implicitly, the contraction of the construction materials market.

In the context of the conflict in Ukraine, the company's management is paying more attention to this situation with a potential negative impact on the global raw materials, fuel and energy markets. The company analyzes several work scenarios on the supply side with raw materials, fuels, energy and natural gas.

There are no strategic dependencies on suppliers, as well as on raw materials with quoted prices, the stocks are at optimal levels to ensure the uninterrupted development of the current activity, there are no dependencies on strategic customers from the perspective of cash flows, and the company has financial solidity. However, the company's management has analyzed several potential negative scenarios that can be induced by the current international and national situation and manifests an attitude of expectant vigilance that will allow it to react in the event of the materialization of a risk scenario.

At the company level, a business continuity plan is developed, the entire executive management team being prepared to apply emergency plans to ensure operational continuity.

b) It is not the case

c) It is not the case.

2. Corporate governance

The CEMACON company is engaged in ensuring transparent, relevant and quality communication with shareholders, investors and the general public and in complying with applicable regulations from the perspective of a company listed on the Bucharest Stock Exchange.

The Corporate Governance Code, adopted in the company since 2014, confirms the commitment to business integrity, continuous improvement of communication with stakeholders and transparency regarding the provision of information to them. Thus, both the quarterly reports, and especially the financial statements and the annual reports offer a high degree of detail and a very good visibility on the company's activity, relevant events and financial statements.

Since 2015, CEMACON sends all reports to the bilingual Stock Exchange (Romanian and English) to support shareholders and potential foreign investors.

2.1 Corporate governance structures

CEMACON SA's corporate bodies are structured as follows:

- The General Meeting of the shareholders, which is the highest decision-making forum of the Company
- the Board of Directors

Cemaccon SA is a Company managed in a two-tier system by the directors of which one is appointed General Manager, the general directions of development and society actions being established and pursued by the Board of Directors.

2.1.1 The General Assembly of the Shareholders (“AGA”)

Cemacon SA has defined and implemented solid internal procedures on AGA organizing and development, as well as rules that govern its legal and statutory activity of thereof, in accordance with the Articles of Association and applicable legislation.

In terms of its structure, depending on the matters that require the approval of Shareholders, the General Assembly of Shareholders may be Ordinary or Extraordinary.

2.1.2. Board of Directors

Cemacon SA is managed by a Board of Directors, composed of 5 members elected for a period of 4 years, and which exercises its mandate, in the interest of the company, with the prudence and diligence of a good administrator and which takes all the necessary and useful measures that are within his competence, in order to carry out the company's activity in the best conditions. In 2022, the Board of Directors of CEMACON SA held a number of 15 working meetings in which the evolution of the company, its financial situation, the measures adopted by the company in the context of the COVID19 pandemic were analyzed and decisions were taken in accordance with the provided attributions by the constitutive act and by the applicable legislation.

The Board of Directors is subordinate to the General Meeting of Shareholders.

2.1.3 Consultative Committees

Within the Board of Directors of CEMACON SA there are three consultative committees: the audit committee, the remuneration committee and the nominalization committee.

2.2. Executive Management

The executive management of the Company is comprised of two managers, natural persons, with the duties delegated by the Board of Directors.

The Directors are responsible for taking all the measures corresponding to the Company's management, within the limits of its object of activity and for complying with the exclusive competencies exclusive reserved by law, by the Articles of incorporation, Board of Directors and General Assembly of Shareholders.

2.3. Rights of the Shareholders

The main rights of shareholders in connection with the General Shareholders Assembly are listed below:

The right of access to information: Cemacon SA publishes the necessary documents and information on its website, (www.cemacon.ro) to ensure that all its shareholders exercise their rights in an informed basis;

The right to a minimum period of notice: Shareholders are informed of an upcoming Shareholders' Meeting through the convocation published in the Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the Company's website, in the Investor Relations section, and submitted to the National Securities Commission and the Bucharest Stock Exchange in the form of a current report;

The right to supplement the agenda of the meeting: Cemacon SA's shareholders, representing individually or together with other shareholders at least 5% of the share capital may request the addition of supplementary items on the agenda within the limits and in accordance with the applicable law;

The right to participate in the meeting: Shareholders registered in the shareholders register at the reference date are entitled to attend in person or by proxy the General Assemblies of the Shareholders of the Company;

Rights to vote: The Company's share capital is represented by ordinary shares conferring voting rights for each share registered in the name of the shareholder on the reference date;

The right to address questions: Any shareholder of the Company may submit written questions concerning items on the agenda of the General Meeting of the Shareholders and is entitled to receive answers from CEMACON SA.

3. Transparency, Financial reporting, Internal Control and Risk management

3.1 Transparency

Cemacon SA carries out the periodical and continuous reporting of all the significant events, including the Financial situation, Performance and Management.

In order to make available relevant information for the shareholders, Cemacon SA has created on the Company's website (www.cemacon.ro) a special section, named «Shareholders relations», easily accessible and updated when necessary. This page is structured so that the shareholders and investors may have Access to all the necessary information, that is information related to the General Meeting of the Shareholders, financial schedule, financial reporting, current reporting, corporate governance, shareholders structure, etc.

Also, Cemacon SA has internal structures specialized for the relationship with the investors and for the relationship with its own shareholders. The shareholders may ask questions and communicate by the following means:

- Send registered mail at the Company's headquarters, 178K Calea Turzii str., 1st floor, Cluj-Napoca, Romania

- Send documents by e-mail: office@cemacon.ro

3.2 Financial reporting

The Company prepares and disseminates relevant periodical and continuous reporting, in accordance with the International Financial Reporting Standards (IFRS) and other reporting standards. The information is disseminated both in Romanian and in English.

The reports made available for the investors are, among others:

- The annual financial statements drawn according to the IFRS
- The semestrial financial statements according to IFRS
- The quarterly financial statements according to IFRS
- Other reports.

The information is disseminated on the company's website: www.cemacon.ro, section "shareholders relations", on the website of the Bucharest Stock Exchange, at the registered office of the company Cemacon SA.

3.3 Efficiency of the financial reporting, of the internal control and of the risk management

The Audit Committee shall support the Board of Directors to monitor the credibility and integrity of the financial information made available by the Company, especially by revising the relevance and consistency of the accounting standard applied by the Company (including the consolidation criteria).

The Audit Committee shall make recommendations to the Board of Directors concerning the selection, appointment, reappointment and replacement of the financial auditor, as well as the terms and conditions of his remuneration. The Audit committee shall monitor the independence and objectivity of the financial auditor.

The Company has implemented a management and control system of the internal risk, suitable for the developed activity. The Company uses as internal instruments for the management and control of risk.

3.4. Litigations

In 2022, the litigation with the supplier Bedeschi continued, in which Unicredit, as the owner of the line purchased from the supplier, and CEMACON, the user, as defendants, and the supplier Bedeschi, as the plaintiff, are parties. In 2019, in application of the contractual provisions, Unicredit and CEMACON applied late penalties to the supplier Bedeschi and executed the bank guarantee letter of good execution. The supplier contests the application of these penalties. The dispute is judged by the Bucharest Court. Cemacon submitted to the case file, arguments and documents from which it can be concluded that Bedeschi's claims are unfounded, so that Cemacon has the first chance to convince the court that Bedeschi's requests are unfounded.

In 2021, CEMACON started a dispute with the National Environmental Guard - Salaj County Commissariat for contesting a minutes by which GNM - Salaj Commissariat ordered the application of measures related to CEMACON SA - Zalau work point, for alleged violations of some provisions from the Integrated Environmental Authorization of the Zalau work point. CEMACON SA contested in court the measures ordered, these being suspended until a final decision is issued by the courts of law.

4. The tangible assets of the Company

4.1. Specifying the location and characteristics of the main production facilities owned by the company

Currently, the Company's main activity profile is the production and sale of fired clay masonry elements, used in civil and industrial construction works.

Starting from the fall of 2010, the Company operates the most modern production line of ceramic blocks in Romania, with a maximum capacity of 385,000 mc/year of the basic product, investment carried out between 2008-2010.

The production process is a modern one, adapted to the latest technology, in which the human factor intervenes only in the process of tracking and correcting the programs used. By automating the processes, better operational costs and higher quality indicators are obtained.

In 2022, the degree of utilization of the production capacity was 100%, on the current assortment. The maximum annual production capacity at the factory in Recea is 385,000 physical cubic meters of the base product.

In 2022, the operation of the line from Zalau was continued, in the context of the demand on the market for ceramic blocks.

4.2 Description and analysis of the company's properties wear degree

The degree of asset wear and tear is correctly reflected in the bookkeeping by the amortization recorded under accounting policies.

An impairment loss is recognized as the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the greater of the fair value of the asset less the sale costs and the use value. To measure depreciation, assets are grouped to the lowest level at which there are separately identifiable treasury flows.

4.3. Specifying the potential problems of the ownership of the tangible assets of the company

Not applicable.

5. The Securities Market issued by the Company

5.1. Specifying the markets in Romania and other countries on which securities issued by the company are being negotiated.

The company trades securities on the Bucharest Stock Exchange under the symbol CEON on the Main segment the Standard category. The main REGS market with continuous trading pattern.

<http://www.bvb.ro/FinancialInstruments/Details/FinancialInstrumentsDetails.aspx?s=CEON>

Symbol: CEON
ISIN: ROCEONACNOR0
Tip: Actiuni
Segment: Principal
Categorie: Standard
Stare: Tranzactionabila



5.2. Description of the Company's policy on dividends

(Specifying the dividends due / paid / accrued in the last three years and, if applicable, the reasons for any reduction in the dividends over the past 3 years)

The company's retained earnings at the end of 2021 is 106.689.799 lei, so the current result increases the gain, cumulated the amount carried forward being 153,991,232 lei.

Taking into consideration the needs of the development company through the implementation of new investments and in line with the practice of previous years, the proposal of the Board of Directors is to allocate the profit obtained for its own financing sources.

5.3. Description of any activities of the company to purchase its own shares

In 2022, the company, did not carry out operations to purchase its own shares.

5.4. If the company has subsidiaries, indicating the number and the nominal value of the shares issued by the parent company held by subsidiaries.

Not the case

6. Management of the Company

6.1. Presentation of the list of the company's administrators and of the following information for each administrator:

CEMACON SA has the following Board of Directors:

-
1. Mr. Daniel Sologon (President of the Board of Directors);
 2. Mr. Dragos Paval
 3. Mrs. Dana Rodica Beju;
 4. Mrs. Karina Paval.
 5. Mr. Adrian Fercu
-

* Note (history): During the period 28.04.2021-31.12.2022 the composition of the Board of Directors of CEMACON SA was the following:

-
1. Mr. Liviu Ionel Stoleru (President of the Board of Directors);
 2. Mr. Dragos Paval
 3. Mrs. Karina Paval;
 4. Mrs. Dana Rodica Beju;
 5. Mr. Adrian Fercu
-

Appointment or replacement of board members and amend the articles of incorporation of the entity is made by applying the law (Law 31/1990 as amended and supplemented)

The Board duties are stipulated by Law 31/1990, as amended and supplemented, and has no powers on the issue and redemption of shares.

a) CV (name, age, qualification, professional experience, position and seniority)

Daniel Sologon

Master in Business Administration, Faculty of Business (2005) and Bachelor in Management, Faculty of European Studies (2004), both at the "Babes-Bolyai" University of Cluj-Napoca.

Direct experience of private equity and portfolio investments acquired in the Middle Europe Investments, Palmer Capital Group (2009-2011) through involvement at Board and executive management level, in the companies from the portfolio in order to improve the financial performance and identifying investment opportunities and formalizing them as business proposals.

Experience as a Financial Analyst & marketing at Eh'klar Schuller, a subsidiary of the Austrian group, leader in the field of finishing construction materials, and as a financial analyst for investment projects for the real estate developer Imoinvest SA, part of IMOFINANCE Financial Group.

Operational manager, in charge of the integration and optimization of logistics functions, assembly and warranty service within Brinel Group of Companies, regional leader for IT&C.

Dragos Paval

Mr. Paval is a graduate of the Faculty of Informatics Mathematics of Alexandru Ioan Cuza University in Iasi. Since 1992 he has been leading the DEDEMAN company.

Dana Rodica Beju

Dana Rodica Beju has over 30 years of experience in the economic field, of which 15 years in the financial-banking field. Currently she is a financial analyst at DEDEMAN SRL, the most dynamic Romanian company on the DIY market, with over 50 stores open in Romania.

She has worked in OTP Bank Romania and within BRD - Soc. Gender. Companies in which it has gained relevant expertise both in the field financial analysis and in relation to legal entities. At the same time, the expertise gained in the capital market within BRD - Soc. Gen. as well as within the Confident Invest - financial intermediation company, is an important asset for CEMACON S.A. administrators, function held from April 2017.

Karina Paval

A graduate of Queen Mary, University Of London, Business Administration section and a master's degree in finance at the University of Cambridge, Mrs. Karina Paval has over 5 years of experience in finance and investments. He is a member of the Investment Committee of the ROCA platform, at the same time holding the position of Development Director within DEDEMAN and Paval Holding. In the period 2018-2019, he was a member of the Board of Directors of CONPET SA. Since 2019, he has been a member of the Investment Committee of Equaliant Capital, and since 2021 he is a member of the Board of Endeavor Romania.

Adrian Fercu

Economist by profession, Mr. Adrian Fercu has over 20 years of experience in the financial banking field. In the period 1999-2019, Mr. Fercu has accumulated a vast experience within Unicredit Bank, RBS Bank, Banca Comerciale Romana and Banca Carpatica, occupying various management positions from Customer Relations Manager to Regional Director. From the year 2020, Mr. Fercu is part of the DEDEMAN team, taking care of the development of the investments. From 2020, Mr. Fercu is a member of the Board of Directors of the Vrancart company, and from 28.04.2021 he is a member of the Board of Directors of the CEMACON company.

b) any agreement, understanding or family connection between that administrator and another person because that person was appointed administrator

Not applicable.

c) the direct participation of the administrator in the capital of the company on 31.12.2022

Member of the board	No. of Shares	% Holdings
Mr. Daniel Soogon	0	0
Mrs. Dana Beju	0	0
Mr. Dragos Paval	0	0
Mr. Adrian Fercu	0	0
Mrs. Karina Paval	0	0

d) the Company's affiliated persons list

The company's affiliates were:

- DEDEMAN SRL with registered office in Bacău, Str. Alexei Tolstoi, nr. 8, C.I.F.: RO 2816464, Nr.Ord.Reg.Com.: J04/2621/1992 acting in concern with Paval Holding Srl;
- PIF INDUSTRIAL SRL with registered office in loc Bacău, Str. Alexei Tolstoi, nr. 8, CUI 18227759, Nr.Ord.Reg.Com.: J4/2200/2005 – shareholder;
- Dedeman Automobile SRL with registered office in Bacau, Street Calea Republicii nr. 185, Bacau county, CUI 15934070, Nr. Ord. Reg. Com. J04/1513/2003 – acting in concern with DEDEMAN SRL.
- Paval Holding Srl with registered office Bacău, Str. Alexei Tolstoi, nr. 8, CUI: 39895050, Nr. Ord. Reg.Com.: J04/1405/2018 - shareholder
- Daniel Sologon – General Manager and President of Board of Directors
- Dana-Rodica Beju – member of the Board of Directors
- Dragos Paval – member of the Board of Directors
- Adrian Fercu – member of the Board of Directors
- Karina Paval – member of the Board of Directors
- Bogdan Cojocaru-Lungu - CFO

6.2. Presentation of the list of the executive management of the company. Presenting the following information for each one:

a) the term for which the person is part of the executive management;

Executive management is appointed by the Board of Directors for a four-year term.

Daniel Sologon – General Manager

Presented above.

Bogdan Cojocaru-Lungu – Financial Director

With an experience of over 12 years in the financial field, Mr. Bogdan Cojocaru-Lungu started his activity within CEMACON 10 years ago, successively occupying the positions of financial controller, deputy financial manager and starting with 01.01.2022, the position of Financial Director. Mister. Bogdan Cojocaru-Lungu graduated from the Faculty of Economic Sciences and Business Management at Babes-Bolyai University in Cluj, holding a Master's degree in Management, Accounting, Audit and Control. After completing his master's studies Mr. Bogdan Cojocaru-Lungu worked for 2 years in KPMG Romania, dealing with the design and implementation of audit tests, establishing relationships with clients and collecting information for audit missions. The activity within CEMACON in the position of financial controller involved the monitoring of the reconciliation and implementation of the budget execution by departments, the realization of cost, profitability and opportunity analyses, participation in the project teams intended to access non-reimbursable European funds. After occupying the position of Deputy Financial Manager, Mr. Cojocaru-Lungu was in charge of supervising the budget implementation process, supervising the preparation of financial reports, managing the relationship with the internal auditor and the financial auditor, developing proposals for improving and streamlining operational activity, optimizing the use of resources, supervising digitization projects, coordinating and monitoring the department of investments.

b) any agreement, understanding or family connection between the person and another person because of whom that person has been appointed as member of the executive management;

Not applicable.

d) participation of the person in the company's capital.

Manager	Number of shares	% ownership
Daniel Sologon	0	0
Bogdan Cojocaru-Lungu	0	0

6.3. For all the people presented in 4.1. and 4.2. indication of any disputes or administrative proceedings they were involved in the last 5 years, related to their activity within the issuer, as well as those concerning the ability of that person to perform their duties within the issuer:

Not applicable.

7. Financial and accounting statements

(a) balance sheet items: assets representing at least 10% of total assets; cash and other liquid assets; reinvested profits; total current assets; total current liabilities;

b) profit and loss account: net sales; gross income; cost and expense items with a weight of at least 20% in net sales or gross incomes; risk provisions and for various expenses; reference to any sale or closure of a segment of activity performed in the last year or to be carried out in the following year; dividends declared and paid;

(c) cash flow: all changes in cash in core business, investment and financial activity, cash at beginning and end of period.

a)

	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19
Total Assets	454,649,038	311,255,994	269,195,697	254,582,416
Cash and cash equivalents	133,909,885	84,223,350	51,314,569	17,663,070
Reserve for reinvested profit	51,478,669	31,888,397	21,964,130	19,265,150
Current assets	223,351,011	125,694,140	96,396,209	87,176,804
Current liabilities	60,570,757	50,650,560	41,359,124	42,734,696

b)

	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19
Gross turnover	246,187,970	190,903,036	134,456,242	157,260,004
Net turnover	221,456,096	176,020,735	125,249,908	143,607,041
Raw material and consumables used	-40,303,581	-29,843,988	-22,031,384	-28,797,496
Personel expenses	-38,846,840	-29,208,067	-28,637,701	-24,836,226
Other operating expenses	-76,123,732	-59,874,808	-39,835,492	-45,404,685
Provisions	-12,894,433	-13,877,496	-10,115,976	-11,325,556

c)

Cash and cash equivalents	31-Dec-22	31-Dec-21	31-Dec-20	31-Dec-19
Cash in bank	133,896,748	84,222,742	51,310,788	17,645,690
Cash and cash equivalents	13,138	609	3,781	17,381
Total	133,909,885	84,223,350	51,314,569	17,663,070

8. Signatures

The report will be signed by the authorized representative of the Board, the manager / executive manager and by the chief accountant of the company.

If the company has subsidiaries, the information presented in the annual report will be presented both with respect to each subsidiary and on the company as a whole.

The annual report is accompanied by copies of the following documents:

- a) articles of association of the company, if they have been modified for the reporting year;*
- b) important contracts concluded by the company in the year for the reporting year;*
- c) acts of resignation / dismissal, if such situations existed among members of the administration, executive management, censors;*
- d) list of branches of the company and the companies controlled by it;*
- e) list of persons affiliated to the company.*

APPROVED BY THE BOARD OF DIRECTORS ON 23.03.2023

President of the Board of Directors

Daniel Sologon

General Manager

Daniel Sologon

Bogdan Cojocaru-Lungu

Financial Manager

*For signature, please refer to the original signed
Romanian version.*



Indicative	Provisions to be observed	Compliance	Does comply partially or complies with	The reason for non-compliance
A1	All companies must have internal rules of the Board which include the terms of reference / responsibilities of the Board and the key management functions of the company, and which apply, inter alia, the General Principles of Section A.	YES		
A2	Provisions for the management of conflicts of interest must be included in the Council Regulation. In any case, the members of the Council must notify the Council of any conflicts of interest which have arisen or may arise and refrain from participating in discussions (including by non-attendance, unless non-attendance would prevent the formation of a quorum) and to vote on a decision on the matter giving rise to the conflict of interests	YES		
A3	The Board of Directors or the Supervisory Board shall be composed of at least five members.	YES		
A4	The majority of the members of the Board of Directors must not have an executive position. At least one member of the Board of Directors or the Supervisory Board must be independent in the case of Standard Class companies. In the case of Premium Companies, no less than two non-executive members of the Board of Directors or the Supervisory Board must be independent. Each independent member of the Board of Directors or the Supervisory Board, as the case may be, must submit a statement at the time of his nomination for election or re-election, as well as when any change in his	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially or not complies with	The reason for non-compliance
	status occurs, indicating the elements on the basis of which it is independent in terms of its character and judgment.			
A5	Other relatively permanent professional commitments and obligations of a member of the Board, including executive and non-executive positions on the Board of non-profit corporations and institutions, must be disclosed to potential shareholders and investors prior to nomination and during his term of office.	YES		
A6	Any member of the Board shall submit to the Board information on any relationship with a shareholder who directly or indirectly holds shares representing more than 5% of all voting rights. This obligation refers to any report that may affect the member's position on matters decided by the Board.	YES		
A7	The company must appoint a secretary of the Board responsible for supporting the work of the Board.	YES		
A8	The corporate governance statement will state whether an evaluation of the Board under the chairmanship of the Chair or the nomination committee has taken place and, if so, will summarize the key measures and changes resulting from it. The company must have a policy / guidance on the evaluation of the Committee including the purpose, criteria and frequency of the evaluation process.		PARTIALLY	The company has set up a Nomination Committee. The evaluation of the Board and its activity is performed by the GMS.

Indicative	Provisions to be observed	Compliance	Does comply partially or complies with	The reason for non-compliance
A9	The corporate governance statement must contain information on the number of meetings of the Board and committees in the last year, the participation of directors (in person and in absentia) and a report by the Board and committees on their activities.		PARTIALLY	The annual report of the directors contains information on the number of meetings of the Board.
A10	The corporate governance statement should include information on the exact number of independent members of the Board of Directors or the Supervisory Board.	YES		The information is presented in the annual report.
A11	The Board must set up a nomination committee of non-executive officers, which will lead the procedure for the nomination of new members to the Board and make recommendations to the Board. The majority of the members of the nomination committee must be independent.	YES		
B1	The Board shall establish an audit committee in which at least one member must be an independent non-executive director. A majority of the members, including the chair, must have demonstrated that they are adequately qualified for the functions and responsibilities of the committee. At least one member of the audit committee must have proven and appropriate audit or accounting experience. The audit committee must be composed of at least three members and a majority of the members of the audit committee must be independent.	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially complies with	not or The reason for non-compliance
B2	The chair of the audit committee must be an independent non-executive member.	YES		
B3	Within its responsibilities, the audit committee must carry out an annual evaluation of the internal control system.	YES		
B4	The evaluation must take into account the effectiveness and comprehensiveness of the internal audit function, the adequacy of the risk management and internal control reports submitted to the Board's audit committee, the promptness and effectiveness with which executive management addresses deficiencies or weaknesses identified as a result of control. and the submission of relevant reports to the Council	YES		
B5	The audit committee must assess conflicts of interest in relation to the transactions of the company and its subsidiaries with related parties.	YES		
B6	The audit committee must evaluate the effectiveness of the internal control system and the risk management system.	YES		
B7	The Audit Committee must monitor the application of generally accepted legal and internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	YES		
B8	The Audit Committee must monitor the application of generally accepted legal and internal auditing standards. The audit committee must receive and evaluate the reports of the internal audit team.	YES		
B9	No shareholder may be granted preferential treatment over other shareholders in connection with transactions and	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially complies with	not or The reason for non-compliance
	agreements entered into by the company with shareholders and their affiliates.			
B10	The Board must adopt a policy to ensure that any transaction of the company with any of the companies with which it has close relationships whose value is equal to or greater than 5% of the company's net assets (according to the latest financial report) is approved. by the Council following a binding opinion of the Board's audit committee and correctly disclosed to shareholders and potential investors, insofar as these transactions fall into the category of events that are subject to reporting requirements.	YES		
B11	Internal audits must be performed by a structurally separate division (internal audit department) within the company or by hiring an independent third party entity.	YES		Cemacon has outsourced the internal audit to independent specialized entities since 2011. In 2022, the internal audit function was outsourced to MBO Audit & Accounting SRL
B12	In order to ensure that the internal audit department performs its core functions, it must report functionally to the Board through the audit committee. For administrative purposes and as part of the management's obligations to monitor and reduce risks, he must report directly to the Director-General.	YES		
C1	The company must publish the remuneration policy on its website. The remuneration policy must be formulated in such a way as to allow shareholders to understand the principles and arguments underlying the remuneration of the members of the Board and the General Manager, as well as the members of the Management Board in the dual	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially or not complies with	The reason for non-compliance
	system. The company publishes an annual remuneration report. The remuneration report must present the implementation of the remuneration policy for the persons identified in the remuneration policy during the annual period that is the object of the analysis. Any essential change in the remuneration policy must be published in due time on the company's website.			
D1	The company must organize an Investor Relations service - made known to the general public through the responsible person / persons or as an organizational unit. In addition to the information required by law, the company must include on its website a section dedicated to Investor Relations, in Romanian and English, with all relevant information of interest to investors, including:	YES		
D1.1	The main corporate regulations: the articles of incorporation, the procedures regarding the general meetings of shareholders;	YES		Within the summoning of the GMS, the procedures regarding the general meetings are specified in detail
D1.2	The professional CVs of the members of the management bodies of the company, also contain the presentation of other professional commitments of the members of the Board, including executive and non-executive positions in the boards of directors of companies or non-profit institutions;	YES		They are presented in the Annual Report of the Directors which is published on the company's website together with the annual financial statements.
D1.3	Current and periodic reports (quarterly, half-yearly and annual) - at least those provided for in point D.8 - including current reports with detailed information on non-compliance with this Code;	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially complies with not or	The reason for non-compliance
D1.4	Information on general meetings of shareholders: agenda and information materials; the procedure for electing the members of the Board; the arguments in support of the candidates' proposals for election to the Council, together with their professional CVs; questions from shareholders on the company's agenda items and answers, including decisions taken;	YES		The agenda, the informative materials related to it and the decisions adopted by the General Meetings of Shareholders are published on the company's website.
D1.5	The name and contact details of a person who will be able to provide relevant information upon request;	YES		
D1.6	Company presentations (eg, investor presentations, quarterly results presentations, etc.), financial statements (quarterly, half-yearly, annual), audit reports and annual reports.	YES		
D2	The company will have a policy on the annual distribution of dividends or other benefits to shareholders, proposed by the General Manager or the Management Board and adopted by the Board, in the form of a set of guidelines that the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders will be published on the company's website.	YES		The annual report of the directors specifies the dividend policy.
D3	The company will adopt a policy regarding the forecasts, whether they are made public or not. The forecasts refer to quantified conclusions of studies aimed at establishing the	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially complies with	not or The reason for non-compliance
	global impact of a number of factors for a future period (so-called assumptions): by its nature, this projection has a high level of uncertainty, the actual results may differ significantly from the forecasts originally presented. The forecast policy will establish the frequency, the period considered and the content of the forecasts. If published, forecasts can only be included in annual, half-yearly or quarterly reports. The forecast policy will be published on the company's website.			
D4	The rules of general meetings of shareholders must not limit the participation of shareholders in general meetings and the exercise of their rights. The changes to the rules will take effect at the earliest, starting with the next shareholders' meeting.	YES		
D5	External auditors will be present at the general meeting of shareholders when their reports are presented at these meetings.	YES		
D6	The Board will present to the annual general meeting of shareholders a brief assessment of the internal control and significant risk management systems, as well as opinions on issues subject to the decision of the general meeting.	YES		In the annual report.
D7	Any specialist, consultant, expert or financial analyst may attend the shareholders' meeting at the prior invitation of the Board. Accredited journalists may also attend the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		

Indicative	Provisions to be observed	Compliance	Does comply partially complies with not or	The reason for non-compliance
D8	The quarterly and half-yearly financial reports will include information in both Romanian and English on key factors influencing changes in sales, operating profit, net profit and other relevant financial indicators, both quarterly and from one year to another.	YES		
D9	A company will hold at least two meetings / teleconferences with analysts and investors each year. The information presented on these occasions will be published in the investor relations section of the company's website at the date of the meetings / teleconferences.		NO	
D10	If a company supports various forms of artistic and cultural expression, sports, educational or scientific activities and considers that their impact on the innovative nature and competitiveness of society is part of its development mission and strategy, it will publish the policy on the activity in this area.	YES		The company supports social, sports, artistic, cultural and educational activities.

Statement

Subscriber, Șologon Daniel - as Chief Executive Officer of Cemacon SA, I declare under my own responsibility that according to our knowledge, financial statement and accounting situation for the year 2022, prepared in accordance with the accounting standards applicable to our company, provides a fair and true image to assets, financial position, profit and loss account of Cemacon SA and that the **Anual Report** (made up of the Individual Financial Statements) prepared on December 31, 2022, presents fairly and completely informations about Cemacon SA. The Company's financial statements have been prepared taking into account the fact that Cemacon SA operates in continuity.

Chief Executive Officer

Daniel Șologon

