

## **EGMS Note regarding the items on the agenda**

In 2023, Roca Industry Holdingrock1 S.A. (“**Roca Industry**” or the “**Company**”) intends to continue the consolidation of its position in the construction material industry, as well as in the adjacent industries, for a more accelerated growth of the holding during the next years.

Considering the plans for the future of Roca Industry, as well as and the commitment to its investors upon the market launch of AeRO, supported by the estimates published with the income and expense budget corresponding to the year 2023, the Company is in the process of identifying new companies (direct but also indirect purchases, through the Group companies) with a total value of minimum Euro 20 mil., to add to EBITDA a cumulated value of at least EUR 3 mil/year. The first transaction took place at the beginning of May 2023, by the complete purchase of Iranga (Lithuania) by Bico Industries S.A.

In this context, Roca Industry’s Board of Directors envisages the convening of the General Shareholders Assembly (“**AGEA**”) for the increment of the share capital and listing on the regulated market of the Bucharest Stock Exchange, as well as for the approval of a new acquisition (of Electroplast S.A).

### **1. Roca Industry’s Share Capital Increment and Listing on the Regulated Bucharest Stock Exchange**

Roca Industry’s Board of Directors submits for the shareholders’ approval the increment of the Company’s share capital by an amount of up to RON 150,000,000 (nominal value) by contribution in kind and/or by the conversion of receivables against the Company („**Increment of the Share capital**” or the “**Increment**”), by the issue of up to 15,000,000 new shares with a nominal value of RON 10/share and a total nominal value of RON 150,000,000 (the “**New Shares**”). The Company’s Management considers the Increment to be successfully completed in case the attracted funds are of minimum RON 75,000,000.

Considering all the opportunities in the mergers and acquisitions market at the moment, as well as Roca Industry's commitment both through the AeRO listing memorandum and the strategic plans for the next 3-5-7 years, to continue the development and consolidation of the holding, the Company's management considers the Increment of the Share capital as a natural and necessary action. It aims at obtaining funds to finance the current activity of the holding company and its member companies, i.e. ongoing and/or new projects.

As a first stage, the existing shareholders shall have the right to first refusal for the participation in the Share Capital Increment process, according to the legal provisions in force. After the granting and exercising of this right to first refusal, any unsubscribed New Shares shall be offered for subscription either by a **Public Bid** in which any Romanian investor may participate, or by a **private placement** addressed to certain persons in the European Union, in compliance with all the legal provisions in force.

Parallel to the capital increment, the Board of Directors proposes for the shareholders’ approval **the Company’s listing on the regulated Bucharest Stock Market**. The listing on the main market of BSE is a natural step for a holding which, in 2023, will count at least 5 companies, with minimum 10 factories, present in 3 European countries, and having a cumulated turnover of approx. EUR 150 mil. and an EBITDA of minimum EUR 15 mil. Moreover, Roca Industry aims at becoming a landmark for the companies in the industrial sector on BSE.

The movement to the regulated BSE will give the chance to other investors, including the institutional ones, to invest in the Company.

## **2. Acquisition of Electroplast S.A.**

The proposed transaction envisages Electroplast S.A. („**Electroplast**” or “**ELP**”), a company 100% held by Societatea de Investiții Alternative cu Capital Privat ROCA INVESTMENTS S.A. (“**Roca Investments**”), the majority shareholder of Roca Industry.

### **a. Brief History**

With an experience of over 30 years in the manufacturing of electrical low-voltage copper and aluminium cables, Electroplast S.A. is a company incorporated in 1993, with its registered office in Bistrita, Bistrita-Nasaud County.

In 2001 it became a Romanian-Italian joint venture by co-opting one of the greatest cable manufacturers in Europe (Italian Cable Company S.p.A - ICC). This came from the company’s need to develop its activity in an accelerated manner, including to the intention to extend to external markets. Thereafter, the company increasingly turned into one of the major cable and electrical conductor manufacturers in Romania. ELP knew a continuous development until 2008, when it confronted with the strong investment decrease, in a moment of maximum indebtedness.

There followed a period of almost 10 years in which the Company had not experienced any further development and streamlining of the business. In 2019, Roca Investments acquired a stake representing 50% of ELP's share capital, in the following year it increased its stake to 60% through a share capital increase, and subsequently, through two other transactions, by the beginning of 2023 it became the sole shareholder.

### **b. Operational Activity**

Over the last few years, ELP has taken significant steps to streamline its operational and commercial activities. At the moment, the Company holds more than 30 production lines and machines specific to its activity, producing about 3,600 cable types and sizes required for various fields such as: railways, commercial, civil, and industrial construction, energy, installations, telecommunications, mining, industry, etc. The newest products are the photovoltaic cables for which the market demand is extremely high. The company has contracts with numerous partners with a strong presence in the market, such as Alstom Transport, Orange Romania Communications, VLG RO, Construcții Feroviare Mureș, Siemens Mobility, etc.

The Company has already initiated and sustained a wide investment process, with main directions: (i) re-technologization (by the replacement of the main production line – winches, and by adding production lines that double the capacity of certain operations), and (ii) energy efficiency (by implementing two projects consisting in the purchase of solar panels, and by the replacement of air compressors and lighting systems, to ensure energy efficiency).

ELP holds a series of significant certifications, such as that of railway supplier issued by AFER or accepted supplier of Transelectrica and partner of Electrica. Furthermore, the Company holds a modern testing laboratory, accredited by RENAR (the national accreditation organism in the industry).

At national level, the Company is present through distributors, installers in infrastructural projects (including solar cables) and railway cable layers. Approx. 3% of the turnover for 2022 was generated by exports, however, there are perspectives of increment in these markets, with the Company intending to double this percentage in year 2023.

### **c. Financial Results**

During 2022, Electroplast delivered a much better financial performance than in 2021 and exceeded the expectations at the beginning of the year. The year 2021 was the year of Electroplast's complete

restructuring: the refinancing of the loan from Unicredit to CEC Bank was completed, a new CEO with significant experience in the field was recruited, and in 2022 a new CFO joined the team, along with a production director and an operational director. The Company also strategically focus on certain niches, as well as a higher number of orders in the "Installers" segment and increased sales to new customers. As a result, 2022 was the Company's best year in 30 years.

Electroplast SA	2020	2021	2022	22 vs '21 %
Turnoover	87,058,562	91,034,761	133,985,924	47%
Gross Margin	4,853,504	5,540,020	20,584,261	272%
GM %	5.6%	6%	15%	9.3 pp
EBITDA	-518,082	-750,819	10,006,809	N/A
EBITDA %	-0.6%	-1%	7%	8.3 pp
EBIT	-2,842,666	8,262,322	7,642,179	-8%
EBIT %	-3.3%	9%	6%	-3.4 pp
Net result	-6,377,638	5,029,444*	3,019,264	-40%
Net result%	-7.3%	6%	2%	-3.3 pp

Therefore, follow several years of weak financial performances, the Company, through operational efficiency and openness to new markets and products, ended the year 2022 with a turnover of RON 134.0 mil. (+47% compared to 2021), EBITDA of RON 10.0 mil.– with a margin of 7.47% of the turnover (vs -0,8% in 2021) and a net profit of RON 3.0 mil., compared to a profit of RON 5.0 mil. In 2021 (the net profit margin in 2022 is of 2.3%).

\*The net result in 2021 was influenced by a non-recurrent event (refunding of the bank credits with a positive impact on the profitability of RON 11.6 mil.), which affects the comparison between the years.

#### d. Company's and Market Perspectives

Going forward, for the year 2023, the Company has solid strategic plans which continue the strategic directions initiated in 2022, such as: development of the solar cable portfolio and of the export and railway cable portfolios, at commercial levels, but also the investments in CAPEX and in the continuation of the operational efficiency growth. These actions will accelerate the Company's development in terms of production capacity, also considering the completion of the investments in production equipment.

Moreover, as growth premises, we expect an increment of the turnover of over 13%, an increment of volume of 18% (sold tones), as well as a consolidation of the gross margin by approx. 16%.

Electroplast SA	2022	2023 Budget	B'22 vs R'22 %	Q1 Obtained 2023	Q1 2023 Budget	R T1 '23 vs B T1'23
Turnover	133,985,924	150,758,214	13%	35,766,739	29,247,093	22%
Gross Margin	20,584,261	23,958,429	16%	4,215,186	4,314,305	-2%
GM %	15,4%	15,9%	0.5 pp	11.8%	14.8%	-3.0 pp
EBITDA	10,006,809	11,332,836	13%	1,260,758	1,245,421	1%
EBITDA %	7,4%	7,5%	0.0 pp	3.5%	4.3%	-0.7 pp
EBIT	7,642,179	8,830,018	16%	755,591	736,952	3%
EBIT %	5,7%	5,9%	0.2 pp	2.1%	2.5%	-0.4 pp

Net result	3,019,264	3,585,764	19%	-448,772	-505,809	N/A
Net result%	2,3%	2,4%	0.1 pp	-1.2%	-1.7%	0.5 pp

According to the Romanian National Recovery and Resilience Plan (NRRP), one of the measures proposed under the "Infrastructure" Section is the modernisation and extension of the railway network, through investments in the infrastructure, innovative equipment, and technologies. For the C4 Sustainable Transportation component, NRRP envisages the allocation of EUR 7,620 mil. NRRP represents an opportunity for ELP to develop its railway component, as leader on the railway cable market, by the participation in projects envisaging the modernisation and extension of the railway network, but also of the underground networks, and by the development of innovating products and solutions in this field.

At the same time, the surveys carried out by Financial Trends on the cable market in Romania highlights the following trends for the period 2022-2026:

- i) In relation to the consumption of insulated electrical conductors for a voltage exceeding 1,000V – a cumulated progress of 7.27% for the entire period, and an average annual increment of 1.45%. In nominal terms, we anticipate an increment of the total consumption value of up to EUR 97,291 thousand in 2022, of up to EUR 103,691 thousand in 2026. The increment is expected to be mainly covered by the products from the internal market, therefore the demand for local products would be maintained at the level of 71.94% of the total consumption;
- ii) For the consumption of other electrical conductors for voltages of less than 1,000V, without connectors – a cumulated development of 38.7% for the entire surveyed period, and an average annual growth of 7.74%. In nominal terms, we anticipate an increment of the total consumption value of up to EUR 808,852 thousand in 2022, and of EUR 1,060,797 thousand in 2026. The demand is expected to be further covered mainly by products from the external market, and the demand for local products would maintain at a level of 33.93% of the total consumption.

#### **e. Strategic Details**

Roca Industry envisages those industries adjacent to construction materials, industries with a growth potential and oriented to products of the future. Moreover, the holding is oriented towards those companies with a growth potential in their respective industries, which are not yet in the top 3 of their industry, but with a potential products portfolio that allows the geographical expansion at European level.

For this purpose, ELP fully meets the conditions of entry into the Roca Industry Holding: with a CAGR (compound aggregated growth rate) of 8.1% in production, for the next 5 years, the industry is applicable to all the activities that use forms of energy, including green energy. Moreover, the Company holds a specialised and expertise portfolio in specific industries, with a potential of development towards the MV cable area, but also premises to penetrate European specialised markets through the already obtained accreditations. In terms of its turnover, the Company is now ranked the 7<sup>th</sup> on the Romanian manufacturers' market, while the first positions are held by players such as Prysmian (one of the international market leaders), ICME ECAB (part of the Hellenic Cables Group) and ROMCAB SA, the oldest electrical conductors' market, the state operator of this industry as of 1951.

Although in 2022 ELP registered a good financial status, during the prior years it had a weak financial performance requiring solid and operational financial supports. Upon the creation of the Roca Industry Holding, the ELP's restructuring process was ongoing, with financial and operational restructuring already implemented, but with a negative EBITDA and a process of supplementing the management team. The inclusion of ELP in the Roca Industry's portfolio at that time would have made difficult the Company's listing on the AeRO market. Additionally, at that moment ELP was held by other six shareholders. Thus, the transaction has the ability to reunite all the companies active on the construction material market which were held by Roca Investments, under the specialised holding's umbrella, ELP being the last thereof.

To complete the transaction whereby Roca Industry purchases Electroplast, the Company's management identified several opportunities, such as:

- a steady increment of the turnover during the last years, including by multiple product categories with high specialisation degree (e.g. railway) and by plans to open new international markets;
- ELP is the leader on the railway cable market (a very regulated market in terms of certifications/quality, the products being complex and of high quality);
- opportunity in terms of attracting funding through the PNRR program (allocation of 7.620 mil EUR) for ELP to develop its railway component. The modernizations on Corridor IV (railway cables) on the sections between Nădlac and Braşov have been carried out using ELP cables. The company is actively oriented towards existing trends at the European level that impose higher safety standards in the construction sector, as well as aspects related to energy efficiency, sustainability, and other matters of public interest. For example, in compliance with the requirements of Regulation (EU) No. 305/2011, Electroplast holds "Certificates of Constancy of Performance" for certain cable families (e.g., N2XH/NA2XH type).
- Electroplast has responded to the political, economic, and successive crises of the past three years (health, political, economic, and natural resources) and, as a result, to the market demand for renewable energy by certifying solar cables for photovoltaic systems (panels and photovoltaic panels) - H1Z2Z2-K type, Eca class. The demand for such systems has increased significantly recently, given the numerous subsidized programs implemented by national and European entities.
- the Company has a complete management team, with proven know-how;

The process of retechnologizing the equipment has been initiated, and the majority of the equipment is expected to be operational by the year 2023 (at the latest, the beginning of Q3 2023). The total value of the project exceeds 2.9 million euros, which includes investments over a three-year period, divided as follows: 20% in 2022, 44% in 2023, and 36% in 2024. This retechnologization contributes to energy efficiency, increased productivity, and production capacity, including the elimination of production bottlenecks, with a direct impact on improving margins and profitability levels. Considering all the performed surveys, using both internal resources and consultants, the Company's management considers that Electroplast's integration in the holding is in line with Roca Industry's strategy. Thus, through this transaction, the Company takes a further step towards reaching its expansion goals through the accelerate consolidation and development of the holding by acquiring new companies and creating added value, by common synergies and instruments.

#### **f. Transaction Structure**

ELP is a company limited by shares, with a capital of 3,996,000 ordinary shares. Roca Industry intends to acquire 3,995,999 shares, 1 share to remain under the property of Roca Investments (in order to comply with the legal provisions expressly requiring a company limited by shares to have at least two shareholders).

The price proposed by the Board of Directors and submitted for the AGEA's approval is around the company's assessed value, value established by an assessment report prepared by a certified independent assessor (Veridio) based on financial results at the end of 2022. Further to the assessment, the market value of the company was of RON 45,751,000 (for 100% of the shares). Thus, **the proposed transaction price equals RON 45,750,988.6.**

Additionally, Roca Industry shall take over, as assignee, all the receivables held by Roca Investments against Electroplast, resulting from the loan agreements concluded by Roca Investments, as creditor, and Electroplast, as debtor, for a transfer price equal to the nominal value of these receivables. The expected value of the receivables is of maximum RON 12,000,000.

If the shareholders of Roca Industry approve this transaction, the price for the purchased shares, as well as for the taken over receivables will be paid in cash or a receivable of Roca Investments may be presented

against Roca Industry to be subsequently converted in shares within the Increment of the Share Capital of Roca Industry.

In order to avoid any potential Roca Investments' conflict of interests, which holds a double quality under this transaction, i.e., of Seller (as sole shareholder of ELP) and majority shareholder of the Buyer (Roca Industry), Roca Investments shall not take part in the General Shareholders' Assembly organised for the shareholders' discussion and approval of the transaction whereby Roca Industry purchases 99.99997% of Electroplast's share capital. Therefore, the transaction shall be subject to the exclusive approval of the other shareholders.

**Ioan-Adrian Bindea**

**President of the Board of Directors**