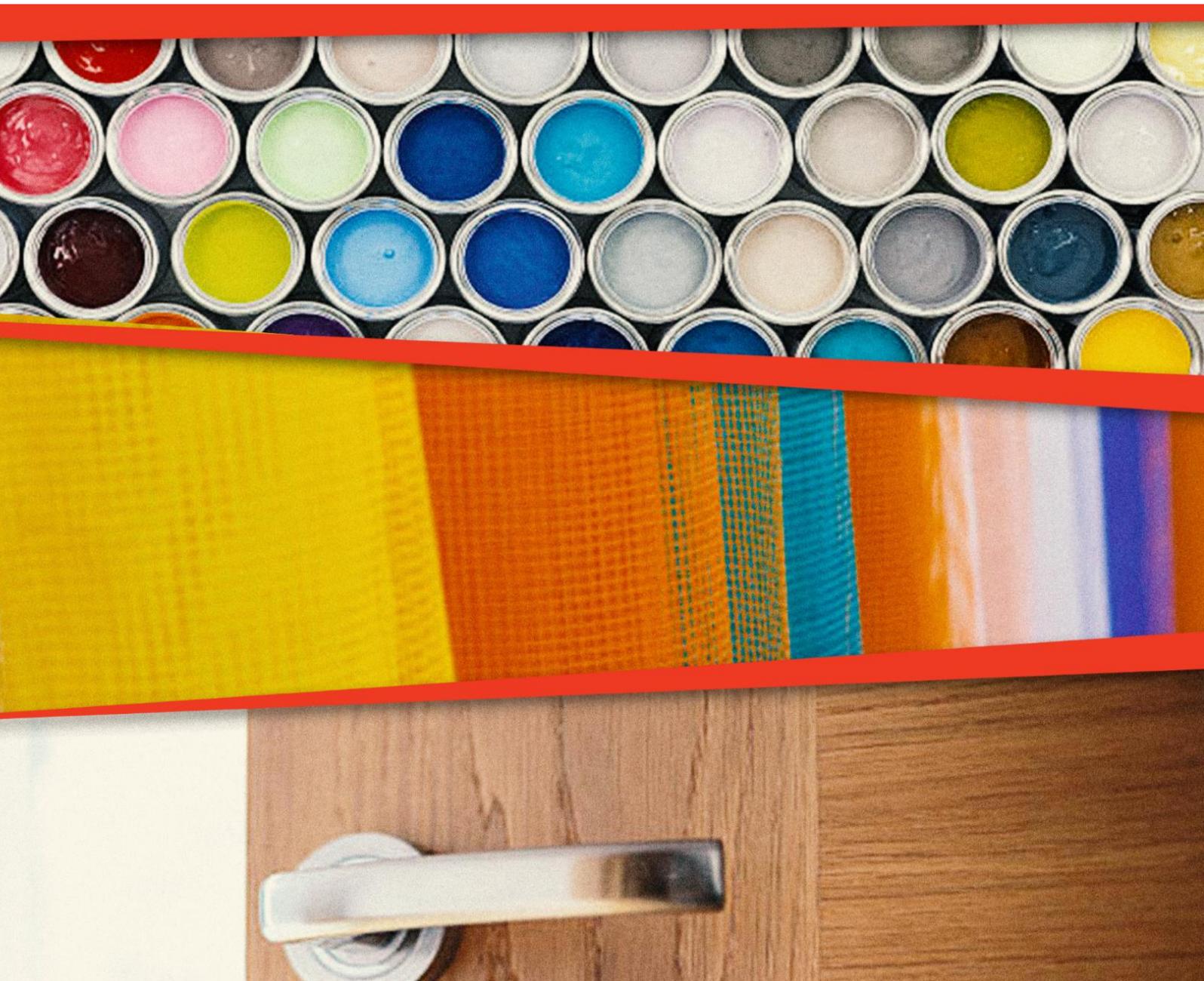


# ROCA INDUSTRY 2022 DIRECTORS' REPORT

Company listed on the AeRO market  
of the Bucharest Stock Exchange



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# ISSUER INFORMATION

## INFORMATION ABOUT THIS FINANCIAL REPORT

Type of report	Directors' report 2022
For financial year	01.01.2022 – 31.12.2022
Report publishing date	27.03.2023

## ISSUER INFORMATION

Name	ROCA INDUSTRY HOLDINGROCK1 SA
Fiscal Code	RO 44987869
Trade Registry number	J40/16918/2021
Headquarters	4 Gara Herastrau street, BUILDING A, Floor 3, District 2, Bucharest

## INFORMATION ABOUT FINANCIAL INSTRUMENTS

Subscribed and paid-up capital	RON 176,945,730
Market on which securities are traded	SMT-AeRO Premium
Total number of shares	17,694,573
Symbol	ROC1

## CONTACT DETAILS FOR INVESTORS

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The financial statements for 2022 presented on the following pages are **audited**.

# MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



As CEO, I often ask myself how the company looks from a shareholder's perspective and what information I would need if I were a shareholder, not an executive. The lines below are written with these concerns in mind, while trying to answer a series of the questions I believe to be relevant. These lines are written in a challenging market context, where we are adjusting plans, where budgets are under pressure, where we are preparing alternative scenarios to better manage difficult circumstances. In this sense, together with the auditors, we decided to incorporate, on short term, the possibility of more difficult quarters into the

results. We consider this exercise of prudence as one of responsibility and transparency, in which we present the financial results as of 31 December 2022 through the lens of what we see now and the new signals from the market. However, regardless of the economic situation, the principles that follow are still standing.

## How we create value

If I were to use a metaphor, we can see Roca Industry as a tree, where the holding company functions as a root which helps the companies develop. The holding is not visible on the market, but it consolidates, delivers energy and vitality, helping an entire system to develop and bear fruit.

At Roca Industry, we create value in the companies that make up the holding, the holding's activity being focused on the growth of the companies it owns. For this reason, Roca Industry is the amount of its subsidiaries, augmented by the intra-group synergies that we generate. Thus, we create value by increasing the individual value of the four companies in our portfolio.

In doing so, we chose to build brick by brick, floor by floor, out long-term value. Our business development model is designed as follows: development of our operational capacity (management and strategy team developed together) -> organic growth (investment in the development of the production capacities and efficiency) -> growth through M&A.

Thus, the first stage following the takeover of the companies is to develop the operational and organisational capacity thereof, and here, the holding's support is very relevant. At this stage, we primarily focus on building a management team of seniors with experience and expertise in the industry. We build around the know-how we identify within the companies, around those who brought it up to this level and supplement whenever so required.

The Roca Industry companies have Chief Executive Officers with vision, true leaders who have the capacity to generate energy within the team, capable of creating and then implementing a long-term strategy.

For us, the commercial managers are not necessarily sales managers. They are efficient market experts, proficient strategists, able to implement modern commercial policies, juggle between policies, channels, clients, find the best mixt, lead the sales team as well as the support teams.

The CFOs go beyond accounting and are especially skilled in cash-flow management, analysis, forecasting, integrating information from internal (production) and external (market) sources into models that give the CEO the basis for tactical decisions.

The production managers are responsible not only for ensuring that the company produces enough, on time and in quality standards, but also that the business improves continuously.

We introduce the marketing concept, because one of the powerful elements of growth in companies is the shift from a producer mentality to that of a company with complex market functions that understands both the needs of end users and those of distribution channels.

### **Sustainability, long-term vision, healthy growth**

Last but not least, the human resources managers ensure that all the employees are valued, benefit from regular training and, in general, are provided with all the conditions to perform. On top of that, we implement processes and procedures, ensure the transfer of good practices between the companies. Finally, the right people in the right place, at the right time, in the right team, with the right tools and procedures, **generate shareholder value**.

In the second stage, we focus on the organic growth of the companies. The first step is the strategic planning, setting the companies' development direction based on which the investment decisions, as well as commercial strategy and new product development, are made.

We put a great emphasis on investments, both in efficiency, in increasing production capacities and in developing new verticals. Digitalization is extremely important for us, we are aware that long-term results depend very much on the adoption of modern working methods. At the moment, out of 4 companies, we have managed to implement ERP in 2 (Bico and Sarcom, the oldest ones) and we are in the process of selecting the others. The next step is to implement CRM, WMS, BI, production planning and the other natural additions. Step 3 is to move into the Industry 4.0 area. We had a pilot project in Bico Industries in 2021, which did not give the expected results and we are closely following a pilot project that is being implemented in another Roca Investments company (so outside Roca Industry, but inside the group). Moving forward, step 4 will be the implementation of robots on production lines. And here we have a pilot project at Bico, and to the extent that it will be successful, we will expand it. In terms of production capacities, as I have mentioned in other communications to shareholders, we have important plans. At Bico Industries we have submitted a project for state aid in the amount of approximately EUR 10 million, which did not materialize, but we intend to apply for the next aid schemes, or even to implement it gradually from our own funds. At Sarcom we also have a EUR 8 million project to relocate the factory, replace more than 80% of the equipment with modern ones and open a new business vertical. At Eco Euro Doors and Dial we are in the process of completing new production halls of 5,000 sqm each, which will ensure the accelerated growth of the

companies. At the same time, we are aware that all these investments generate only momentary costs, in our long-term horizon. When they are completed, **we will generate shareholder value** through them.

Last but not least, M&A is fundamental for developing regional champions. Here we want to replicate the Bico Industries model of development which, on the third year after Roca's entering the shareholding, managed to make the first acquisitions, and during the following weeks we hope we will be able to announce the third one. These 3 companies shall add minimum 50% to the Bico Industries's turnover and, as we hope, they will generate minimum 2,5 mil EUR EBITDA. Besides the growth, the acquisitions also create synergies, but, above all, they provide great flexibility to the company's strategies. Holding 5 factories in 3 countries, Bico shows great flexibility in the cost and product structure, which translates into the possibility to create a very agile commercial policy. This is one of the reasons why approximately 60% of Bico's products are exported to more than 10 countries, mainly in Western Europe (Italy, Spain and Portugal). It is a successful model that we intend to replicate. It is also important to mention that in these processes we use the M&A expertise of the group. Thus, as we have already mentioned, the transactions carried out are at EBITDA multiples well below the market, i.e. between 2.5 and 3, which means that we pay less than half of the market value of the respective companies, thus generating profits from transactions of at least EUR 5 million. It is, in other words, **another way in which we generate shareholder value**.

### How we measure value

We have already shown that we have a long-term vision which involves the establishment of regional champions by the creation of a solid foundation and by long-term investments into production capabilities and acquisition of companies. Since we are convinced that all the companies are in a growth process, as well as that they are far from having reached a plateau and that they will look very different in 2025-2026 than they do now, we use models that consider the evolution over time, such as Discounted Cash Flow, in our valuation. We also avoid using static methods, such as net profit multiples, as these consider the current expenditure on investments without capitalising on their future results. So, we measure value by looking into the future, putting into the equation all the knowns and unknowns, balancing the seeds planted today with the fruits we will reap.

In the way I am looking at the companies, their evaluation, strategy creation and transaction structuring, I rely on my experience in private equity, on the history of more than 10 transactions of both purchase and sale, and numerous companies developed in recent years. Thus, although we have taken the decision to incorporate into the results a series of adjustments that highlight the possibility of short-term turbulence, I have full confidence that in the medium-term our strategy is a winner, and our initial assumptions regarding the value of the companies will be confirmed.

I started this message by saying that the holding is the amount of the companies thereof. This is also how we see them when we assess them. From this point of view, we measure the value of the holding as the amount of its companies' value.

At the same time, we understand the difficulty of the investors in assessing the holding based on public information. We are trying to mitigate it by providing very detailed reports, as many numbers as possible as well as many ways of presenting them, by submitting update reports as often as possible, whenever we identify any relevant details, even if the detailing is under the level required by market regulations. We did this in a positive sense when we announced the negotiations for the acquisition of Iranga, as well as in a negative sense when we announced the discovery of theft at Bico Industries. We also do this by organising investor conferences, such as the one to be held on 28 March. It is our way of delivering, to the best of our knowledge and ability, on our promise of transparency. I conclude this idea with the promise that we will continue to try to be clearer in our communications, so that our shareholders hold the information they need to measure our value.

### **How we distribute value**

The main idea of this message is the building of long-term value. Our vision of creating regional champions takes time, patience, but most of all, investments. This is one of the reasons why we decided not to promote the distribution of dividends in the short term. While we understand shareholders' need to be rewarded for the trust they placed in us, we believe that the opportunities we have justify the allocation of cash in this direction.

On the other hand, the holding company's growth model consists in the acquisition of new companies, and to cover the amounts required for these transactions we use the Leveraged Buy Out mechanism, i.e. a bank financing mechanism for the transactions, which in turn prevents the companies from distributing dividends to the holding company until after the return of a part of the debt. Thus, by not receiving dividends, the holding company does not generate profits to be used for the payment of further dividends.

I wrote these lines to respond to the logical question raised by all our shareholders, i.e. how does the value we generate reach you. The answer is: by increasing the value of the share. Our goal is to ensure that everything we do day by day, both us and our colleagues within the companies, translates in creating value, communicated so as to be understood on the market, and all of the above to converge towards the increment of the ROC1 shares. Our shareholders need to make profit from holding ROC1 shares, from the trust they place in us, from staying with us.

**Ioan-Adrian Bindea**

**General Manager**



# EXECUTIVE SUMMARY

The **2022 Directors' report** of ROCA Industry Holdingrock1 S.A. contains a brief presentation of the company and its subsidiaries, presents the main events that took place during the year, explains the individual and consolidated financial results of the Company, including also the subsidiaries, provides an overview of the holding's strategy and prospects for 2023 and describes the main financial and business risks identified.

**2022 at a glance: first year since admission to trading, 4 major acquisitions and advanced negotiations for continuing regional expansion.**

## Main events during the year

- **The listing of Roca Industry** on the AeRO market of the Bucharest Stock Exchange;
- **Four new companies acquired** during 2022:
  - Completion of the Terra Impex transaction in March, through the acquisition by Bico of 100% of the share capital, moment which also represented the expansion of the holding in the Republic of Moldova;
  - Completion of the Eco Euro Doors transaction in May, through the acquisition by Roca Industry, through the investment vehicle Doorsrock4, of 70% of the company's share capital. Additionally, following the exercise of the sale option (Put Option) by the former shareholders, in December 2022 Roca Industry increased its participation up to 100% of the share capital of EED;
  - The complete takeover of Dial in September, by Roca Industry, through the investment vehicle Nativerock1;
  - The takeover by Bico of the 50% stake in the share capital of Europlas Lux (Republic of Moldova) in October, with the acquisition of an additional 5% stake to be completed in the first part of 2023;
- Advanced negotiations for **the acquisition of 100% of the share capital of Iranga Technologijos, UAB**, a Lithuanian company;
- **Merger between Sarcom and Colorock13** (the investment vehicle through which Sarcom was acquired, with the aim of obtaining a credit facility to ensure the necessary financing structure), one of the key conditions agreed with the lender in order to obtain the credit facility and the subsequent financing of Sarcom;

## 2022 financial results

Roca Industry is the holding company that manages the companies in the Group <sup>1</sup>, without having operational or production activity of its own. At the end of December 2022, the Holding held stakes in six productive companies, Bico, Sarcom, Eco Euro Doors (EED) and Dial directly, as well as in Terra and Europlas Lux – indirectly, through Bico, and controlled two investment vehicles (SPVs – Doorsrock4 and Nativerock1). The complete picture of the entire group of companies is presented on page 13.

Four of the six companies were acquired during 2022, at different times (Terra in March, EED in May, Dial in September and Europlas in October), the direct or indirect holdings of Roca Industry in these companies being distinct (Sarcom – 100%, Bico – 70%, Terra – 70% (in which Bico holds 100% of the share capital), EED – 100%, Dial – 100%, Europlas – 35% (in which Bico holds 50% of the share capital). As we already mentioned in the previous financial reports, for a more accurate picture of reality the company's management presents the group's results in three forms: consolidated results, combined results and normalized results.

Million RON	Combined Results FY '22	Consolidated Results FY '22	Normalized Results FY '22
Turnover	366.8	263.1	366.8
EBITDA	39.6	23.6	39.6
Net income	9.0	(18.2)	(8.1)
Profit related to the parent company	-	(19.6)	(10.4)
Profit related to non-controlling interests	-	1.4	2.3

*The amounts are expressed in million – RON*

Compared to the preliminary financial results published by Roca Industry on 28 February 2023, adjustments were made both at standalone as well as at consolidated level. These decreased the individual net result from a net profit of RON 2.6 mn to a net loss of RON 9.86 mn and the consolidated net loss from RON 4.8 mn to RON 18.2 mn. The main changes refer to the impairment of shares held in subsidiaries, so that the possibility of more difficult quarters is included in the results. This exercise was one of prudence and responsibility and transparency, where the financial results as at 31 December 2022 are presented in the light of what we see now and the new signals from the market. In the following period, the management of the holding company will make every effort to fulfill the conditions for the reversal of these registrations. The outlook going forward, to the extent that the current financial year ends without the turbulence anticipated by the adoption of these measures, is that this adjustment will be reversed.

All the above results are confirmed by the independent auditor by issuing an unqualified audit report.

<sup>1</sup>The Roca Industry group is represented by Roca Industry Holdingrock1 SA, together with its subsidiaries

- Consolidated results** in which, according to the accounting rules in force, the holding company is obliged to include in the scope of consolidation only those companies in which it holds majority stakes for at least one month at the reporting date. **In the view of the transactions finalized during the year, this reporting method may affect the perception on the results as the performance of each company included in the holding is taken into account from the moment of inclusion in the reporting, without taking into account previous achievements or the provisions of the transaction documents.** Consolidation is carried out according to the shares held by the holding company in each company. Thus, in the consolidated financial statements of Roca Industry for 2022, the performance of Terra is included starting from Q2 2022, the performance of EED is incorporated starting from June (when Roca Industry owned 70% of the share capital, the increase of ownership up to 100% being achieved in December 2022), and Dial's results are only included for the fourth quarter of 2022, following the completion of the acquisition at the end of September. Additionally, for the results of Europlas, a company in which Roca Industry has an indirect minority stake, a share of 35% of its net profit was recognized for the October-December period, after the moment when Bico acquired 50% of the share capital. EBITDA in the amount of EUR 23.6 million is reduced by the impact of amortization of goodwill, licenses, brands and customer relations, expenses amounting to RON 10.8 million for the entire year 2022, elements that appear only in the consolidated financial statements (without being reflected and having impact on individual or combined ones), as well as the impairment of intangible assets, element that is reflected only in the consolidated financial statements.
- The combined results** have the objective to present financial information in a format that allows comparability with the previous year, without the percentage of ownership and acquisition date figures being affected. These are relevant as they show the activity of the company itself, without the influence of corporate events. The combined results are summing up the individual performance of each subsidiary over the entire reporting period, regardless of the moment of its acquisition and without considering the share of Roca Industry holdings in the share capital of each company. These results do not include the impact of the expenses of RON 10.8 million with the amortization of goodwill, licenses, brands and customer relations, nor the impact of the adjustments imposed by the consolidation principles.
- The normalized results** reflect how the transactions were structured and are calculated starting from the consolidated profit and loss account for 2022, to which the performance of the newly acquired companies during the year is added, without taking into account the date of acquisition. Thus, considering that the structure of the transactions stipulated that the net results prior to the acquisitions remain at the disposal of Roca Industry or Bico (entirely in the case of Terra and partially in the case of Europlas), these results transpose the performances of EED, Terra, Dial and Europlas as if they were in Roca Industry's portfolio starting 1 January 2022.

### Combined financial performance

- At a combined level, in 2022, the Group recorded turnover in total amount of RON 366.7 million, by 24.6% higher than the one recorded in 2021.
- Although impacted by the atypical market context, with higher raw material costs in the last months of the year, the productive companies achieved a **combined EBITDA of RON 43.2 million**, respectively an **EBITDA margin of 11.8%**.
- As a result of the new companies acquired during the year, at the level of the entire holding, EBITDA, in the amount of RON 39.6 million, recorded additional operating expenses of the holding and its investment vehicles. Thus, at a combined level, the EBITDA margin represents 10.8% of the operating revenues.

Combined profit and loss account indicators	Results for 2022 (thousand RON)			EBITDA margin 2022	Net Profit Margin 2022
	Turnover	EBITDA	Net result		
Sarcom	77,030	9,482	6,915	12.3%	9.0%
Bico	102,357	8,928	1,337	8.7%	1.3%
Terra	44,197	4,250	2,820	9.6%	6.4%
Europlas Lux	10,616	992	662	9.3%	6.2%
EED	67,093	11,769	5,256	17.5%	7.8%
Dial	65,446	7,825	4,374	12.0%	6.7%
<b>Companies' total</b>	<b>366,738</b>	<b>43,246</b>	<b>21,364</b>	<b>11.8%</b>	<b>5.8%</b>
Roca Industry	-	(3,351)	(9,827)	N/A	N/A
Colorock13	-	(150)	(2,505)	N/A	N/A
Doorsrock4	-	(110)	(1,731)	N/A	N/A
Nativerock1	-	(30)	1,714	N/A	N/A
<b>Holding and SPVs total</b>	<b>-</b>	<b>(3,641)</b>	<b>(12,349)</b>	<b>N/A</b>	<b>N/A</b>
<b>Combined total</b>	<b>366,738</b>	<b>39,605</b>	<b>9,015</b>	<b>10.8%</b>	<b>2.5%</b>

- The increase in bank interest combined with higher indebtedness as well as the additional expenses with amortization following the investments made, generated for the directly productive companies a **combined profit of RON 21.4 million (5.8% net profit margin)**. At Group level, the combined net profit is in total amount of RON 9.0 million which includes also the impairment on the shares held in subsidiaries (non-cash item of RON 12.4 mn).

### Consolidated financial performance

During 2022, the five directly productive companies included in the consolidation perimeter recorded increases in turnover (between 20% and 35%) compared to 2021. This increase came mainly from the ability of the companies to integrate, partially or total, the increased prices of raw materials as a result of difficult market conditions, in the price of sold products. As the first three months and last three months of each year are affected by strong seasonality in the construction materials industry, **consolidated EBITDA** reached 9% of turnover. The transactions carried out during the year that led to the consolidation of the holding also generated an increase in depreciation and amortization expenses following the recognition of the goodwill from the acquisitions, as well as financial expenses as a result of the increase in bank interest and the new credit facilities required by the companies in the

group (including LBOs - leveraged buyout) negatively influenced the net result. Thus, incorporating also the above mentioned impairment, the recorded **consolidated net loss** was RON 18.2 million.

### Roca Industry's individual performance

- Roca Industry recorded **financial revenues** in the amount of RON 6.9 million (out of which RON 3.2 million come from dividends distributed by Bico for 2021 financial year), from which the holding's **operating expenses** and financial expenses were deducted. As a result of a prudent approach, the company recorded an impairment of holdings in subsidiaries in the total amount of RON 12.4 mn, the sole change as compared to the preliminary results. Thus, Roca Industry applied a prudent, responsible and transparent approach and included in the results the possibility of more difficult quarters, reporting a **net loss** of RON 9.86 mn.

### Holding's strategic guidelines

- Accelerated organic development through investments in technology, development of new products and access to new markets;
- Consolidation and accelerated development through acquisitions, both at the level of Roca Industry (horizontal integration) and at the level of its subsidiaries (vertical integration);
- Development of group synergies, unitary procurement and sales structures, to support and improve the economic activity of Roca Industry and its subsidiaries;
- Implementing a professional management, acting according to modern principles at the level of branches;
- Development of production lines for sustainable construction materials at subsidiaries level.

### Perspectives for 2023

- Roca Industry will continue to take steps towards Romania's reindustrialization; the company targets three transactions to take place, either directly in the holding company or in group companies, with a total value of at least EUR 20 million, companies that will add at least EUR 3 million/year to the cumulative EBITDA;
- The main objectives, at consolidated level (without including the new transactions in which the holding company is/will be involved during the year), are to ensure the Group's solid growth, generating a gross margin of 26%, EBITDA margin of 14% and a net margin of 4%.

# ROCA INDUSTRY ON THE CAPITAL MARKET

## SHARE PRICE AND LIQUIDITY DEVELOPMENTS

On 27 January 2022, Roca Industry shares were admitted to trading on the AeRO market, the Multilateral Trading System of the Bucharest Stock Exchange, under the stock symbol ROC1. Previously, in December 2021, the company successfully held a private placement of its shares during which 4,500,000 shares were issued at 10 RON/share to 120 shareholders.

At the end of 2022, Roca Investments increased its stake in the holding, from 59.8815% up to 60.7958% of the share capital, through the acquisition of a total number of 161,790 shares. Consequently, on the 4<sup>th</sup> of January 2023, ROC1 shares were held by 566 shareholders, legal persons and natural persons. ROC1 shareholding structure, in accordance with the information provided by the Central Depository on 4 January 2023, is the following:

Shareholding structure at 4 January 2023			
	Number of shares	Value (RON)	Total %
Roca Investments SA	10,757,557	107,575,570	60.80%
Mihai Bîrliba	1,014,461	10,144,614	5.73%
Other shareholders	5,922,555	59,225,550	33.47%
<b>Total</b>	<b>17,694,573</b>	<b>176,945,730</b>	<b>100%</b>

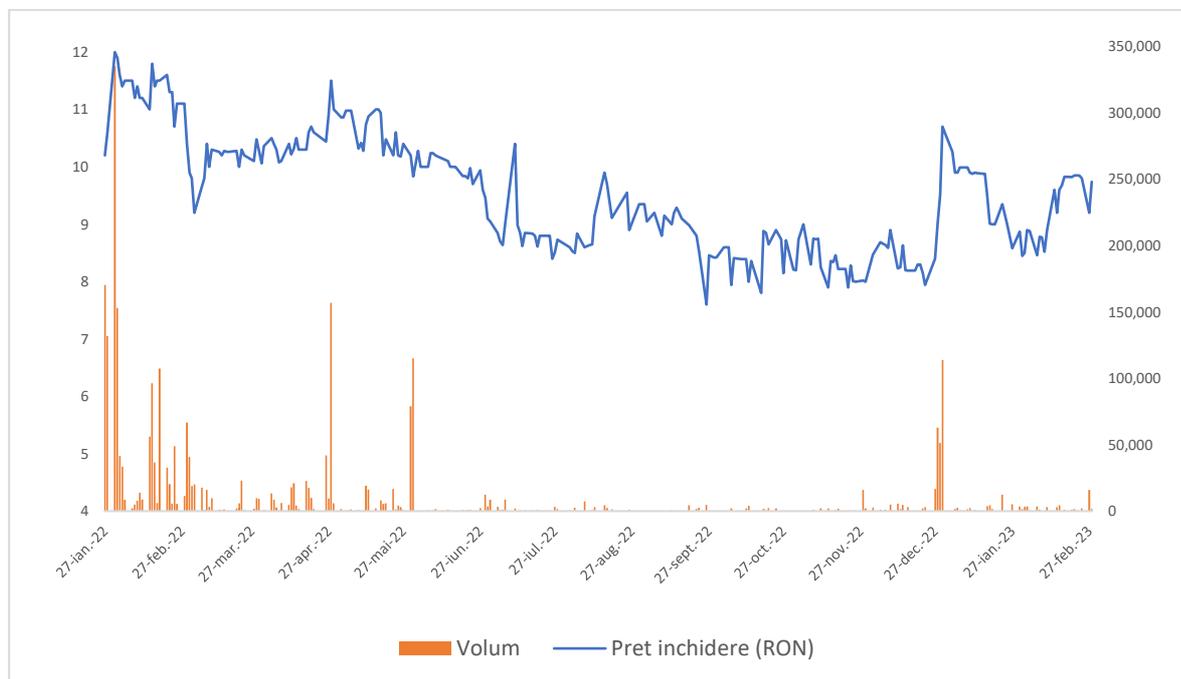
ROC1 shares are included in the composition of BSE index, BET AeRO (the AeRO market reference index managed by BSE).

From listing date to 28 February 2023, ROC1 shares recorded a minimum price of RON 8.4 (26 July 2022) and a maximum price of RON 12.0 (31 January 2022). In this period, the weighted average price (excluding the deal transactions) was RON 10.64.

Compared to the listing price (RON 10), ROC1 shares have closed **the year 2022** at RON 10.70, that is 7.0% higher compared to the listing date, while BET AeRO index recorded in this period a fall by 22.0%. This favourable development of ROC1 was partially generated by the acquisitions made by Roca Investments.

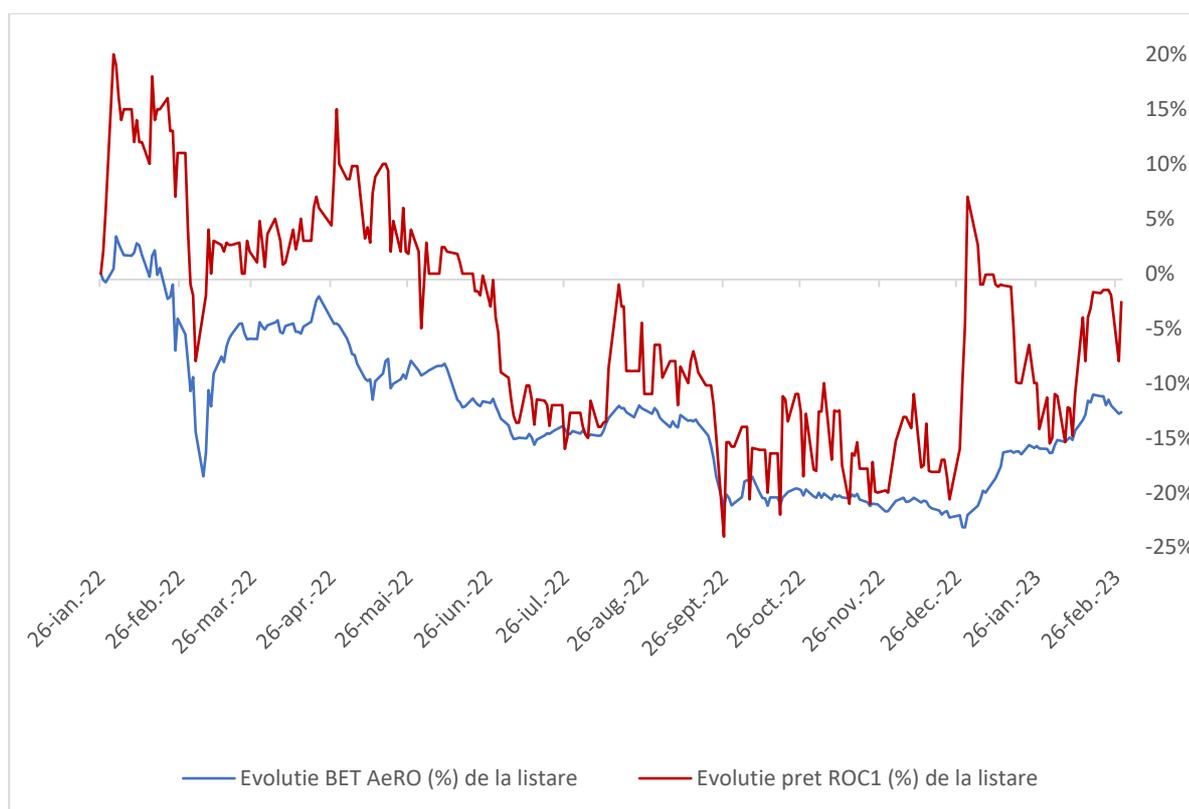
During 2022, ROC1 shares attracted a liquidity of RON 27.43 mn on BVB's AeRO market (2.56 mn shares, about 14.5% of the total number of the company's shares), with a daily average of RON 127.6 thousand, with a daily average activity of over 11.9 thousand shares. In this calculation the DEAL transactions have been removed.

**The daily volume and closing price of ROC1 shares between 27 January 2022 - 28 February 2023 (without taking into consideration the deal transactions)**



In the challenging macroeconomic context of 2022, which continued to manifest itself in the first months of 2023, while the BET AeRO evolution was a decreasing one (-12.7%), **from listing to 28 February 2023**, the price of ROC1 shares diminished by 2.6% (up to the level of RON 9.74). Total recorded liquidity was RON 28.25 mn (2.65 mn shares, about 15.0% of the total number of the company’s shares).

**The closing price development of ROC1 vs BET AeRO between 27 January 2022 – 28 February 2023 (excluding the deal transactions)**



## DIVIDEND POLICY

In accordance with the principles of Corporate Governance applicable to issuers whose securities are traded on the AeRO market operated by the Bucharest Stock Exchange, Roca Industry has adopted a dividend policy, as a set of directions regarding the distribution of net profit. The relevant principles with reference to the dividend policy are set out below:

- The company recognizes the rights of shareholders to be remunerated through dividends, representing the participation in the net profits accumulated from operations as well as the remuneration of the capital invested in the company.
- Dividends are distributed from the Company's net distributable profit based on the individual audited annual financial statements and/or from Company's other items of equity, and not from the net profit according to the annual audited consolidated financial statements.
- The dividends distributed and paid by the Group's Subsidiaries in year N (related to year N-1 results of the Subsidiaries) are recorded as finance income in Company's individual financial statements in year N and thus constitute the source of the net result from which the Company proposes and pays dividends to its shareholders in year N+1 (related to the Company's result of year N).
- Profits obtained by the Company through the collection of dividends from the Subsidiaries will be directed both to the distribution of dividends to the Company's shareholders and to the financing of development plans, as needed.
- The Company does not intend to propose distribution of quarterly dividends.
- The company proposes to reward its shareholders also by granting free shares, following the capitalization of part of the net profits earned by the company.

- The proposal for the distribution of dividends, in the form of free shares or cash, including the rate of distribution, will be made by the Company's Board of Directors, subject to the approval of the General Meeting of Shareholders, adopted in accordance with the law.

In selecting a certain dividend pay-out ratio according to the dividend policy, the Board of Directors shall take into consideration the following:

- reducing the fluctuations in dividend yield from one period to the next, as well as the absolute dividend per share value;
- Company's investment needs and opportunities;
- contributions of non-monetary items to net reported profit, if the case;
- financial resources available for dividends payment as well as the Company's indebtedness;
- setting up a dividend yield comparable to other listed companies in the industry or related sectors.

Any change in the dividend policy will be communicated to investors, and any interested party will be able to access it on company's website at the link [Corporate Governance | ROCA Industry](#).

Established in September 2021, Roca Industry recorded mainly operating expenses aimed at making the holding operational. Thus, since at the end of 2021 the company recorded a net loss, during 2022 it did not distribute dividends to shareholders.

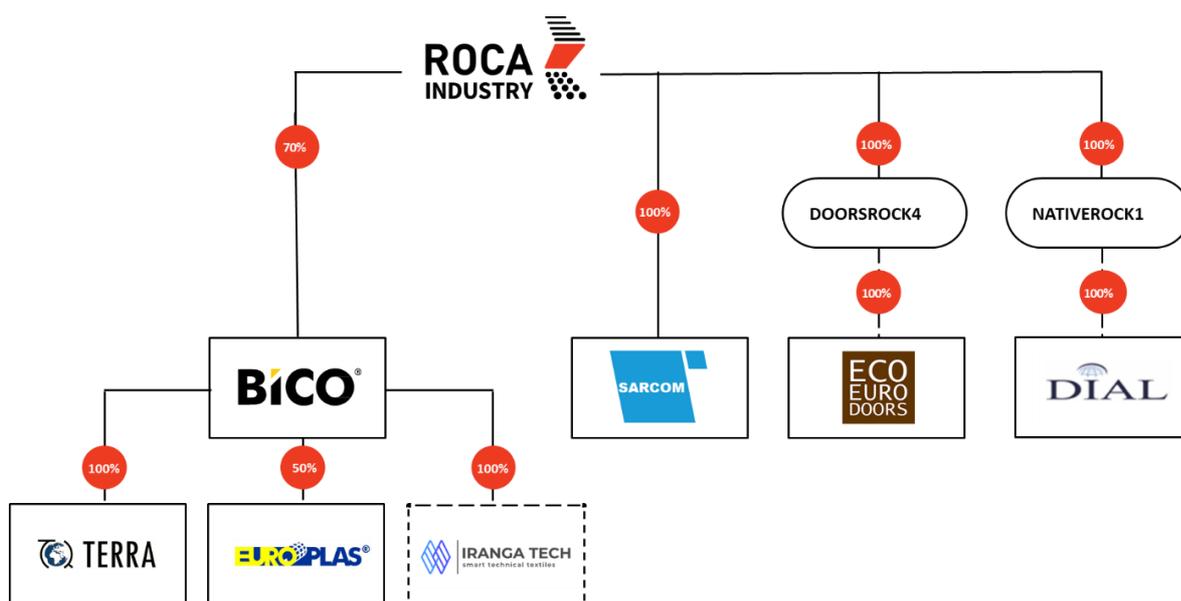
Regarding the next period (2024-2025), the objective of the Holding, as it was also mentioned in the prospectus published on the occasion of the listing on the AeRO market, is for Roca Industry to carry out its activity through 8-10 complementary companies that may also acquire companies. In addition, the consolidation of the group requires financial resources for operational efficiency, opening new distribution channels and expanding the existing ones. For these reasons, the management of Roca Industry estimates that in the next period the financial revenues coming from dividends generated will be allocated, to a large extent, to these development plans.

# ABOUT ROCA INDUSTRY HOLDINGROCK1

**ROCA INDUSTRY HOLDINGROCK1 SA** ("**Roca Industry**", "**Company**" or "**ROC1**") is a Romanian company, established in September 2021. Roca Industry is the first strategic project of ROCA Investments, which groups under the umbrella of a specialized holding Romanian companies producing materials of constructions. Benefiting from the experience accumulated over time by its majority shareholder, ROCA Investments, the Company aims to develop and scale strong and sustainable domestic brands both on the basis of a common strategy and through the synergies generated from their activity. In a fragmented world economy, Roca Industry builds a structure capable of quickly adapting to multiple and unpredictable changes.

As a holding, by its nature, until now Roca Industry has not carried out its own operational activities. Specific to the business model of a holding, Roca Industry operates and implements the business strategy through its directly owned subsidiaries **BICO INDUSTRIES S.A.**, **SARCOM S.R.L.**, **ECO EURO DOORS S.R.L.** and **DIAL S.R.L.**, as well as through those indirectly owned, through **BICO INDUSTRIES – TERRA IMPEX S.R.L.** and **EUROPLAS LUX S.R.L.**. These subsidiaries operate in the field of construction materials, more precisely in the production of fiberglass and fiberglass reinforcement (BICO, TERRA and EUROPLAS LUX), the production of varnishes, paints and decorative plasters (SARCOM), the production of doors for residential constructions (ECO EURO DOORS), respectively of the production of edged panels and fence mesh (DIAL).

The structure of the companies directly or indirectly owned by Roca Industry is presented below.



*Doorsrock4, Nativerock1 – companies created for the purpose of structuring the financing of acquisition transactions*

*Iranga – transaction approved by the Extraordinary General Meeting of Bico Shareholders, in the process of completion*

**The objective of Roca Industry is to contribute to the reindustrialization of Romania, by adding to the Holding several companies in the field of construction materials, to transform them into regional champions by creating a solid foundation and by long-term investments in production capacities and acquisition of new companies.**

The way of structuring the acquisitions of new companies is part of Roca Industry business model. For each direct acquisition, the Company set up a special purpose vehicle (SPV) which aims to provide the necessary financing structure for respective transaction. Through the SPV the process of acquisition of a new company is carried out by a financing structured in the form of an LBO (leveraged buyout). As the purchased companies are mature companies, with strong and reliable cash flows and well-established products, at least 50% of the purchase price is provided with by the bank finance obtained by the SPV, while the rest comes from own sources of the holding. The guarantees for the credit facility are represented by the target company's assets, it thus ensuring that an acquisition does not affect the entire holding's portfolio of companies and there is no risk of contamination of the investments. In the post-transaction period, in accordance with the provisions of the credit agreement, the purchased company merges with the SPV, the latter being the incorporated company.

For these reasons, at the end of 2022, the group also includes investment vehicles **DOORSROCK4 S.R.L.** ("Doorsrock"), SPV through which EED was purchased and **NATIVEROCK1 S.R.L.** ("Nativerock") which purchased Dial.

## **BICO INDUSTRIES S.A.**

**The largest producer of fiberglass mesh in Central and Eastern Europe and fourth largest producer in Europe**

**Bico** is a company established in 2006 which succeeded in building and retaining in the team professionals in the field, with experience of more than 20 years. Over time, the company developed various expertise, in the production of related materials, passing from woven mesh, through braided mesh and recently incorporating the newer technology called laid scrim. Upon adopting the new technologies, Bico employees gained experience in using the machines both by trainings conducted by the equipment suppliers and by exchanges of experience between the companies' factories.

Bico is identified in the market under two brands: BICO and Terra, being focused on the production of fiberglass mesh for ETICS (External Thermal Insulation Composite System), fiberglass mesh for other industrial materials and cornering reinforcement mesh fiberglass. Roca Industry holds 70% of Bico's share capital, the second shareholder being Mihai Bîrliba, the founder of the company, with 30% of the share capital.

At the moment Bico operates four production centers, two of which are in Romania, in Piatra Neamț, where the company produces fiberglass mesh and reinforcements for reinforcing industrial products, as well as PVC/ALUMINUM cornering with fiberglass mesh, and Vaslui, where the production of fiberglass mesh for thermosystems takes place. Additionally, the two production centers in the Republic of Moldova contribute to the production of fiberglass mesh.

Bico products are intended for the domestic market as well as for the European markets (Italy, Spain, Czech and others), and the export has a share of approximately 60% out of the total sales of 2022.

As a lead producer on the European market, BICO Industries is a member of the Association of European Technical Textile Producers, aiming and ensuring the compliance with European Green Deal, which aims at creating a neutral climate economy. All products sold under the company's brand have technical approvals, and all products sold under the BICO brand have European quality certificates. BICO Industries provides traceability of the product's quality in the area of the raw material procurement, both by engaging suppliers based on quality criteria and areas of origin, as well as by implementation of a quality assurance process for each batch.

On the Romanian market, BICO Industries is present with the brands BICO and Terra both in the national and regional networks of distributor and in the DIY store networks nationwide.

On the external market, BICO Industries has commercial relationships with ten countries in the European Union and the Republic of Moldova.

The company had a 31% higher sales performance, and the volumes delivered have varied depending on the category of products, for example, the volume of fiberglass mesh is 10% smaller with respect to 2021, while the volume of Turbotex mesh has increased by 46% with respect to the previous year.

Other relevant aspects for the activity of Bico Industries in 2022 would be the following:

- Completion of an investment project at the factory in Vaslui in the amount of EUR 2 mn;
- Completion of an investment project in the installation of solar panels at the factory in Vaslui;
- Starting an investment project at the factory in Vulcănești, Moldova, in the amount of EUR 1 mn.

From transactions' point of view, during 2022 Bico extended its activity by acquiring two companies in the Republic of Moldova. The first acquisition had been finalized in March, when Bico became the sole shareholder of **TERRA IMPEX S.R.L. („Terra”)**, company with the same object of activity, being located in the Vulcănești Free Economic Zone, Republic of Moldova. Afterwards, in October 2022, Bico signing two transactions for the acquisition of 55% of the share capital of **EUROPLAS LUX SRL (“EUROPLAS”)**, a company with installed production capacity in the Ialoveni Free Economic Zone, Republic of Moldova.

These transactions come with a series of strategic advantages:

- The import of fiberglass yarn into the EU is subject to anti-dumping duties of up to 40%. By processing in the Republic of Moldova, where this tax does not apply, the cost of the raw material is greatly reduced;
- Both companies are located in Free Zones, which generate important tax advantages. Additionally, a number of costs such as salaries are much lower in the Republic of Moldova;

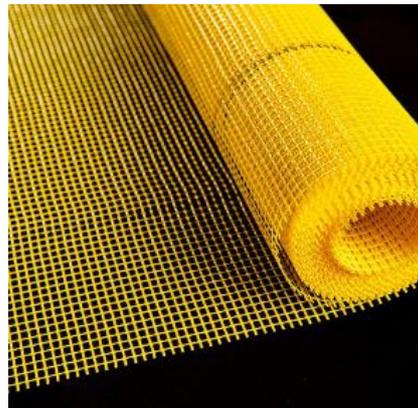
By increasing the capacity by over 50% in the context of facilities with different technical level, but also varied cost structures, Bico can build a diversified commercial policy, being able to address all the market's needs. Additionally, these consolidations of the Bico brand make the company one of the strongest players in Europe, able to compete with the biggest names in the industry in terms of product quality and efficiency, with a cumulative production capacity of 90 million sqm annually

At the moment of this report, Bico holds several certifications on the basis of which it operates, which are available at the link [Bico Industries Certifications - BICO INDUSTRIES](#).

## PRODUCT PORTFOLIO

After gaining experience and expertise in the field, Bico Group decided to launch a large range of products, which includes:

- (i) **Fiberglass mesh** used as reinforcement element in the External Thermal Insulation Composite System (ETICS) based on mineral wool, expanded polystyrene or any other type of thermal insulation board.



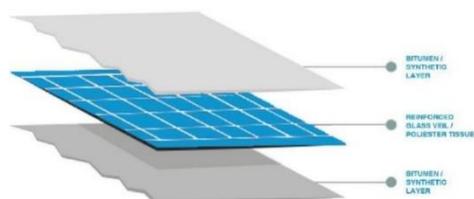
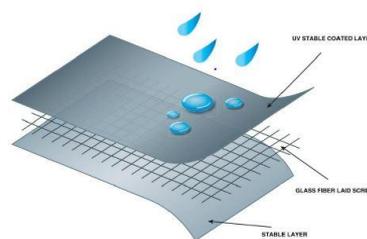
This products range are made of “E-glass” yarns and have special properties to provide high tensile strength and a high resistance in the alkaline environment. Are used for reinforcement of internal and external plasters, with the aim of reinforcing exterior thermal insulation composite systems, thus preventing plaster defects.



- (ii) **Fiberglass scrim** specially designed for the reinforcement and dimensional stabilisation, by laminating, of industrial products.

This product is made of continuous filament fiberglass which are laid down in an open mesh structure and chemically welded, is specially designed for the industrial products that need a substantial improvement of their mechanical properties, being the element that guarantees a high tensile strength and perfect control of the elasticity of the finished material.

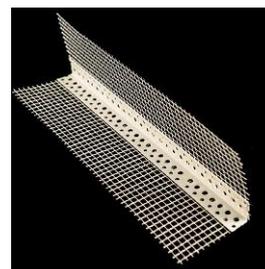
This fiberglass scrim is suitable to be included in a laminating process characteristic of the production of materials composed of two or more laminated layers, such as: roofing membranes, synthetic membranes, roofing underlay, aluminium foils, thermal insulation materials and other materials that tend to break easily (nonwoven materials, foils, films, papers etc.).



**(iii) Fiberglass reinforcement** is a composite product, obtained by laminating the nonwoven mesh on nonwoven materials or films.

With a high resistance to delamination, fiberglass reinforcements are designed for the reinforcement and dimensional stabilisation of bituminous and synthetic membranes that are used in both industrial and civil buildings.

**(iv) Profiles with fiberglass mesh** is a range of products that contains PVC or ALUMINIUM L profile, with fiberglass mesh used for strengthening, protection and aesthetisation of exterior corners on surfaces finished with different types of plaster.



The fiberglass mesh on PVC or ALUMINIUM profiles facilitates their integration into plaster layers, offers flexibility during installation and durability of finished corners.

## COMPETITIVE DIFFERENTIATION

**Bico is the first and largest producer of fiberglass mesh in the central and Eastern Europe, the fourth largest producer in Europe and the sole local producer of fiberglass reinforcements.**

Compared to its Romanian-based competitors (Masterplast Oradea, TEMAD Braşov + Metalrom Bârlad, Alianz Bucureşti și Termopan Cluj), Bico has the advantages of extensive long-term experience in fibreglass and fibreglass reinforcements production, which generated business opportunities that contributed to the consolidation of the position on the Romanian market.

## COMPANIES HELD BY BICO INDUSTRIES

**Terra**, company in which Bico is sole shareholder since March 2022, is one of the largest manufacturers of fiberglass mesh in Eastern Europe, having a production capacity of over 25 million square meters/year installed in the Vulcăneşti Free Economic Zone, Republic of Moldova. The foundations of this production center were laid in 2011, and the official market launch of Terra products took place in 2012. Terra products comply with the highest European standards for strength and durability, thus benefiting from the necessary accreditations from the quality control institutes of construction materials in Romania, the

Czech Republic and Germany. With over 180 employees, approximately 50% of its capacity is intended for the Romanian market, the remaining 50% being sold in the European Economic Area.

Terra holds several certifications on the basis of which it operates, which are available at the link [About us – Terra Impex \(terra-impex.com\)](https://terra-impex.com).

At the date of this report, Bico also holds 50% of the share capital of **Europlas**. In October 2022, the company signed two transactions, the acquisition of the 50% stake being completed at the signing, and the completion of the acquisition of an additional 5% stake being expected to take place in the first months of 2023.

Europlas specializes in the production of reinforcing mesh, having installed in the Ialoveni Free Economic Zone, Republic of Moldova, a production capacity of 7 million sqm of reinforcing mesh per year, adding 10% to the production of fiberglass mesh for ETICS systems owned by the Bico and Terra brands. The foundations of this production center were laid in 2017, and the official market launch of Europlas products took place in 2018. With a current team of over 25 employees, Europlas manages to place 100% of its production capacity in the Republic Moldova or Romania.

Additionally, Bico is in advanced negotiations for the acquisition of 100% of the share capital of **Iranga Technologijos**, a Lithuanian company. Iranga operates on the technical and construction textiles market, offering solutions based on a complex range of technologies for the production of fiberglass fabrics and composite materials through fabric lamination, an activity similar to one of the business lines owned by Bico. The transaction is expected to be finalized in the first half of 2023, being subject to the successful completion of the due diligence analysis and the possible approvals of the relevant institutions.

At **Bico Group** level, which comprises three companies, Bico, Terra and Europlas, the end of year 2022 had been marked by the integration of the teams, the consolidation of the commercial strategy by creating a common product portfolio and by segmenting the markets for an optimal matching of each type of customer. Also, at the operational level, efforts to automate work processes and automatic production measurement continue. In the area of energy efficiency, Bico installed photovoltaic panels in October, in order to provide part of the energy needed for the current activity at the Vaslui site.

## SARCOM S.R.L.

**One of the largest players in the paint and varnish industry**

**Sarcom** is a company established in 1993 in which Roca Industry holds 100% of the share capital

It is focused on the production of paints, primers, varnishes, thinners, washables, adhesives, decorative plasters and dyes. The company is present in the market with the products known under the brands STICKY and CORAL. The acquisition of Sarcom was carried out through the investment vehicle **COLOROCK13 S.R.L.** ("**Colorock13**"), established in 2021, with the purpose to ensure the financing structure necessary for the transaction (equity –

approximately 35% of the total transaction price and bank loan – approximately 65% of the total price).

With a history of almost 30 years and a market share of around 8% in the Romanian paint and varnish industry, Sarcom is one of the largest players in the market, being in 8<sup>th</sup> place in 2022 according to the 2021 and in top 5 in terms of profitability.

The market is in a process of consolidation, in this sense it experienced several important M&As during 2020-2022: Sika took over the Adeplast paints division, Saint Gobain took over Duraziv. The most relevant international players present in the market are: PPG (world no. 1) and Akzo Nobel (world no. 2), but also an important local player – Kober.

The company has 7 main production sections for the products in the portfolio. Sarcom's products are intended for the national market, before 2022 being distributed predominantly through national store chains. In 2022 the company's distribution strategy included sustained efforts to: scan traditional sales channels, market segmentation, expand national presence also in traditional sales channels and expanded presence in chain stores.

At the end of the year, the independent analysis of the share of brands in traditional sales channels (source: Market Vektor) positioned the Sticky brand in 5<sup>th</sup> place in terms of sales in these channels, thus confirming the distribution efforts.

In 2022, the management team was fully completed, at the level of the organizational structure that was established after the acquisition. During this period, the company launched a new range of products - water-based enamels, and evolved in the range of washable paints, the assortment focused on the needs of consumers in the area of antibacterial-antimold protection.

A technical department has also been established, with the purpose to provide support and training on sales based on customer needs and the correct ways to use the products.

As a result of the commercial activity development in 2022, the company identified the need to expand the storage space for finished products, through an additional warehouse, located in close proximity to the former Oltchim industrial platform. In this way, the warehouse benefits from optimal conditions and the location meets all the legal conditions for carrying out the activity, necessary for the specifics of the industry.

Additionally, the company pursues operational efficiency objectives, both by expanding the storage capacity and by initiating a project to install photovoltaic panels to reduce energy dependence.

Other achievements of the company during 2022 refer to:

- Implementation of an ERP system;
- Renegotiation of contracts with the main customers and recovery to a large extent of the profitability margins lost at the beginning of the year;
- Starting an expansion strategy in traditional trade, in the area of local and regional distributors - at this moment we are already present in more than half of the country's counties;

- Listing in Brico Depot - expected in March-April;
- Investments to stabilize the production flow, in preparation for a large-scale investment project;
- Preparation of an investment project that includes the relocation of the factory to a new location that meets our standards, the expansion of production capacity and the launch of new production lines. We have already managed to identify the new location, we have rented it as a warehouse and we are in negotiations for the purchase.

All Sarcom products that contain biocidal ingredients are approved by the National Commission for Biocidal Products.

At the time of this report, Sarcom has numerous certifications based on which it operates, which are available at: <http://sarcom.ro/despre-noi>.

The positioning of the company's current factory, in the village of Mihăești, Vâlcea county, represents an opportunity, having access to a labor pool traditionally specialized in this industry, the former Oltchim industrial platform.

However, the economic evolution of the area, the opportunities for working outside the country, the lack of an effective training process for young people in industries such as the chemical one, cause difficulties in completing the work teams, especially for those positions that involve less skilled work.

In this regard, the company initiated two-direction approaches: supplementing the workforce by hiring people from outside the country (Asia), as well as starting investments in advanced, automated technologies, which involve the intervention of skilled personnel versus unskilled labor.

## COMPLETE PORTFOLIO OF PRODUCTS

The company has a wide range of products split in several product categories: interior and exterior washable paints, decorative plasters, water-based and fast-drying enamels, varnishes, alkyd paints, primers, thinners and complementary products, super-concentrated pigments



The company's reputation and popularity are mainly based on the Sticky and Coral brands, for which the company has started a process of brand building, positioning and related marketing plans. This process was supported in 2022 also by carrying out a market research with the aim of understanding the updated needs of consumers, the main trends and the relevance of brands active in the market.

Through the products offered, Sarcom addresses consumers needs in a balanced way, offering both products with accessible prices (Sticky), as well as products for the premium area (Coral). These are sold in DIY chains (Dedeman and Leroy Merlin), and in an extensive network of local distributors, covering over 31 counties.

Product distribution is managed through sales teams led regionally by area commercial directors.

The share of the 2 main brands, Sticky and Coral, represents 90% of the company's turnover. As percentage of sales for these two brands, Sticky has the largest share of the 2022 turnover (85%) and addresses a market segment oriented towards the VFM (value-for-money) segment, while Coral (15%) is the brand directed to the premium area and with an accelerated development foreseen for the coming years. In 2022, the Company managed to complete an important stage, in balancing the weight of the premium brand versus the VFM segment, Coral having a 15% weight in brand sales in 2022, versus 5% in 2021.

## ECO EURO DOORS S.R.L.

### The largest Romanian producer of doors for residential constructions

**EED** is the largest Romanian producer of doors for residential constructions. With an experience of 28 years on the construction materials market, initially in distribution of products intended for the construction industry (doors and complementary products, sanitary, etc.), 15 years ago the first steps were taken in production. Production is mainly focused on interior doors. With a 10,000 sqm factory, over 8,000 sqm storage capacity and additional 36,000 sqm land, EED products are distributed nationally through the Dedeman chain (DIY stores) as well as other specialist retailers and distributors. The company offers a wide range of products, addressing both the need of customers for standard products as well as those who request products of non-standard sizes.

The transaction by which Roca Industry acquired 70% of EED share capital (through **Doorsrock4**) was completed in May 2022, after the sale and purchase agreement was signed at the end of 2021. In November 2022, the shareholders holding the remaining 30% of EED's share capital exercised their put option for the sale of this stake. Thus, at the end of 2022, Roca Industry owned 100% of the shares and consolidated 70% of the results of the EED company.

Currently, the company aims to streamline the production process, by organizing internal flows for series production and for the production of atypical doors, so as to optimally respond to market requirements. Additionally, EED has already initiated the energy efficiency process, aiming to install photovoltaic panels to reduce energy costs.

As part of the commercial strategy, a product portfolio analysis process was initiated at the end of 2022, both from the point of view of performance and share of sales as well as from the point of view of consumer needs.

In this sense, at the end of the year, a consumer market research was initiated, with the aim of understanding their updated needs, the decision process and the most important factors

in the purchase decision, the purchase channels and their share in the market, the ways of information regarding the purchase of interior doors. The findings of the research form the basis of the redefinition of the product portfolio, together with the strategy of expanding the distribution channels.

Also in 2022, the company went through the FSC audit and accreditation process, accreditation that validates the traceability of raw material sources and the sustainable exploitation of wood, thus obtaining one of the mandatory certifications for export to European markets, but also for the listing of its products in national store chains, part of international groups.

In the 7 months since Roca Industry holded 70% of EED, the company:

- Completed two production halls, with an area of 5,000 square meters, started before the transaction and which will be the basis of the increase in production capacity;
- Commissioned a new painting line, including a modern painting robot with paint recovery capability;
- Completed an investment project in solar panels;
- Developed a partnership for a new sales channel, namely the area of residential real estate projects;
- Started an investment in two new equipment, totaling more than EUR 700 thousand that will eliminate a series of bottlenecks and increase the flexibility and efficiency of production;
- Streamlined the production by adapting the planning procedure according to the order structure (standard doors vs atypical doors).

ROCA Industry leads a process of transition of the companies acquired towards a desired business model - that is, the formation of responsible, committed management teams that can build strategic plans and implement them successfully. In this sense, at the end of 2022 the organizational structure of the company was defined, and it will be completed and finalized in 2023.

Within this structure, new functions have also been identified, such as that of the quality control department, or functions that need a greater role complexity, such as Human Resources.

## COMPLETE PORTFOLIO OF PRODUCTS

The company manufactures and sells three categories of doors: laminated doors, accounting for 33% of total sales, painted doors with a contribution of 36% in turnover, and ready-to-paint doors, having a share of 12% in revenue during 2022. Additionally, to meet the needs of its customers, EED offers for sale various accessories (11% of turnover) and goods (8%).

# DIAL S.R.L.

## One of the largest producers of fence panels and fence mesh

**Dial** is a company with an experience of more than 20 years, specialising in the production of fence edging panels, fence mesh, Rabitz mesh, rectangular poles and many more. The transaction by which Roca Industry acquired the company, through the special purpose vehicle **Nativerock1**, was completed in 2022.

Its factory in Hârşova, with a production capacity of 10,000 tons/year, has an area of approximately 6,000 m<sup>2</sup>, located on a land of 40,000 m<sup>2</sup>.

Dial's market share is estimated to be between 13% and 18% from a turnover point of view. Its portfolio includes over 80 products that are distributed particularly at national level, through the DYI store chains and other retailers and specialised distributors, while exports represent approximately 10% of the sales.

The market of metal wire products is one with relatively few large manufacturers, where the top 5 manufacturers cover more than 70% of the market needs. Among them, Dial ranks 3<sup>rd</sup> in size. (Source: Commercial Due Diligence Dial Hârşova, Deloitte). In 2022, the metal wire products market was affected by fluctuations in the prices of raw materials, but also by the increase in those for energy.

This impact will be addressed in 2023, both through energy consumption efficiency measures and through reorganization of production and portfolio in order to remain competitive in the market and to expand the distribution of products at national level.

The company has already begun the process of integration in the Holding, the organisational structure is established and the recruitment process for the management team is initiated. In October 2022, the new Financial Officer of the company has been appointed, while the former owner, an entrepreneur, remains in the position of CEO until 31 March 2023 to ensure an efficient transition to the new management team.

The company is in the process of completing a 5,000 sqm production hall that will enable the exponential growth in production and access to new lines of business.

At the time of preparing this report, Dial holds several certifications under which it operates and which are available at: <https://www.dialharsova.ro/despre-noi/>.

By operating in a geographical area where the industry has been developed over time, the company has access to a specialized workforce, with the majority of employees, qualified personnel, being part of the company on the long term.

Given the economic conditions, we estimate that access to young specialized personnel may be difficult in the future, like in most industries. The geographical positioning of the company, at almost equal distances between the Constanța - Tulcea - Galați / Brăila areas, helps to expand the recruitment area.

## PORTOFOLIU COMPLET DE PRODUSE

The main products offered by Bico are:

(i) **Edged panels**, fence or synthetic, are used to enclose workshops and factories, parks and gardens, public buildings, shopping centres and sports complexes. The panels are made by welding pre-galvanised wires that provide protection against corrosion, and then plasticised in fluidised bed (in the case of plasticised panels).



(ii) **Fence mesh**, woven or covered in PVC, is used to enclose households, vineyard, factories, shopping centres and sports complexes, but also for cages and enclosures for animals.



(iii) **Rolled welded mesh** is a product made by spot welding galvanised wires and is used particularly for delimitation of roads, railways and highways, as well as for building cages for animals and fencing agricultural farms.

Among other complementary products, Dial also produces rectangular poles, Rabitz mesh and various types of wire.

## DIFFERENTIATION FROM THE COMPETITION

The fluidized laminating section is one of the few existing in Romania, and the products resulting from this technological process are high quality products, ensuring increased durability, corrosion resistance and easy handling.

In 2023, the company will launch a new model of laminated panels, which aims to facilitate the assembly process and increase the speed of execution of such work.

# KEY EVENTS IN 2022 AND AFTER THE END OF THE REPORTING PERIOD

## LISTING ON THE AERO MARKET OF THE BUCHAREST STOCK EXCHANGE

On **27 January 2022**, the Company's shares began to be traded on the AeRO market, the share segment of the Multilateral Trading System of the Bucharest Stock Exchange, under the symbol ROC1.

## GENERAL MEETINGS OF THE SHAREHOLDERS

During 2022 five General Meetings of Shareholders of Roca Industry took place, all of them meeting the legal and statutory quorum at the first convening.

On **28 April 2022**, the Ordinary General Meeting of Shareholders (OGMS) and the Extraordinary General Meeting of Shareholders (EGSM) took place.

The key points voted in the **OGMS** included the approval of the company's revenue and expenditure budget for 2022, the approval of the company's individual and consolidated financial statements, the increase in the number of BoD members from three (3) to five (5) and the election of two new members of the Board of Directors (Mr. Mihai Bîrliba, and the company QUAF Trading SRL, represented by Mr. Liviu Stoleru), as well as the approval of the proposed management agreement for the members of the Board of Directors.

The **EGMS** had two main objectives, namely the approval of some aspects related to the acquisition of EED by Doorsrock4 and the approval of the change of the company name from "HOLDINGROCK1 SA" to "ROCA INDUSTRY HOLDINGROCK1 SA" and the corresponding update of the Articles of Incorporation. With regard to the acquisition of the EED, the EGMS mainly approved the provision of the necessary guarantees for the contracting by Doorsrock4 and EED (Roca Industry being the guarantor) of a principal loan of up to EUR 13 mn, granting by Roca Industry of a loan to Doorsrock4 in the amount of EUR 1.3 mn and an increase in the share capital of Doorsrock4 by EUR 6.3 mn.

Later, on **14 June 2022**, the **EGMS** of Roca Industry took place during which the shareholders approved the purchase by the SPV Nativerock1 of the 100% stake in Dial SRL, at a maximum purchase price of EUR 14 mn, including Nativerock1's access to a credit facility of a maximum of EUR 11.4 mn, as well as the granting of an intra-group loan for a maximum amount of EUR 6.5 mn, on a term that will not exceed 5 years

Also related to Dial's acquisition, as Mr. Liviu-Ionel Stoleru (empowered by the EGMS dated 14 June 2022 to sign transactions' documents) renounced to his mandate as CEO of the Company starting 29 June 2022, and the BoD delegated Company's management to Mr. Ioan-Adrian Bindea, appointing him as CEO, Ioan-Adrian Bindea represented the Company in relation to the creditor. Immediately after signing, the Board of Directors convened an **EGMS** dated **26 October 2022**, for the shareholders to ratify the BoD decision to empower Mr. Bindea.

On **16 November 2022**, the **OGMS** convened by the Board of Directors on **10 October** take place. The items on the agenda mainly referred to the election of Mr. Vasile Sandu as new member of the Company's Board of Directors to fill the vacant position (after QUAF Trading S.R.L., represented by Liviu Stoleru, renounced to its position), starting from the date of appointment and until 17 September 2025, as well as the establishment and award of an individual monthly remuneration for the members of the Board of Directors, in the amount of EUR 3,000 net.

### **CHANGES IN COMPANY'S MANAGEMENT**

On **29 June 2022**, the CEO, Liviu-Ionel Stoleru, resigned from his position, its attributions being taken over temporarily by Ionuț Bindea, the Chairman of the Board of Directors of Roca Industry. Also, the company QUAF TRADING SRL, through its permanent representative Liviu-Ionel Stoleru, renounced on its membership in the Company's Board of Directors.

The **mandate as CEO granted to Ioan-Adrian Bindea** was extended in the meeting of the Board of Directors dated **21 December 2022** until **29 June 2023**.

### **MERGERS AND ACQUISITIONS**

#### **ACQUISITION OF 100% OF THE SHARE CAPITAL OF TERRA IMPEX – REPUBLIC OF MOLDOVA**

In **March 2022** Bico completed the full acquisition of Terra Impex S.R.L. from Vulcănești Free Economic Zone, Republic of Moldova, the two companies having the same object of activity. The agreement for the complete acquisition of Terra Impex was signed in December 2021.

#### **ECO EURO DOORS ACQUISITION**

On **17 May 2022**, the Eco Euro Doors transaction was completed after receiving the nonobjection decision of the Competition Council regarding this transaction. Following the conclusion of the transaction, the Company held 70% of the share capital of EED. The price paid for the acquisition of the shares was EUR 9.82 mn.

On **21 November 2022**, based on the sale-purchase agreement of the shares of EED, the minority shareholders, Mr. and Mrs. Casvean, notified the Company regarding the exercise of the sale option (Put Option) they had, for the sale of the remaining 30% of the share capital of EED. Following the exercise of this option, **at the end of 2022**, Roca Industry, through Doorsrock4 S.R.L., received the exclusive and unencumbered ownership of the remaining 169,305 shares, having a nominal value of RON 10 each. Therefore, Roca Industry owns 100% of the shares and consolidate 70% of the results of EED.

The price of 30% of share capital, established on the basis of the provisions of the sale-purchase agreement, depending on the financial results obtained by the company in 2021, was EUR 4.3 million, to be paid within 6 months since the exercise of the sale option.

## COMPLETE TAKEOVER OF DIAL

On **29 April 2022**, Roca Industry signed a contract for the entire takeover of Dial. The transaction was approved by the shareholders on 14 June 2022 and completed on **23 September 2022** through the SPV Nativerock1.

The price paid is a maximum of EUR 14 mn, payable in four installments. The first installment, amounting to EUR 11 mn, was paid upon completion of the transaction. The second one (EUR 500 thousand) was paid in January 2023. As the performance indicators established by the sale-purchase agreement were not fulfilled, the last two tranches will not be paid.

## ADVANCED NEGOTIATIONS FOR THE ACQUISITION OF IRANGA, LITHUANIA

On **12 August 2022**, Roca Industry announced that Bico is in advanced negotiations with SmartTech AG, a company incorporated and organized under the laws of Switzerland, for the acquisition of Iranga Technologijos, UAB, a Lithuanian company. Iranga operates on the technical and construction textiles market, offering solutions based on a complex range of technologies for the production of fiberglass fabrics and composite materials through fabric lamination, an activity similar to one of the business lines owned by Bico.

The estimated value of the transaction is maximum EUR 4 mn, subject to the successful completion of the due diligence analysis and the possible approvals of the relevant institutions.

## ACQUISITION OF 55% OF THE SHARE CAPITAL OF EUROPLAS LUX SRL, REPUBLIC OF MOLDOVA

On **12 October 2022**, Bico signed two transactions for the acquisition of 55% of the share capital of Europlas Lux, a company that operates according to the laws of the Republic of Moldova. The two transactions were signed with two of Europlas' shareholders, for the acquisition of 50% and 5%, respectively, of its share capital.

The value of the transaction is of maximum EUR 325,000. The purchase of the 50% package was completed at the time of the signing of the contract, and the completion of the purchase of the 5% package of the share capital will take place within six months from the signing of the contract, subject to the fulfillment of the suspensive conditions mentioned in the related sale-purchase contract.

The acquisitions of Dial, Europlas and Iranga are in line with Roca Industry's strategy and with the plans mentioned in the memorandum drawn up for the admission to trading of the Company's shares. Thus, through the transactions, Roca Industry takes an additional step in fulfilling its expansion plans by consolidating and accelerating the development of the holding through acquisitions (M&A), including at regional level. The acquisitions will support the diversification of the activities in the portfolio and the markets in which the holding companies are present, all of which contribute to the establishment of added value around them, through synergies and common tools.

## MERGER BETWEEN COLOROCK13 AND SARCOM

On **7 September 2022**, the merger process between Colorock13 (SPV established with the aim of obtaining a credit facility to ensure the financing structure necessary for the

acquisition of Sarcom) and Sarcom was initiated. As part of the merger, Sarcom had the quality of absorbing company, and Colorock13 was the absorbed company. This merger was one of the key conditions agreed with the lender in order to obtain the credit facility necessary for the acquisition of Sarcom and the subsequent financing of the company. The merger project was published in the Official Gazette of Romania, Part IV, on **15 September 2022** and the process was finalized on **13 December 2022**.

### **CONCLUSION OF LOAN AGREEMENTS BETWEEN ROCA INDUSTRY AND RELATED PARTIES**

On **14 March 2022**, Roca Industry and Bico signed a short-term loan agreement in amount of EUR 2 million. This loan has been extended, with the new repayment date being 13 March 2022. Another credit facility granted by Roca Industry to Bico in 2021 in amount of EUR 1.5 million EUR has been extended until 30.06.2023.

On **15 December 2022**, Roca Industry's Board of Directors approved the conclusion of a loan agreement by which Roca Industry received from Societatea de Investiții Alternative cu Capital Privat ROCA INVESTMENTS S.A. ("Roca Investments", shareholder of Roca Industry) a loan in amount of EUR 1 million for a period of 12 months, under market conditions, partly necessary for the increase of the share capital of Doorsrock. At the same time, the Board of Directors approved the granting of a loan by Roca Industry to Doorsrock, in total amount of EUR 350,000, for a period of 12 months, under market conditions. These loans were needed for the acquisition of the remaining 30% of EED's share capital.

### **MANAGEMENT'S TRANSACTIONS**

During 2022 and until the date of the present report, Mr. Rudolf Vizental, member of the Board of Directors, acquired ROC1 shares in several installments. The first acquisition was announced on **1 February 2022** (18,960 shares at RON 10.5 per share and 22,000 shares at RON 10.53 per share), the second one was announced on **22 August 2022** (2,119 shares at RON 9.68 per share) and the third one on **13 October 2022** (1,596 shares at RON 8 per

Additionally, at the end of 2022, **Roca Investments increased the stake** held in Roca Industry from 59.8815% to 60.7958% of the share capital, through the acquisition, at the end of 2022, of a total number of 161,790 shares (15,602 shares at RON 8.2526 per share between 27 and 29 December and 36,480 shares at 9.9923 per share at 30 December).

# THE CONSTRUCTION MARKET IN 2022

## CIRCUMSTANCES OF 2022

The 2021 was considered to be a year marked by challenges in terms of raw material price, rising energy prices, which also reflected in the construction costs, a year in which most of the sectors would strive to recover the economic contraction generated by the pandemic (amount of industrial production -2,19% vs 2019, constructions +0,4% vs 2020)\* (source: CNSP, Autumn 2021 Forecast, data available for January-September 2021).

For 2022, most of the international institutions (IMF; World Bank, European Commission) maintained the growth expectations - deemed moderate - for Romania between 4.8% - 5.1% from GDP, in the context of the increase of prices of raw materials, especially those in the energy field, with a year-end inflation estimated to 4.1%. Construction was forecast at that time (November 2021) to increase in Gross Added Value with a yearly average of +9.3% (2022-2026), estimating a positive impact by absorption of Romanian RRP funds.

## FACT OF 2022

In fact, 2022 began with a different type of challenge - the first war of this century, and not far from the Romania's borders, 80 km away. A war that engages powerful states, with impact on raw materials exports but also finished products that interrupted the supply chain worldwide.

Having an additional strong challenge stemming from the uncertainty of control over the fuel and energy prices, but also the uncertainty of availability. Having an inflation increasing in the very first quarter to 10.2% and continued its increase curve to 16.3% in the fourth quarter.

Such being the circumstances, the resilience of industrial production showed rather quickly and managed to record a slightly negative fluctuation only at midyear (-1.5% vs the same period of 2021), with increased impact on the stocks of products generated by a sharp fall in demand in the domestic market, but also bottlenecks to the raw material supply, accompanied by increased production costs.\* (Source: Circumstantial Surveys CNPS - Q II, III, IV 2022).

## RESILIENCE IN THE PRO-CYCLICAL BEHAVIOUR

The construction sector had a fluctuating trend marked in principle by waves of rising costs, and gradually falling demand.

Therefore, after the favourable beginning of the year in terms of seasonal working conditions, in the light of the events in February, but also under the pressure of the rising prices, in the period January - April 2022, the volume of construction work has increased as series adjusted with respect to the number of working and season days by 0.4%, highlighted at the maintenance and ordinary repair works (+5.7%). Reductions were seen at the

overhaul works (-3.8%) and new construction works (-1.2%).\* (source: INSSE, Construction Works in April 2022).

The evolution estimated by the same source, INSSE, at the beginning of the year, shows a recovery in Q4, but we estimate that this recovery is in fact a concerted effort to attract funds and recover investments in the residential constructions, and a concerted effort to complete and allocate funds (e.g. via NRRP) in the case of the non-residential constructions.

Residential sector-wise, at the level of 2022, the share of dwellings completed with private financing increased vs. the share of those with state financing. The volume of completed residential works increased marginally in 2022 (+3%), and the increase was recorded in rural areas, unlike the dwellings in the urban area which decreased by -5%. In addition, only three regions marked an increase in the volume of new completed residential constructions, Bucharest-Ilfov, West and North-East, while in the other regions the evolution was below the achievements of 2021. With approximately 50% of the construction works at early stages at mid-2022, and the measures taken at bank level regarding the crediting conditions and the interest rates, the second half of the year already received the impact of these conditions. (Source: IBC Focus, Construction market analysis, January - June 2022).

### **Romanian RRP IMPACT**

In 2022, Romanian RRP envisaged the renovation of 2.4 million m<sup>2</sup> of public buildings and 4.4 million m<sup>2</sup> of residential buildings, this surface area only accounts for a fraction of the country's building stock.\* (source: 2022- European Semester Country Report – Romania, European Commission). While the impact of this plan has direct and beneficial implications on the sector of building materials, by the end of 2022 a total of 54 project calls worth EUR 13.78 billion were launched, of which 36 calls were closed and are currently under evaluation/contracting. Compared to the value of the launched calls, at the end of 2022, Romania received EUR 6.35 billion, that is the first instalment and instalment 1 and had applied for instalment 2. (source: Ministry of European Investments and Projects, Status of implementation of the Recovery and Resilience Plan (RRP)).

# THE MAIN STRATEGIC PLANS

## BUSINESS & SALES STRATEGY

Taking into consideration the activity carried out by Roca Industry in the field of building materials, the Company conducted a business diagnosis of each company held organisation, operational, financial and commercial wise. The Company put in place a strategic planning process, having in mind the realities of each company, identifying specific and Group-related opportunities, but also the constraints of the environment in which each subsidiary operates.

At this level of subsidiary, the long- medium- and short-term planning process was initiated, but also to create certain flexible, agile structures enabling swift reactions and supporting business resilience in conditions of market unpredictability.

Thus, Roca Industry's vision is to build powerful Romanian brands that support the transformation of the local companies into regional champions.

The holding's medium-term plan is to strengthen a structure of subsidiaries of approximately 8 companies, subsidiaries equipped with their own local and regional growth strategy, organically and through M&A processes, aiming at strengthening the activity in the industry where operates, both commercially and in terms of production.

The acquisition of a new company with the purpose of becoming a ROCA Industry subsidiary shall be carried out only to the extent that it accounts for the Company's strategy, that is consolidate the companies in the same sector of activity and create added values around them, through synergies and common tools, but also conditions of acquisition proper to the current economic context.

Once the ROCA Industry's strategy is clearly identified, it aims to also initiate a review process of the related industries and the industry in a broad sense, with the purpose of identifying the opportunity of active markets, with sustainable products for the future and in market terms that allow consolidation, addressing international markets and creating products adapted to the future.

In this context, ROCA Industry will continue through its subsidiaries the investment process and intensive efforts in the following directions:

- Refurbishing and extension of production lines with new equipments;
- Implementation of monitoring and programming systems for the production, and systems to identify working processes optimisation solutions;
- Implementation of energy efficiency solutions;
- Digitalisation and integration solutions for the data deriving from different areas of the company, with the purpose of expediting the data-driven decision-making capacity in companies.

It will also continue to identify synergies - both for cost, working process, operational and commercial optimisation. In order to achieve the previous objective, Roca Industry intends

to implement a series of energy efficiency principles, sustainability, environment friendly products and engagement in the projects of the community where it operates.

#### **(i) STRATEGIC GUIDELINES**

1. Accelerated organic development through investments in technology, development of new products and access to new markets;
2. Accelerated consolidation and development through acquisitions, both at the level of Roca Industry (horizontal integration), and at the level of its subsidiaries (vertical integration).
3. Develop group synergies, unitary sales and acquisition structures able to support and improve the economic activity of Roca Industry and its subsidiaries;
4. Implementation of a professional management, steered by modern principles at the level of subsidiaries;
5. Develop at the level of subsidiaries production lines for sustainable building materials. These are the non-toxic energy saving materials that involve low costs and increase durability and efficiency of a building in terms of design, construction, maintenance and renovation. A building raised with sustainable materials will use 53% less energy and 63% less water compared to a regular building.

The purpose of Roca Industry growth is not to create income/profit from the sale of its subsidiaries, but to create an ecosystem whereby growth and profitability reflected in dividends will result from the development of companies and the creation of new long-term business

#### **(ii) COMMERCIAL STRATEGY**

The commercial strategy of Roca Industry envisages market share increase, diversification of the range of products, diversification of markets where these products are present, all this contributing to the value of the Company's subsidiaries. While the strategy guidelines of the subsidiaries will be joint, as decided by Roca Industry, the implementation of the joint strategy will be particularised in each company, according to the products and the market features.

Strengthening the sales of the products of Roca Industry's subsidiaries will be carried out through all available sale channels and to all categories of customers, through:

- Modern commerce, through markets such as DIY stores nationwide;
- Traditional commerce, through small traders existing at national level;
- B2B, through direct sale to developers and constructors;
- Export, by identifying external partners for the sale of the products of the Company's subsidiaries and/or by opening places of business outside the country.

A key element in the commercial strategy of Roca Industry is to create synergies between the sales teams of its subsidiaries. Having regard to the specifics of the Company, the main internal customers of its companies will be common, namely the main DIY store chains operating in Romania: Dedeman, Hornbach, BricoDepot, Leroy Merlin, Mathaus etc. For this reason, increased power of Roca Industry to negotiate with them will be a significant

leverage. Furthermore, the held companies will be able to create attractive packages of various products.

In order to diminish the commercial risk additional emphasis will be put on the development of the sector of traditional commerce, since by definition this sector has an increased degree of dispersion. Group synergies can therefore contribute to reducing sale and logistics costs, and generate competitive advantages over competitors.

An extremely important element will be represented by the development of exports. Roca Industry's subsidiaries are already at the forefront of the producers on the domestic market, which entails sufficiently good amplitude and image to access international markets.

### (iii) DEVELOPMENT STRATEGY

#### Development at Roca Industry level

- Strengthening the national building materials market production;
- Horizontal development, adding new business lines through co-opting new subsidiaries at the Company level;
- Vertical development, operational integration, including through reorganisations within subsidiaries (for example suppliers);
- Development of sustainable green building materials component, at subsidiary level, by developing sustainable products and technologies.

#### Development at Roca Industry's subsidiaries level

- Develop new products, to the extent of the identified market needs;
- Create efficient, unitary structures at the level of the companies which will operate abiding by common principles and values;
- Performance-oriented professional management structures;
- Develop the brands of each subsidiary and support new products research and development initiatives

### (iv) PRODUCTION STRATEGY

Roca Industry's production strategy will rely on the following main pillars;

- **Efficiency** – The Company wishes to enhance production processes efficiency by investing in better technologies and in improving the staff training. The purpose of greater efficiency will primarily be enhancement of profitability. Roca Industry also aims to improve working conditions by reducing manual and repetitive labour;
- **Sustainability** – The Company seeks to adapt its production technologies in order to provide higher protection of the environment. It is therefore a desire that the entities employed for carrying out the activity generate a smaller amount of waste in order to reduce the level of pollution, increase the percentage of recycled materials, including by using in the production process larger amount of recycled raw materials, and the consumption of energy be as reduced as possible;

- **Adjustment to the market's needs** – Roca Industry will implement a constant feedback loop within the companies, between the commercial department and the production department, whereby the products are adjusted constantly to the market needs.
- **Innovation** – Innovation will be an explicit objective of Roca Industry's subsidiaries, as regards the products and the production processes. The Company will also seek investments in new technologies, digitalisation and robotisation of production.

#### (v) FINANCIAL STRATEGY

Roca Industry's financial strategy will develop based on the following principles:

- Efficient allocation of capital within the Company, according to development needs;
- Access to various sources of capital, negotiated and contracted as a whole, for cost and condition optimisation;
- Separate profit centers, with planning, budgeting and own financing activity in the subsidiaries;
- Implement cashpooling structures at Company level, for dynamic allocation of capital and cost optimisation;
- Regular share or bond issues at Company level and access alternative funding sources, on the capital markets.

#### (vi) HUMAN RESOURCES STRATEGY

Roca Industry's philosophy is based on quality human resource throughout its departments. For this reason, the human resource strategy will be steered on two main directions:

- Fill top and middle management positions with extremely high level of soft skills and competences, above the market average, and ensure a continuous growth process of these competences;
- Ongoing qualification of all employees filling executive positions.

Also, in order to retain competent employees, incentive procedures will be put in place at all levels, including by implementing Stock Options Plans at top management level, but also measures to increase working space quality and the sense of belonging to the company and Roca Industry.

#### (vii) SUSTAINABILITY STRATEGY WITH FOCUS ON ENVIRONMENT

Roca Industry aims to integrate the environmental strategy into the overall sustainability strategy, a process that started in the second part of 2022. By developing this sustainability strategy, Roca Industry doubles its efforts to comply with applicable environmental policies and aims to carry out its activity in the most responsible way. The holding companies will focus their efforts on the following three main aspects:

- reduction of greenhouse gas emissions
- stimulating the reduction of produced waste and promoting its recycling

- responsible use of natural resources

Each of these aspects will be carefully monitored and will benefit from clear and measurable objectives, aligned to the needs of the companies, but also to the practices in the field. In order to achieve its goals, Roca Industry will work in close collaboration with all its partners, in order to develop the most sustainable solutions and at the same time contribute to a more ecological and responsible world.

Until 30 June 2023 Roca Industry will launch the holding's first Sustainability Report, a summary of all the actions carried out during 2022 and the impact Roca Industry has on local communities and on the environment.

The decision of the Company to apply its business strategy through subsidiaries that operate in the production of building materials relied on the following judgements:

**(i) The opportunity for vertical development of the companies that operate in the production of building materials due to the global crisis in the supply chain**

Worldwide, producers from various industries, from automotive constructions to IT, are facing a logistics crisis which interrupted the supply of goods and essential products. The furniture manufacturing industry is the most recent sector in which the crisis in the supply chain is felt, encompassing all effects that have manifested at the time. The dominant market players, such as IKEA, state that they are unable to predict when supply is restored due to the globally existing problems (the commercial war between the USA and China, BREXIT, increased shipping costs).

In this global context, the Company anticipates a trend that retailers and producers will regionalise their supply chains. The Company wishes therefore to capitalise this opportunity, by investing and support local building materials producers.

**(ii) Development of the DIY market in Romania and at regional level** - When talking about the building materials and interior design industry, several trends with impact on the development of the industry can be noted, such as: increase in interior and exterior design sales, lower costs of DIY products and minimum knowledge to install them, technological innovation and extended variety of the range of products, as well as increased popularity of online commerce.

**(iii) Constructions and building materials represent a strategic field in the development of Romania**, with above-average growth potential, due to the expected investments in the following period, including due to implementation of the Romanian National Recovery and Resilience Plan.

**(iv) Existence in Romania of relevant companies at regional level, with possibility of international expansion, at turning points**

At the time of drafting this Report, the Company takes into consideration the following criteria and measures that can be put in place at holding level, so that its activity benefits from leverage and tools as diverse as possible, in order to maximise performance:

- Build most agile management teams;
- Contribute to improving the Financial, HR, Operational and IT systems;
- Supplement commercial competences;
- Investment in innovation and product development;
- Create synergies between the subsidiaries through which the Holding carries out its commercial activity by (i) the sale of integrated products packages, (ii) access to customers and common markets, (iii) common market strategies, (iv) access to new markets, (v) access a wider vendor database, (vi) increase efficiency in the supply chain and (vii) create information and common resources pole.

### **Principles regarding production of sustainable building materials**

Given the direction towards which the business environment and European policies converge, Roca Industry aims, through its activity, to pursue and implement policies concerning the production of sustainable building materials, based on the following trends:

- (i)** Transition to low-carbon emission - The companies in the building material sector pursue to renew their portfolio and invest in technologies to decarbonise their operations.
- (ii)** Energy efficiency improvement of buildings will enable long-term development of products and building materials related services network.
- (iii)** Growing popularity of modular constructions - Prefabricated buildings have reduced construction time and automated processes. This trend generates a demand for new integrated product offers.
- (iv)** Urbanisation - Emphasized migration of population from rural to urban areas creates a higher demand for residential complexes. It is estimated that the constructed areas will extend in most parts of EU by 2030. The highest relative increase of approximately 6% is expected in Romania and Belgium.
- (v)** Increased reuse / recycle in construction. The construction sector is influenced by the European Green Deal, which has as fundamental pillar an action plan based on circular economy (a production and consumption model that involves sharing, using, repairing, renovating and recycling existing products and materials as much as possible). The plan provides among others a higher recycling degree of the building materials and recommends an ideal share of 70% of the materials in the industry for reuse.
- (vi)** BIM constructions. The EU scope of policies also include sustainable increase in the construction sector through implementation of BIM method - Building Information Modelling. BIM European market has been measured at EUR 1.8 billion in 2016 and is expected to rise by 13% to reach EUR 2.1 billion in 2023.
- (vii)** RRP Objective (Romania). Approximately 1,000 - 1,500 energy renovated buildings (4 million sqm residential buildings) and approximately 2,000 energy renovated public buildings (2.5 million mp).

- (viii)** National Long-Term Renovation Strategy (2020-2050) – Romania - The strategy aims at renovating the current national stock of residential and non-residential buildings, both public and private, into a highly energy efficient and decarbonised building stock by 2050. NLRS aims at renovating approximately 77% of the building stock in the following 30 years and contribute to the RRP goal of doubling the renovation rate by 2025.
- (ix)** Consolidation through M&A. M&A market promises to be an important tool for the building materials sector in terms of post-pandemic growth. Historically, the building materials companies exceed other industries when it comes to create value from acquisitions, with a RTSR (relative total shareholder return) of 11% after a year after the acquisition and 13% in 2 years from acquisition. The industry is characterised by small but constant deals in the long run, that can create significant values, going beyond the average yields of other industries
- (x)** Start-up climate perspective - The most important European start-ups in the construction sector focuses on the following topics: durable materials, develop modular constructions, online commerce services software (data analysis, project management software, BIM – Building Information Modeling).

# CORPORATE GOVERNANCE

Roca Industry management considers that the principles of a good corporate governance support the holding's sustainable growth and add long-term value for shareholders. Therefore, while Roca Industry is listed on AeRO market managed by BVB, where the governance criteria are less restrictive, the holding constantly improves its corporate governance practices, both at individual level and at the level of the companies it holds, aiming to fully align to the requirements of the main capital market. On Roca Industry website stakeholders can access the section dedicated to investors, at [Corporate Governance | ROCA Industry](#). This section includes updated information that regulate the holding's corporate governance, as well as the articles of incorporation of the company, the main policies and regulations in force, and information on the auditor and Board of Directors.

## Board of Directors

Roca Industry has adopted a one-tier management system and is managed by a Board of Directors ("BoD") consisting of 5 (five) members. In April 2022 the BoD changed, and the company's shareholders approved the increase of the number of members from 3 (three) to 5 (five). All such members have been appointed in the articles of incorporation (Ioan-Adrian Bindea, Roca Management S.R.L. through permanent representative Rudolf-Paul Vizental and Alexandru Savin), before the company was listed to AeRO Market, and the two new members (Mihai Bîrliba and Quaf Trading S.R.L. through permanent representative Liviu-lonel Stoleru) have been elected by the shareholders at the annual OGMS.

On 29 June, Liviu-lonel Stoleru resigned from his position as Chief Executive Officer of the Company, with immediate effect. Also, the company QUAF TRADING S.R.L., acting through Mr. Liviu-lonel Stoleru, its permanent representative, resigned from its position as member of the Company's Board of Directors. At the following OGMS in November 2022, shareholders elected Vasile Sandu as new BoD member.

The ROCA Industry BoD members at the end of 2022, as well as on the date of this report, are presented in the table below.

Name	Term	Position	Start date of the term
Ioan-Adrian Bindea	2 years (until 17 September 2023)	President, Chief Executive Officer	17 September 2021
Rudolf Paul Vizental - Roca Management S.R.L. representative	4 years (until 17 September 2025)	Non-executive Director	17 September 2021
Alexandru Savin	2 years (until 17 September 2023)	Non-executive Director	17 September 2021
Mihai Bîrliba	~ 3 years 5 months (until 17 September 2025)	Non-executive Director	27 April 2022
Vasile Sandu	~ 2 years 9 months (until 17 September 2025)	Non-executive Director, independent	16 November 2022

Additional information regarding the experience of the Board of Directors members can be accessed at the company's website, at the link [Board of Directors | ROCA Industry](#), as well as in the next section

## Ioan-Adrian Bindea – Chairman of the Board of Directors



Ioan-Adrian Bindea is Roca Industry's **Chairman of the Board of Directors** since September 2021 when the company was established. He is Investment Manager of ROCA since January 2018, having as responsibilities the identification of new opportunities and the supervision of the evolution of the companies in the ROCA portfolio. He is also a member of the Board of Directors of Bico, Dial, EED, Nativerock1 and Doorsrock4 (holding companies) and of Electroplast SA and Piscicola SA, companies that are part of Roca Investments portfolio and also, a member of Leading Growth Management SRL' BoD. With 14 years of experience in restructuring, capital markets and real estate, Ioan Bindea was CEO and Chairman of the Board of Directors of Frigotehnica. In the past, he has worked for CITER (a company that is part of the Impetum group), CNVM (now ASF) and Tradeville.

Ioan Bindea brings to the team his extensive experience and the ability to transform companies towards a solid and sustainable long-term business model.

Ioan Bindea graduated from the Academy of Economic Studies in Bucharest in 2008, where he completed his master's and bachelor's courses.

The mandate of Ioan-Adrian Bindea as a member of the Board of Directors of Roca Industry expires on 17 September 2023.

**Percentage of ownership:** At 4 January 2023 Ioan-Adrian Bindea held 0.07% of Roca Industry share capital.

**Remuneration:** In 2022, as Chairman of the BoD, Ioan Bindea received a net total remuneration of RON 73.8 thousand, with no additional benefits.

### Other information:

- Currently Ioan-Adrian Bindea is actively associated in the following companies: Roca Management SRL, Impetum Investments SA and Leading Growth Management SRL.
- In the last 5 years, Ioan-Adrian Bindea has not been banned by a court from serving as a member of the board of directors or supervisor of a company.
- In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which the boards of directors or supervisors should include Ioan-Adrian Bindea.
- Ioan-Adrian Bindea does not have a professional activity that competes with that of Roca Industry and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator

## ROCA MANAGEMENT S.R.L., through Rudolf Paul Vizental

The mandate of ROCA MANAGEMENT SRL as a member of the Board of Directors of Roca Industry, with Rudi Vizental as permanent representative, expires on 17 September 2025.



Rudi is one of the most experienced financiers in Romania whose appetite for investment activity is anchored in business realities and understanding the needs of entrepreneurs. He has a background of more than 5 years in investment management, 10 years of activity in the "distress" area and 5 years in the financing area, where he learned to see opportunities where others only see risks.

He actively and consistently contributes to the development of an entrepreneurial culture in Romania and is a leader whose action strategy is to create environments where people are passionate, inspired and motivated to achieve their goals. He is an administrator of Roca Management SRL. Previously, Rudi held management and restructuring positions within CITR and BRD, but also as a Member of the Board of Directors within Cemacon S.A.

Rudolf Vizental graduated from the Faculty of Economics at the West University of Timișoara in 1996, and in 2008 he completed his MBA studies at the National Conservatory of Arts and Crafts in Paris, France.

**Percentage of ownership:** At 4 January 2023 Rudolf Paul Vizental held 0.27% of Roca Industry share capital.

**Remuneration:** In 2022, as member of the BoD, Roca Management through permanent representative Rudi Vizental received a net total remuneration (VAT included) of RON 70.4 thousand, with no additional benefits.

### Other information:

- Currently Rudolf Paul Vizental is actively associated in the following companies: Roca Management SRL, Impetum Management SA and Impetum Group SRL.
- Roca Management SRL is administrator of Roca Investments SA and of Electroplast, company included in Roca Investments portfolio.
- In the last 5 years, Rudolf Paul Vizental has not been banned by a court from serving as a member of the board of directors or supervisor of a company.
- In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which the boards of directors or supervisors should include Rudolf Paul Vizental.
- Rudolf Paul Vizental does not have a professional activity that competes with that of Roca Industry and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

## Alexandru Savin



Alexandru Savin is member of Roca Industry's BoD, with mandate 17 September 2023.

At the same time he has been ROCA's Investment Manager since November 2018. He is also a member of the Board of Directors of RDF SA since December 2019 and of CAHM Europe and the Chairman of the Board of Directors of Sinteza SA since February 2020, the three companies being part of the ROCA investments portfolio. He is also administrator of Sarcom, PNPL

Strategy SRL, Journey Box SRL and Endlessplay SRL.

His previous experience is in the field of risk management and business development, he holding several management roles in Libra Bank SA.

He graduated from the Academy of Economic Studies in Bucharest in 2004, where he completed his undergraduate courses.

**Percentage of ownership:** At 4 January 2023 Alexandru Savin held 0.07% of Roca Industry share capital.

**Remuneration:** In 2022, as Chairman of the BoD, Alexandru Savin received a net total remuneration of RON 73.8 thousand, with no additional benefits.

### Other information:

- Currently Alexandru Savin is actively associated in the following companies: Roca Management SRL, Impetum Investments SA, Journey Box SRL and Endlessplay SRL.
- In the last 5 years, Alexandru Savin has not been banned by a court from serving as a member of the board of directors or supervisor of a company.
- In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which the boards of directors or supervisors should include Alexandru Savin.
- Alexandru Savin does not have a professional activity that competes with that of Roca Industry and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

## Mihai Bîrliba



Mihai Bîrliba is member of Roca Industry's Board of Directors, his mandate expiring on 17 September 2025.

With more than 30 years of experience in industrial manufacturing, Mihai Birliba is the founder of several startups in the field of building materials, plastic packaging and plastics recycling, with a focus on production. He founded Bico Industries S.A. (part of the ROCA Industry holding), where he holds the position of shareholder and chairman of the board.

His entrepreneurial background has given him a significant expertise in recruiting and building teams with competences in industrial process efficiency, diagnosis and integrated development of production lines of any type.

As a member of the Roca Industry Board, he is responsible for the identification and auditing of companies, for which he provides technical and operational support in the M&A area.

He graduated from the Iasi Technical University Gheorghe Asachi in 1989 and then attended the MBA program of The Open University Business School through CODECS, graduated in 2007.

**Percentage of ownership:** At 4 January 2023 Mihai Bîrliba held 5.73% of Roca Industry share capital.

**Remuneration:** In 2022, as Chairman of the BoD, Mihai Bîrliba received a net total remuneration of RON 21.9 thousand, with no additional benefits.

### Other information:

- Currently Mihai Bîrliba is actively associated in the following companies: Bico Industries S.A., Transit Oil S.R.L Braşov, Bico Entreprise S.R.L.
- In the last 5 years, Mihai Bîrliba has not been banned by a court from serving as a member of the board of directors or supervisor of a company.
- In the last 5 years, there have been no cases of insolvency, liquidation, bankruptcy or special administration of some companies, of which the boards of directors or supervisors should include Mihai Bîrliba.
- Mihai Bîrliba does not have a professional activity that competes with that of Roca Industry and is not part of any agreement, understanding or family relationship with a third party due to which he would have been appointed administrator.

## Vasile Sandu



Vasile Sandu is member of the Board of Directors of Roca Industry, with a mandate in force until 17 September 2025.

He has extensive experience in the construction and building materials industry, being the founder and CEO of Proinvest Group SRL, a company specialized in the development, production and marketing of metal components and metal building systems. During his more than 20 years in this position, Vasile Sandu led Proinvest to a group with more than 500 employees and 4 specialised factories, with a turnover of more than 50 million euros.

He graduated from the Technical University Gheorghe Asachi in Iasi in 1997, where he attended the courses of the Faculty of Construction.

**Percentage of ownership:** On 4 January 2023 Vasile Sandu did not held shares in Roca Industry.

**Remuneration:** In 2022, as member of the Board of Directors, Vasile Sandu received a total net remuneration of RON 21.9 thousand, with no other benefits.

### Other information:

- Vasile Sandu is currently an active shareholder in the companies Proinvest Group SRL, Proinvest Holding SRL and Proinvest Capital SRL.
- During the last 5 years, Vasile Sandu has not been forbidden by any court to exercise the position of member of the board of directors or supervisory board of any trade company.
- During the last 5 years, there were no insolvency, liquidation, bankruptcy or special administration cases of any trade companies whose board of directors or supervisory boards included Vasile Sandu.
- Vasile Sandu does not exercise any professional activity in competition with the issuer's activity and is not a party to any agreement, arrangement or family relation with any third party due to whom he was appointed director.

## BOARD OF DIRECTORS ACTIVITY IN 2022

The main role of the Board of Directors is the strategic coordination of the holding, including by establishing policies and objectives on short-, medium- and long-term. Roca Industry BoD consists of persons with extended experience that ensure that the holding works efficiently, their purpose being to supervise the company and offer consultancy in the specific activity.

During 2022, the Board of Directors met 22 times. In addition to the topics requesting express engagement of the Board of Directors under the law, the Board of Directors actively engaged in strategic, supervisory and sustainability topics.

As the main duties of the BoD are strategic, the discussions within the meetings focused especially on aspects regarding the holding's development and consolidation. The Board of

Directors analysed the opportunities for mergers and acquisitions and took the necessary measures, based on the powers, endorsed or approved (as the case may be) the financing necessary to these transactions and took decisions regarding the changes in the executive management.

Additionally, taking into account its role to monitor on and supervise the holding's financial and operational activity, the BoD members have analysed on a monthly basis the financial performance of the companies in the Group, the gap between results and budgets, and had the companies implement corrective measures where results failed to meet expectations.

The Board of Directors also engaged in aspects of sustainability (ESG), as the Holding launched during the year the process of strategy analysis and building in the area of sustainability.

The Board of Directors consider that an assessment of the Board under the guidance of the chairman is appropriate after at least a year of collaboration between the BoD members. It has not been thus conducted an assessment of the Board of Directors during 2022, but it will be conducted at the end of 2023, the results of which will be included in the Annual Report for 2023.

## EXECUTIVE MANAGEMENT AND ROCA INDUSTRY TEAM

The Board of Directors has delegated the holding's management to the **Chief Executive Officer** whose appointment falls within the duties of the Board members. The CEO's duties are established both in the articles of incorporation and in the mandate agreement. In the first part of the year the CEO of ROCA Industry was Liviu Stoleru who resigned the office on 29 June 2022. His duties have been taken over by the interim Ionuț Bindea, President of the Board of Directors, by a 6-month office granted by the BoD members and extended until 29 June 2023.

Total net remuneration of the General Manager during 2022 was RON 88.6 thousand (respectively a net remuneration of EUR 3,000), benefiting from a company car. Roca Industry did not granted him variable compensations or other benefits in the course of the year.

Roca Industries **team** which closely collaborates with the CEO is composed of:



**Valentin Albu** – Chief Financial Officer since April 2022, with over 9 years of experience in business consulting, taxation, accounting and financial analysis.

He is part of the ROCA ecosystem for more than 4 years, and part of ROCA Industry since its inception, having the opportunity to demonstrate his skills both at the investment fund level and at the level of the portfolio companies, previously being interim CFO of Electroplast SA, company in Roca Investments' portfolio.

He joined the Roca Industry team aiming to contribute to the process of transformation, of changing the mindset in the portfolio companies. He is involved in building and managing

financial teams and actively communicates with the companies' management teams on strategic issues.

Valentin brings to the team the balance between the need for action and the need for strategic planning, with a mindset of finding the optimal solution.



**Ondina Olariu** – is the Chief Marketing Officer (CMO) since May 2022, with over 20 years of experience in marketing, both in companies and in the creative industries. Ondina comes to ROCA Industry after her most recent role as Strategic Marketing Consultant, where she interacted with multiple clients and industries, both corporations and Romanian entrepreneurship.

Her contribution covers the entire marketing mix, in close connection with commercial strategies (price, portfolio) but also the area of brand building, market share creation through visibility and impact on consumers.

In the CMO role, Ondina ensure the construction of a strategic framework through which marketing tools are used with maximum benefits for companies, she is near the management teams to ensure the implementation of these tools, but also to form the teams to ensure the success of each company's execution.

**Alexandru Fogarași** – Chief Commercial Officer since May 2022, joined Roca Industry with over 17 years of experience in the commercial and construction material sales field.



Going through all the steps of a career in sales, both in corporations and in entrepreneurial companies, Alexandru made important contributions to the industry, from bringing new, unique products to the Romanian market, to building solid teams, by coordinating sales, production, operations, logistics departments.

Alexandru brings to projects and companies an in-depth technical knowledge, but also experience of multiple categories in the industry: wood, thermal and soundproofing materials, prefabricated concrete, AAC masonry and ceramics.

He contributes to the companies' success through strategic sustainable approach in sales, by understanding the professional resources that lead a sales team to success and the motivational resources to persistently pursue the fulfillment of objectives.



**Ioana Lambrinoc** – is Project Coordinator since May 2022, with more than 13 years of experience in multinationals in financial and customer service departments, being a structured person, attentive to details, oriented towards achieving objectives with a focus on the process

She is part of the ROCA ecosystem for almost 5 years, contributing to team communication, offering support in solving problems, being oriented towards people and synergies between them.

Through the role of Project Coordinator held in ROCA Industry, she will contribute to ensuring communication within the team-work processes, as well as to the achievement of each individual project's targets for operational efficiency.

Additional details on team's bios can be accessed on company's website at [The management team | ROCA Industry.](#)

## EMPLOYEES

On an aggregated basis, at the end of 2022, the companies from Roca Industry Group had a total of 734 employees, the same level as at the end of 2021. They are not organized in unions, however some of the companies had employees' representatives. The table below includes information regarding the average number and the number of employees at the end of 2021 and 2022.

Company	No. of employees FY 2021	Average no. of employees 2021	No. of employees FY 2022	Average no. of employees 2022
Roca Industry	0	4	0	3
Bico	248	234	239	211
Terra	170	175	171	172
Europlas	24	27	22	23
Sarcom	112	116	130	117
EED	105	95	102	100
Dial	75	75	70	73
<b>Total</b>	<b>734</b>	<b>725</b>	<b>734</b>	<b>699</b>

For ROCA Industry, the year 2022 primarily meant, in terms of people, building and homogenisation of the team, as well as building an efficient way of working. The management team is almost complete, covering the areas of commercial, finance, marketing and project implementation.

At the level of the entire Group, "*the right person at the right place*" is one of the permanent objectives it provides. Therefore, each company strives to identify those people, inhouse or by recruitment from outside, equipped with the necessary skills in the key areas of the activity. The quality of work relationships within the companies is also vital, and constitutes a competitive advantage for the companies. It is thus that the focus is steered towards personal and professional development of the teams of people, in order for them to reach their potential, the expertise and skills, and by such actions management wishes to motivate them and to increase work productivity and personal performance.

# ELEMENTS OF PERSPECTIVE REGARDING THE ACTIVITY OF THE COMPANY

In the context of ROCA Industry's medium and long-term strategy (3-5-7 years) to become one of the market leaders in building materials production, by developing regional champions, benefiting from organic growth but also by creating a group of subsidiaries in this sector of activity, and taking into account the challenges of the market at this time, ROCA Industry's management team analysed the main factors influencing the implementation of the strategy and identified the main prospects for the company's activity in 2023.

ROCA Industry's management emphasises the continued interest in regional development through mergers and acquisitions, depending on market opportunities. At the same time, the Group's development to date is in line with the set up plan. The acquisitions made so far are in the stage of transition to the new management model, based on teams made up of industry professionals, but also in the stage of building the development strategy of each individual company.

On the other hand, the economic context, the global socio-political influences, as well as the development stage of the CEE investment market, are factors that influence the acquisition decisions of other companies in the sector; in this sense ROCA Industry has publicly announced its intention to reach a number of 8 companies - direct holdings, in the medium term, and, respectively, the growth of the portfolio companies through M&A processes that can accelerate the evolution of the companies - either by increasing production capacities or by a rapid access to technology.

At holding level, given ROCA Industry's mission to develop regional champions, we will also initiate the analysis of the industries related to the production of construction materials, in order to understand the way of scaling an even accelerated growth of the holding for the years to come.

By assuming a challenging economic context, along with the rising of interests, with the credit impact and the snowball effect in all the industries related to the construction one, ROCA Industry enters the year 2023 with growth plan, but also with the flexibility to act quickly in changing market conditions; including stress scenarios and alternative scenarios to support the companies in the group, if needed.

Although for year 2023, the autumn forecast of the National Commission of Statistics predicted a deceleration in the growth of industry and construction, with construction reaching moderate growth (+5.9%) and industry stagnating (+0.4%), the last projections made for the first quarter of 2023 confirm the stagnation of the manufacturing industry, but anticipate a decrease in the construction sector (-24%), including a moderate diminish in the

number of employees (-11%). (Sources: NCS autumn forecast, Trends in the evolution of economic activity report December 2022 – February 2023).

At the same time, one of the important forecast indicators, with a direct impact on the industry in which ROCA Industry operates, is the number of authorizations issued for 2022 which decreased by 14.9% compared to 2021. It will have an impact not only on the evolution of the market in 2023, but also in the following years. (Source: INSSE, Press Release - Building permits issued for buildings in December 2022).

Additional to the inflation pressure, which in the first months of 2023 fluctuated slightly compared to the upper level reached in 2022, there is a range of factors affecting the sector. If the rise in interest rates, which puts additional pressure on consumption but also on the cash flows of companies in the industry, affects the entire economy, the construction sector faces specific challenges: increase in the value of the minimum wage in construction, limiting 5% VAT to a single property, increasing taxes on the sale and rental of housing. All of the above, in addition to fluctuating production costs in the building materials industry and uncertainties in the energy market, will put pressure on the overall market, both on the supply and demand side.

Part of the building materials industry will benefit from the support provided by the funding programs, including the RRP. It is important to note here the dependence of the payment of RRP instalments not only on the stage of the contracted works, but also on the implementation and adoption of some legislative measures, which may be influenced by political tensions in a pre-election year.

The contextual elements we are tracking and incorporating into short-term actions in ROCA Industry are:

- Increase in wages in construction sector and the impact on the construction price;
- Consumption evolution;
- Evolution of bank lending activities;
- Market changes in the sectors in which we operate (bankruptcies, M&As, exits from the local market, etc.);
- Variation in the number of employees in industry and construction;
- Evolution of prices for raw materials for the industries in which we operate.

In the current context, the Company is considering the following criteria and measures to be taken at holding level, so that the activity thereof to benefit from the most diverse instruments to maximise its performance:

- Consolidation of agile management teams at subsidiary level;
- Contribution to the improvement of the Financial, HR, Operational and IT systems;
- Supplementation of the commercial skills at subsidiary level;
- Investment in innovation and new product development at subsidiary level so as to pivot towards other more resilient markets at this moment;
- Creation of synergies between the subsidiaries whereby Roca Industry performs its commercial activity by (i) selling integrated product packages, (ii) access to common clients and markets, (iii) common market strategies, (iv) access to new markets, (v)

access to a wider supplier database, (vi) a more efficient supply chain and (vii) creation of a common information and resource pool;

- Additionally, Roca Industry's management pays special attention to cost reduction by:
  - More efficient production flows;
  - More efficient energy consumption;
  - A more secure supply chain in the current volatile market context;
  - Investments for a more energetic efficiency of the subsidiaries' factories – for example, Bico, Dial and Sarcom are planning investments in the installation of photovoltaic panels.

Among **Bico** plans for 2023 are envisioned the following:

- Completion of the transaction for the acquisition of Iranga, Lithuania;
- Completing the integration of the 3 newly acquired companies both from an operational and commercial point of view;
- New investments of at least EUR 500 thousand in order to increase efficiency and production capacity at the factory in Vulcănești;
- Implementation of a commercial policy which will take into account the flexibility that the 5 factories offer, different products and different cost structures, strategy based on increasing exports and entering at least 2 new major markets;
- Initiation of a process of Romanian brand building, valid internationally, to support the company's expansion into multiple markets;
- Programs to increase the presence in the European Union countries, accessing new markets.

For **Sarcom**, the holding's management is interested in achieving the following:

- Acquisition of the assets where the factory will be relocated and new investments;
- Commercial policy, based on strengthening the presence in the three DIY chains and increase the presence in traditional trade;
- Initiation of marketing and sales support activities, including repositioning of commercial brands and addressing the consumer target groups, re-packaging, development of digital tools and communication channels with both business partners and end consumers.

During 2023 **EED** targets to:

- Complete the commercial policy based on the expansion of distribution channels, without affecting the partnership with the main current client;
- Increase production capacity and making it more efficient;
- Enter at least two more DIY chains;
- Complete the management team;
- Diversify the product portfolio depending on sales channels and on the needs of different client segments. Build the brand positioning, introducing the brand concept in annual collections, aiming to be relevant on each sales channel;
- Construction of brand positioning, introduction of design concept in annual collections, with the aim of being relevant for each sales channel.

During 2023, **Dial** projects refer to:

- Completing the management team;
- Implementation of the commercial policy that will truly bring the company's potential to fruition;
- Marketing policy implementation to support the development of sales channels and the launch of new products on the local market, positioning on export markets.
- Finalizing the investment plan, securing the financial resources in order to grow the company and starting its implementation.

### STANDALONE REVENUE AND EXPENSE BUDGET FOR 2023

The development of Roca Industry Holding aims to create an ecosystem through which growth and profitability reflected in dividends will result from the development of companies and the creation of new business lines in the long term, as mentioned in the prospectus for the listing on the AeRO market of the BSE. Thus, in its second year on the stock market, **Roca Industry is continuing the holding's development plans**, both through M&A transactions and new investments in group's companies

Standalone revenue and expense budget for 2023	Amount (Ron)
Operating income	0
Operating expenses	7,736,316
Financial income	5,935,858
Financial expenses	859,722
Gross result	(2,675,180)
Net result	(2,774,695)

**Roca Industry is a holding company with no operating income of its own, recording income mainly from dividends distributed by the companies held and other financial income.** Thus, the Individual Revenue and Expense Budget for 2023 is based on the following major objectives:

- ❖ Financial income includes dividend income as well as interest income on loans. As part of its strategy as a holding, Roca Industry acquired during 2022 two companies directly (EED and Dial) and two others indirectly (Terra and Europlas, through Bico). The direct acquisitions were made through investment vehicles set up to provide the necessary financing structure (Leveraged Buyouts - credit facility and Roca Industry's own resources). In order to receive these facilities, the investment vehicles have agreed with the banks certain conditions, including the limitation of the dividends to be distributed in the coming period. In the case of the loans already contracted, this limitation will be removed as from the financial year 2024.
- ❖ Financial expenses consist of interest on loans received from the majority shareholder.
- ❖ In 2023, Roca Industry will invest in several growth directions, so significant amounts of operating expenses include:
  - a) **Salary costs & compensation of Board of Director members generated also by the development of a high performing management team in the Romanian industry** - during 2023 Roca Industry intends to build a management team of 7 members (currently

the team has 5 members), who will have direct involvement in the development and implementation of the growth strategies of the holding companies. The Board of Directors will continue to consist of 5 members.

- b) **Investor Relations (IR) costs aiming also to increase the business transparency and the implementation of best practice principles in communicating with investors** - These costs are to be allocated both for the fulfilment of the holding's legal obligations (in relation to shareholders and capital market regulators) and for the organisation of specific investor events (conferences, meetings, Investors Day).
- c) **Marketing & PR expenses for significant investments in business marketing** – The marketing activities of the holding company are aimed at understanding and maintaining a solid knowledge base about each industry, market, its evolution and the main players; for building positioning and communicating the Holding's evolution; to generate new business contacts and establish strategic partnerships that subsequently involve the companies in the group. Given the public nature of the company, beyond the reporting required by a good governance, maintaining transparency and ongoing communication with the broad groups of retail investors contributes to the understanding of the company's performance and a stable share price behavior.
- d) **ESG costs for significant investments in the sustainability pillar** - from the moment Roca Industry was founded, the management team has been committed to developing a sustainable business model, which is why the main objective for 2023 is to finalize the sustainability strategy, more specifically, to implement a set of actions and objectives based on the data provided by the holding companies. This methodical approach will allow Roca Industry to adhere to international sustainability standards while tracking progress in real time. Also, in 2023 Roca Industry will launch the holding's first Sustainability Report, a summary of all the actions carried out during 2022 and the impact Roca Industry has on local communities and on the environment.

## CONSOLIDATED REVENUE AND EXPENSES BUDGET FOR 2023

During 2023 Roca Industry will continue to take steps towards Romania's reindustrialization. After a 2022 in which the holding grew primarily through M&A, this year will be the year of consolidation for Roca Industry. The company's management expects an unfavorable environment, at least in the first 2-3 quarters, and the main plans are focused in such respect. How to navigate troubled waters and emerge from the storm stronger than we entered. How to be agile and resilient, attentive to market opportunities, ready to strengthen our position.

Therefore, the 2023 main objectives, at consolidated level, are to ensure the Group's solid growth, generating a gross margin of 26%, EBITDA margin of 14% and a net margin of 4%.

<b>Consolidated Revenues and Expenses Budget for 2023</b>	<b>Amount (Ron)</b>
<b>Turnover</b>	<b>466,307,773</b>
Total direct costs	343,397,816
<b>Gross Margin</b>	<b>122,909,957</b>
<b>GM %</b>	<b>26%</b>
Total indirect costs	58,398,408
<b>EBITDA</b>	<b>64,511,548</b>
<b>EBITDA %</b>	<b>14%</b>
EBIT	39,098,928
<b>EBIT %</b>	<b>8%</b>
Net result	18,337,433
<b>Net result %</b>	<b>4%</b>

The objective of Roca Industry is to contribute to the reindustrialization of Romania, by adding to the Holding several companies in the field of construction materials, whose value will increase over time through the correct and coherent application of business strategies suitable for each one.

The data presented above takes into account Roca Industry's ownership in each company as well as the individual budgets of these companies.

During 2023 Roca Industry, through its subsidiaries, aims to achieve a turnover RON 466.3 mn up by 77% compared to the 2022 consolidated results. This growth is based on the expansion of distribution channels, an increase in quantities sold, and the full inclusion in the consolidated financial statements of the companies that were acquired during 2022.

The direct costs include all expenses involved in the production process of the companies and factories held (e.g. raw material costs, inventory changes, goods costs, personnel costs, etc.), while indirect costs include also the holding expenses.

Following the projected investments for 2023, EBITDA is estimated to amount to RON 64.5 mn, 2.8 times higher as compared to 2022 EBITDA. This is eroded by amortization of goodwill, licenses, brands and customer relationships identified as a result of business combinations in amount of RON 12 mn, amortization of subsidiaries' fixed assets, negative financial result (mainly bank interest) and income tax.

Thus, Roca Industry aims to obtain a consolidated net profit of RON 18.3 mn during 2023. Except for Sarcom, which merged with Colorock13 at the end of 2022, the goodwill, licences, brands and customer relationships are items that only appear in the consolidated financial statements, not being reflected or having any impact in the individual financial statements.

The key indicators forecasted for the Roca Industry Group's companies are detailed in the next table.

Key indicators forecasted for 2023	Sarcom	Bico Group	EED and Doorsrock (consolidated)	Dial and Nativerock (consolidated)
Turnover	98,568,212	194,055,589	90,441,074	83,242,897
Gross Margin	32,326,034	43,213,605	26,738,336	20,631,981
GM %	33%	22%	30%	25%
EBITDA	13,871,433	29,075,619	15,375,671	13,925,141
EBITDA %	14%	15%	17%	17%
EBIT	5,717,052	24,185,112	9,140,912	10,668,254
EBIT %	6%	12%	10%	13%
Net result	804,971	16,075,940	3,582,955	4,910,967
Net result%	1%	8%	4%	6%

The Holding's objective is that within 3 years from establishment to operate through 8-10 complementary companies, which will make acquisitions as well. 2023 is the second year of the Holding's activity on the market.

**It is important to note that the data presented above does not include new transactions in which the holding company is/will be involved during 2023.** At this moment Roca Industry does not have an overview of these transactions, but targets three transactions to take place, either directly in the holding company or in group companies, with a total value of at least EUR 20 million, companies that will add at least EUR 3 million/year to the cumulative EBITDA. The company's management will keep the market informed via current and/or financial reports as soon as additional information is available.

# ANALYSIS OF CONSOLIDATED FINANCIAL RESULTS

In the consolidated financial statements, according to the legislation in force, the holding company is obliged to include in the scope of consolidation only those companies that have been owned for at least one month on the reporting date. The performance of each company included in the holding is taken into account from the moment Roca Industry controls it, without previous achievements being recognized. Consolidation of results obtained during the reporting period is carried out depending on the shares held by the holding company in each company.

Thus, in the consolidated financial statements of Roca Industry for 2022, the performance of Terra is included starting from Q2 2022 (the transaction was completed in March 2022), the performance of EED is incorporated starting from June (the transaction was completed in May of 2022), and the results of Dial are included starting from Q4 2022 (the transaction was completed in September of 2022). For the results of Europlas, a company in which Roca Industry has an indirect minority stake, a share of 35% of its net profit for the October-December period was recognized, after the transaction through which Bico acquired 50% of the share capital was finalized.

In addition to the presentation of consolidated performance information that complies with the above principles, the **combined P&L Analysis** chapter presents the picture of the combined indicators at the Group level, by summing up the individual performance of each subsidiary for the entire reporting period, regardless of the moment of its acquisition and without considering the share of Roca Industry holdings in the share capital of each company. The objective of the combined financial statements is to present financial information in a format that allows comparability with the previous year, without being impacted by the percentage of ownership and acquisition date figures. In other words, the combined results show the activity of the company itself, without the influence of corporate events.

## CONSOLIDATED P&L ANALYSIS

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
<b>Operating income</b>	<b>279,226,794</b>	-
Turnover	263,118,530	-
Inventory variation	12,933,174	-
Other operating income	3,175,090	-
<b>Operating expenses, of which:</b>	<b>287,137,122</b>	<b>839,110</b>
Material expenses, of which:	195,075,819	-
<i>Expenses with raw materials and consumables</i>	<i>176,887,842</i>	-
<i>Expenses on goods</i>	<i>12,012,445</i>	-
<i>Other expenses</i>	<i>6,175,532</i>	-
Personnel expenses	34,968,213	-

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
Other operating expenses, other than amortization, provisions and adjustments	25,630,981	839,110
<b>EBITDA</b>	<b>23,551,781</b>	<b>(839,110)</b>
Depreciation of goodwill, relationship and contracts with customers	(10,754,750)	-
Depreciation of fixed assets, other than goodwill, relationship and contracts with customers	(7,847,922)	-
Impairments on intangible and tangible assets	(12,859,436)	-
<b>Operating result</b>	<b>(7,910,328)</b>	<b>(839,110)</b>
Financial income	1,896,014	80,804
Financial expenses	10,708,472	215,382
<b>Financial result</b>	<b>(8,812,458)</b>	<b>(134,577)</b>
Total income	281,122,808	80,804
Total expenses	297,845,594	1,054,492
<b>Gross loss</b>	<b>(16,722,786)</b>	<b>(973,687)</b>
Income tax	1,500,981	5,071
<b>Net loss, of which:</b>	<b>(18,223,767)</b>	<b>(978,758)</b>
<i>related to the parent company</i>	<i>(19,619,145)</i>	-
<i>related to non-controlling interests</i>	<i>1,395,378</i>	-

Roca Industry achieved during 2022 a **consolidated EBITDA** of RON 23.6 million, being generated mainly from the activity carried out by the companies Bico (EBITDA RON 8.9 million), Terra (EBITDA RON 2.9 million), Sarcom (EBITDA RON 9.5 million) and EED (EBITDA RON 6.2 million).

The holding company, the Dial subsidiary and the investment vehicles (SPVs) set up to finance the share purchase transactions (eg Colorock13, Doorsrock4 and Nativerock1) generated a combined negative EBITDA of RON 3.6 million, mainly representing the operational costs of the holding as well as expenses with the transactions made during the year.

Dial was acquired in September 2022, thus, according to the principles of consolidation, the Group only recognizes its share related to the period in which it held control, respectively for the period October-December 2022, when a negative EBITDA of RON 0.4 million was recorded.

As Roca Industry was established in September 2021, taking majority control in Bico and Sarcom at the end of 2021, the impact of these companies in the consolidated result at Roca Industry level (for FY 2021) was nil. Therefore, comparisons with the similar period of 2021 are not relevant. In this context, EBITDA at the consolidated level for the year 2021 recorded a negative value of RON 0.8 million, being made up of the operational expenses recorded by the parent company and the only existing SPV at that time, Colorock13.

The industries in which the Group's companies operate are influenced by seasonality, the results of the first and last quarters being significantly affected by these seasonal variations.

As a result, in the last quarter of 2022, consolidated EBITDA recorded negative values (RON 1.3 million).

The consolidated EBITDA for 2022, in the amount of RON 23.6 million, is eroded by:

- **the depreciation and amortization expenses** of RON 18.6 mn (of which RON 10.8 mn represents the amortization of goodwill, brands and customer relationships identified following business combinations, of which RON 4.1 million resulted from Q4 2022);
- **the impairment of intangible and tangible assets** of RON 12.9 mn, mainly (RON 12.4 mn) coming from the impairment of the shares held in Bico Industries recorded in the standalone financial statements of Roca Industry;
- **the negative financial result** of RON 8.8 mn, representing bank interest of RON 7.2 mn (which registered an increase in Q4 2022 as a result of the increase in bank interest and the new credit facilities required by the companies in the group) and negative differences in exchange rate of RON 1.6 mn;
- **the income tax** of RON 1.5 mn.

As a result of the negative influence generated by the seasonality of the subsidiaries' activity as well as the purchases made during the year and of the above mentioned elements, the **consolidated net loss** recorded in 2022 was RON 18.2 mn.

Depending on the individual net results obtained by each company and the share held by Roca Industry in these companies, the consolidated net loss from 2022, of RON 18.2 mn, is allocated to the parent company (loss of RON 19.6 mn) and to the minority shareholders (profit of RON 1.4 mn).

The net profit of RON 1.4 mn attributable to minority shareholders represents the share not owned by Roca Industry (i.e. 30%) of the individual net profit obtained by Bico in 2022 and by the companies acquired during 2022 (eg Terra starting from Q2 2022), respectively from the individual net profit obtained by EED starting from June 2022. The increase of Roca Industry's holding in EED, up to 100%, does not impact the consolidated results, the transaction being completed in December 2022.

A net loss of RON 19.6 mn is attributable to the parent company due to the fact that it owns 100% of the investment vehicles (SPVs – Colorock13, Doorsrock4 and Nativerock1) which, by their nature, have no operating income, these companies generating a combined net loss of RON 2.5 mn in 2022. This loss derives mainly from the financial expenses recorded on the basis of the credit facilities accessed for the acquisition of Sarcom, EED and Dial companies.

At the same time, in the calculation of the net loss attributable to the parent company, the negative result obtained by Dial, in the amount of RON 0.4 mn, for the October-December period, following the acquisition, was also considered.

For the results of Europlas, a company in which Roca Industry has an indirect minority stake, a share of 35% of its net profit for the October-December period was recognized, after the moment when Bico acquired 50% of the share capital.

Also, according to consolidation accounting principles, 100% of the amortization expense related to goodwill, trademarks and customer relationships identified following business combinations is attributable to the parent company, amounting to approximately RON 10.8 million in 2022.

## COMBINED P&L ANALYSIS

The objective of the combined financial statements is to present financial information in a format that allows comparability with the previous year, without the percentage of ownership and acquisition date figures having any impact. In other words, the combined results show the activity of the company itself, without the influence of corporate events. Thus, the table below shows the combined indicators at the Group level, namely operating income, EBITDA and net profit. They were obtained by summing up the individual performance of each subsidiary, regardless of the moment of its acquisition and without considering the share of Roca Industry's holding in the share capital of each company.

Combined profit and loss account indicators	Results for 2022 (thousand RON)			EBITDA margin 2022	Net Profit Margin 2022
	Turnover	EBITDA	Net result		
Sarcom	77,030	9,482	6,915	12.3%	9.0%
Bico	102,357	8,928	1,337	8.7%	1.3%
Terra	44,197	4,250	2,820	9.6%	6.4%
Europlas Lux	10,616	992	662	9.3%	6.2%
EED	67,093	11,769	5,256	17.5%	7.8%
Dial	65,446	7,825	4,374	12.0%	6.7%
<b>Companies' total</b>	<b>366,738</b>	<b>43,246</b>	<b>21,364</b>	<b>11.8%</b>	<b>5.8%</b>
Roca Industry	-	(3,351)	(9,827)	N/A	N/A
Colorock13	-	(150)	(2,505)	N/A	N/A
Doorsrock4	-	(110)	(1,731)	N/A	N/A
Nativerock1	-	(30)	1,714	N/A	N/A
<b>Holding and SPVs total</b>	<b>-</b>	<b>(3,641)</b>	<b>(12,349)</b>	<b>N/A</b>	<b>N/A</b>
<b>Combined total</b>	<b>366,738</b>	<b>39,605</b>	<b>9,015</b>	<b>10.8%</b>	<b>2.5%</b>

During 2022, the companies in the group obtained **turnover** of RON 366.7 mn at a combined level. In the atypical context of the construction materials market, with higher raw material costs in the last months of the year, companies had the ability to incorporate most of the costs into the price of the sold products, so that the registered **EBITDA margin** was between 8.5% and 17.5%. At the combined level, the recorded **EBITDA** was RON 39.6 million (EBITDA margin of 10.8%). This was eroded by expenses recorded at the holding company level and those of its investment vehicles. Eliminating this impact, the **EBITDA of the four productive companies in the portfolio** (considering the Terra and Europlas companies within the Bico Group) was RON 43.2 mn, with a margin of 11.8%.

The **combined net profit** obtained in 2022, after the application of prudential measures by recording an impairment of the shares held in Bico Industries in the standalone financial statements of Roca Industry (of RON 12.4 mn), is of RON 9.0 mn (**net profit margin** of 2.5%).

Additional impact came from higher depreciation costs (new investments made by the acquired companies), financial expenses resulting from the new loans obtained for company acquisitions, for investments and for working capital, as well as a result of the trend of increasing bank interest rates. Eliminating the impact of Roca Industry and the two SPVs, **the combined net profit of the companies in the group reached the level of RON 21.4 mn, respectively 5.8% of the total turnover.**

## CONSOLIDATED BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>282,665,278</b>	<b>149,558,333</b>	<b>89%</b>
Intangible assets	145,326,616	102,491,923	42%
Tangible assets	123,246,467	45,787,461	169%
Financial assets	1,812,475	18,206	-
Fixed assets under investment	12,279,720	1,260,744	874%
<b>Current assets, of which:</b>	<b>170,223,844</b>	<b>57,968,202</b>	<b>8%</b>
Inventories	101,026,478	39,781,527	154%
Receivables	26,081,604	20,135,138	30%
<i>Trade receivables</i>	<i>23,066,782</i>	<i>17,282,936</i>	<i>33%</i>
<i>Other assets</i>	<i>3,014,822</i>	<i>2,852,202</i>	<i>6%</i>
Short-term investments	881,206	17,925,855	-95%
Cash and cash equivalents	42,234,556	80,125,681	-47%
<b>Deferred expenses</b>	<b>2,203,462</b>	<b>397,111</b>	<b>455%</b>
<b>Total assets</b>	<b>455,092,584</b>	<b>307,923,646</b>	<b>48%</b>
<b>Current liabilities, of which:</b>	<b>131,083,262</b>	<b>57,221,361</b>	<b>129%</b>
Trade payables	29,299,629	14,276,881	105%
Liabilities to affiliated companies	-	237,489	-100%
Bank loans	57,710,905	18,344,893	215%
Debts to shareholders	5,118,797	-	-
Other current liabilities	38,953,931	24,362,098	60%
<b>Non-current liabilities, of which:</b>	<b>137,480,912</b>	<b>61,733,752</b>	<b>123%</b>
Bank loans	135,318,611	45,680,250	196%
Other non-current liabilities	2,162,301	16,053,502	-87%
<b>Provisions</b>	<b>2,197,788</b>	<b>237,271</b>	<b>826%</b>
<b>Deferred income</b>	<b>5,589,963</b>	<b>3,590,850</b>	<b>56%</b>
<b>Total debts</b>	<b>276,351,925</b>	<b>122,783,235</b>	<b>125%</b>
<b>Equity, of which:</b>	<b>159,187,296</b>	<b>174,347,589</b>	<b>-9%</b>
Subscribed and paid-up capital	176,945,730	176,945,730	0%
Share premium	38	38	0%
Other reserves	4,693,364	-	-
Conversion reserves	(185,330)	-	-
Carried forward profit/(loss)	(961,910)	-	-
Loss for the financial year	(19,619,145)	(978,758)	-
Losses related to equity instruments	(1,685,451)	(1,619,421)	4%
<b>Non-controlling interests</b>	<b>19,553,363</b>	<b>10,792,822</b>	<b>81%</b>
<b>Total equity and liabilities</b>	<b>455,092,584</b>	<b>307,923,646</b>	<b>48%</b>

## Non-current assets

Fixed assets at the consolidated level increased by 89% compared to 2021, reaching RON 282.7 mn. The largest share of total assets is represented by **intangible assets** (RON 145.3 mn, +42% compared to the end of 2021), including trademarks, licenses, customer relations and goodwill, resulting from business combinations. We note that goodwill, licenses, trademarks and customer relationships are elements that are presented only in the consolidated financial statements, exception being in the case of companies that have completed the merger process with the SPV through which the holding made the acquisition, in which case these elements are also found in individual situations (example: the merger between Sarcom and Colorock13). These elements are specific to M&A transactions, representing the difference between the price agreed with the former shareholders and the value of the net accounting asset in the case of each company acquisition.

At consolidated level, **tangible assets**, in the amount of RON 123.2 mn, consist mainly of land and buildings, equipment, tangible assets in progress and advances for fixed assets. The 169% increase compared to 31 December 2021 is mainly due to the construction and equipment which was taken over following the acquisition of Terra in March 2022 (RON 5.4 mn), EED in May 2022 (RON 21.6 mn), Dial in September 2022 (RON 14.8 mn), as well as the investments made by Bico, EED and Sarcom during the year, partially offset by the depreciation during the period.

**Financial assets** from the individual balance sheets mainly represent the investments for the acquisition of shares in subsidiaries, these being eliminated from the consolidated balance sheet, according to the principles of consolidation, but also the securities put in the equivalent, representing the participation in the Europlas Lux company, acquired in October 2022, for which the company exercises joint control with the other shareholders.

## Current assets

**Inventories**, in the amount of RON 101.0 million as of 31 December 2022, consist mainly of raw materials, finished products and goods, production in progress and advances for the purchase of inventories of the companies in the consolidation perimeter. The value of inventories is approximately 2.5 times higher compared to 31 December 2021. This increase is primarily due to the inventories taken over following the acquisition of Terra, EED and Dial in 2022, respectively the increase in inventories in Bico and Sarcom.

**Trade receivables** amount to RON 26.1 mn at the consolidated level, on 31 December 2022, registering a 30% increase compared to 31 December 2021, due to the receivables taken over from Terra, EED and Dial at the time of obtaining control in these subsidiaries during the year. Also, 2022 is characterized by an increase in products as a result of the market context and inflation.

**Receivables from affiliated companies** of RON 93.4 mn, mainly represent the loans granted by Roca Industry to its subsidiaries, as follows:

- Bico (balance of RON 12.6 mn as at 31 December 2022);

- Sarcom (debt taken over from Colorock, following the merger - balance of RON 30.7 mn as at 31 December 2022);
- Doorsrock4 (balance of RON 8.4 mn as at 31 December 2022, representing a loan granted for the purchase of EED, which was completed in May 2022);
- Nativerock1 (balance of RON 23.3 mn as at 31 December 2022, representing loan granted for the acquisition of Dial, which was completed in September 2022).

Also, receivables with affiliated companies also include transactions between subsidiaries such as:

- the loan granted by Doorsrock4 to the acquired company, EED, to cover the debt to former shareholders in the amount of RON 9.2 mn;
- the dividends owed by Bico to Roca Industry (RON 3.2 mn), respectively Dial to Nativerock (RON 2.5 mn);
- Other receivables from related entities between Bico and Terra (RON 1.5 mn).

All amounts mentioned for receivables with affiliated companies are eliminated in the consolidated balance sheet, according to the principles of consolidation.

**Short-term investments** mainly include the amount deposited in an escrow account for the acquisition of Terra by Bico, transaction completed in March 2022, representing the remaining amount payable to the former shareholders of Terra, which will be released from the escrow account at the moment when certain conditions provided in the sales contract will be met. The decrease from RON 17.9 mn at December 2021 to RON 0.9 mn at 31 December 2022 is due to the partial payment of the amounts owed to former Terra shareholders.

**Cash and cash equivalents** are in the amount of RON 42.2 mn on 31 December 2022, registering a decrease of RON 37.9 mn compared to 31 December 2021 (-47%), mainly as a result of the payments made for the acquisition subsidiaries (EED and Dial), as well as payments made to ensure the financing needs of the subsidiaries. These amounts were partially offset by the cash positions taken with the acquisitions of TERRA, Eco Euro Doors and Dial.

### **Trade payables**

The increase **in trade payables** on 31 December 2022 (RON 29.3 mn) compared to 31 December 2021 (RON 14.3 mn) derives mainly from the trade payables of the newly acquired companies, but also from the increase in debts from Bico and Sarcom, which represents a normal fluctuation according to the operational needs of the companies.

### **Bank loans**

**Bank loans** on 31 December 2022 consist of such debts from Sarcom (RON 48.2 mn – taken over following the merger with Colorock), Bico (RON 40.2 mn – for operational activity and investments made), Terra (RON 7.4 mn – for operational activity), EED (RON 24.1 mn – for operational activity, investments and payment of debts to former shareholders), Doorsrock4 (RON 29.3 mn for the acquisition of EED), Nativerock1 (RON 32.8 mn for the acquisition of

Dial ) and Dial (RON 11 mn for investments made). These loans are presented either on short or long term, depending on the terms of the loans agreements.

### **Other liabilities**

Other liabilities mainly include payment amounts owed by Sarcom to former shareholders (RON 15.2 mn), the loan owed by Bico to Mihai Bîrliba (the minority shareholder of Bico), in the amount of RON 4.9 mn, payment amounts owed by Doorsrock to former EED shareholders of RON 12.8 mn, representing the acquisition of the remaining 30% of EED's share capital and due salaries.

**The deferred income** represents the subsidies for investments from EU funds collected by Bico and Eco Euro Doors in the past years. They are recognized in the profit and loss account on revenues, proportional to the depreciation of fixed assets purchased within these investment programs.

**The subscribed share capital** of RON 176.9 mn is made up of subscribed and paid-up share capital in the amount of RON 105.9 mn and the in-kind contribution of 70% of Bico's shares of RON 71 mn.

**Revaluation reserves** in the amount of RON 4.7 mn represent the unrealized surplus from the revaluation of tangible assets, land and buildings.

**Losses related to equity instruments** represent costs with intermediaries for the December 2021 private placement, following which Roca Industry raised RON 45 mn from individual and professional investors, respectively for the listing on the AeRO market of the Bucharest Stock Exchange, in January 2022.

For a clearer understanding of the financial performance of each company owned by Roca Industry, some additional information is presented below regarding the main changes identified in the performance and patrimony of each company within the group.

# ANALYSIS OF STANDALONE FINANCIAL STATEMENTS

## ROCA INDUSTRY S.A.

### P&L ANALYSIS

Roca Industry is a holding company with no operating income of its own, recording income mainly from dividends distributed by the companies held in the portfolio and other financial income.

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
<b>Operating income</b>	<b>771</b>	<b>-</b>
<b>Operating expenses, of which:</b>	<b>3,359,909</b>	<b>338,717</b>
Material expenses, of which:	78,795	-
<i>Expenses with raw materials and consumables</i>	<i>70,214</i>	-
<i>Other expenses</i>	<i>8,581</i>	-
Personnel expenses	1,406,269	-
Depreciation expenses and value adjustments	7,766	-
Other operating expenses	1,867,079	338,717
<b>Operating result</b>	<b>(3,359,138)</b>	<b>(338,717)</b>
Financial income	6,939,772	172,468
Financial expenses	13,378,302	3,723
<b>Financial result</b>	<b>(6,438,530)</b>	<b>168,746</b>
Total income	6,940,543	172,468
Total expenses	16,738,211	342,440
<b>Gross profit/(loss)</b>	<b>(9,797,668)</b>	<b>(169,971)</b>
Income tax	28,835	5,071
<b>Net profit/(loss)</b>	<b>(9,826,503)</b>	<b>(175,042)</b>

The operating expenses in the first 12 months of 2022 were in the total amount of RON 3.4 mn, representing mainly the operating costs of the holding (personnel expenses, but also expenses related to PR and investor relations activities of the holding).

The financial income, of RON 6.9 mn, represents dividend income (Bico dividend distribution for 2021 in the amount of RON 3.2 mn), interest income and favorable exchange differences related to loans granted by the Company to its subsidiaries. The financial expenses in the amount of RON 13.4 mn mainly come from the impairment on shares held by Roca Industry in Bico. As a result of these developments, the Company recorded a net loss of RON 9.8 mn. Basically, the holding applied a prudential approach taking into account the possibility of difficult future quarters. The outlook going forward, to the extent that the current financial year ends without the turbulence anticipated by the adoption of these measures, is that this adjustment will be reversed.

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>89,919,962</b>	<b>71,012,300</b>	<b>27%</b>
Intangible assets	2,588	-	-
Tangible assets	20,232	-	-
Financial assets	89,897,142	71,012,300	27%
<b>Current assets, of which:</b>	<b>82,508,623</b>	<b>105,985,948</b>	<b>-22%</b>
Receivables	80,474,276	31,594,616	155%
<i>Trade receivables</i>	<i>780,498</i>	-	-
<i>Receivables with related parties</i>	<i>79,693,686</i>	<i>31,594,616</i>	<i>152%</i>
<i>Other assets</i>	<i>92</i>	-	-
Cash and cash equivalents	2,034,347	74,391,333	-97%
<b>Deferred expenses</b>	<b>34,331</b>	<b>-</b>	<b>-</b>
<b>Total assets</b>	<b>172,462,916</b>	<b>176,998,248</b>	<b>-3%</b>
<b>Current liabilities, of which:</b>	<b>7,201,656</b>	<b>1,846,943</b>	<b>290%</b>
Trade payables	306,777	1,841,262	-83%
Debts to shareholders	5,118,797	-	-
Other current liabilities	1,776,082	5,681	-
<b>Deferred income</b>	<b>2,488</b>	<b>-</b>	<b>-</b>
<b>Total debts</b>	<b>7,204,144</b>	<b>1,846,943</b>	<b>290%</b>
<b>Equity, of which:</b>	<b>165,258,772</b>	<b>175,151,305</b>	<b>-6%</b>
Subscribed and paid-up capital	176,945,730	176,945,730	0%
Share premium	38	38	0%
Carried forward loss	(175,042)	-	-
Profit/(loss) of the year	(9,826,502)	(175,042)	-
Losses related to equity instruments	(1,685,451)	(1,619,421)	4%
<b>Total equity and liabilities</b>	<b>172,462,916</b>	<b>176,998,248</b>	<b>-3%</b>

### Non-current assets

With a 52% share in the total assets, the non-current assets at the end of December worth RON 89.9 mn, 27% higher than at the end of 2021. They are represented mostly by **financial assets**, namely the Company's stake in its subsidiaries. Their increase by 27% compared to December 2021 is due to the new special purpose vehicles set up during 2022 for the acquisition of new companies. Consequently, in addition to the shares held in Bico and the Colorock13 shares, shares of Doorsrock4 have been added (including the share capital increase by RON 31.3 mn which was necessary for the acquisition in full of EED - RON 24.4 mn for the acquisition of 70% of the share capital in May 2022, the rest for the acquisition of the difference of 30% of the share capital which was carried out in December 2022), and the Nativerock1 shares (a special purpose vehicle through which the Dial acquisition was made).

At the same time, for reasons of prudence, responsibility and transparency, and because there is the possibility of more difficult quarters, the company's management adjusted the value of the shares held by Roca Industry in Bico with a value of 12.4 million RON.

INDICATOR	2022	2021	Δ %
Bico Industries SA	71,012,300	71,012,300	0%
<i>Impairment on the shares held in Bico</i>	<i>(12,385,542)</i>	-	N/A
Colorock13 SRL/Sarcom SRL*	100	100	0%
Colorock13 SRL/Sarcom SRL – payment not yet made	-	(100)	-100%
Doorsrock4 SRL	31,270,184	100	N/A
Doorsrock4 SRL – payment not yet made	-	(100)	N/A
Nativerock1 SRL	100	-	N/A
<b>Total</b>	<b>89,897,142</b>	<b>71,012,300</b>	<b>+27%</b>

\* Note: in December, Sarcom and Colorock13 merged, Colorock13 being the incorporated company. Therefore, the Colorock13 share capital was fully taken over by Sarcom

## Current assets

The structure of the current assets (of RON 82.5 mn, down by 22% compared to December 2021) has been substantially amended during 2022. Cash and cash equivalent of RON 74.4 mn at 31 December 2021, representing mainly the capital attracted within the private placement completed in December 2021 was used for the acquisition of new companies. Therefore, at 31 December 2022, the current assets primarily consist of **intra-group receivables**, worth in total RON 79.7 mn (vs. RON 31.6 mn at 31 December 2021), represented by loans granted by Roca Industry to its subsidiaries, Bico, Sarcom, Doorsrock4, Nativerock1, both for the acquisition of new companies and to cover the current capital need.

Description	Agreement date	Due date	Interest rate	Principal to be received at 31.12.2022 (RON)	Interest to be received at 31.12.2022	Total to be received at 31.12.2022 (RON)
<i>Sarcom</i>	25.11.2021	25.11.2023	Fix 6%	24,000,000	1,608,000	25,608,000
<i>Sarcom</i>	18.11.2022	18.11.2023	Fix 2.5% + Robor 1M	5,099,691	54,759	5,154,450
<i>Bico Industries</i>	20.11.2021	30.06.2023	Fix 4%	7,421,100	93,534	7,514,634
<i>Bico Industries</i>	14.03.2022	13.03.2023	Fix 4%	4,947,400	99,970	5,047,370
<i>Doorsrock4</i>	13.05.2022	16.05.2023	Fix 6%	6,431,620	249,761	6,681,381
<i>Doorsrock4</i>	16.12.2022	16.12.2023	EURIBOR 1M + 3%	1,731,590	3,266	1,734,856
<i>Nativerock</i>	20.09.2022	19.09.2023	Fix 6%	22,886,959	389,016	23,275,975
<b>Total</b>				<b>72,518,360</b>	<b>2,497,306</b>	<b>75,016,666</b>

Also, the company registers receivables representing dividends to be collected from Nativerock and Bico in the amount of 4,677,019 lei.

Loans indicated as having been granted to Sarcom were necessary in fact to the special purpose vehicle Colorock13 through which the Sarcom acquisition was made. After the merger of the two companies, in December 2022 (Colorock13 is the incorporated company), the loans received by Colorock13 were taken over by Sarcom in full. The first loan, granted in November 2021, was necessary to pay part of the price for the acquisition of Sarcom to the former shareholders. Subsequently, in November 2022, Roca Industry granted an additional loan for the payment of the second instalment to them. The loans are subordinated to the credit facilities obtained and they can be extended at the due date

Bico needed other two credit facilities, one worth EUR 1.5 mn in November 2021, for the development and expansion of the company's activity, and the second one worth EUR 2 mn in March 2022, for financing the current capital.

An additional loan of RON 6.4 mn (the equivalent value of EUR 1.3 mn) was granted in May 2022 to Doorsrock4 for the partial payment by the latter of the price relating to the acquisition of 70% of the EED shares, and in December a new loan of RON 1.7 mn for the increase of stake in EED share capital, up to 100%. The loans are subordinated to the credit facilities obtained and they can be extended at the due date.

**Trade receivables**, worth RON 780.5 thousand, mainly represent cost rebilling to Nativerock1 for the due diligence stage of the transaction by which the full acquisition of Dial shares was made, as well as other re-billing to subsidiaries.

Subsequent to all items mentioned above, **cash at bank** decreased up to RON 2.0 mn.

### Trade payables and other payables

Total payables worth RON 7.2 mn at the end of December 2022, about three times higher than at the end of 2021, mainly consist of short-term payables to shareholders. Roca Investments granted a credit to the Company for the financing of operating expenses of the holding, as well as for the acquisition of the difference of 30% of the EED share capital, transaction which was carried out during December 2022.

Description	Agreement date	Due date	Interest rate	Principal payable at 31.12.2022 (RON)	Interest payable at 31.12.2022	Total payable at 31.12.2022 (RON)
Roca Investments	14.12.2022	14.12.2023	EURIBOR 1M + 3%	4,947,400	171,397	5,118,797
<b>Total</b>				<b>4,947,400</b>	<b>171,397</b>	<b>5,118,797</b>

The decrease of the trade payables by 83% was generated by the payment at the beginning of 2022 of the liabilities involved in the process of attracting capital through private placement which was carried out in December 2021, due to which the Company attracted RON 45 mn from investors. At the end of the year, these trade payables consisted of payables to the PR & IR, ESG and marketing services suppliers.

Other short-term payables mainly include the distributed dividends (Nativerock1) following the allocations conducted, in accordance with the law, during the financial year 2022, which

will be settled after communicating the dividends determined under the annual financial statements, but also salaries, dues and taxes.

## Equity

The subscribed paid capital at 31 December 2022 consists of RON 105.9 mn, representing subscribed paid capital, and RON 71 mn, representing contribution in kind of 70% of the shares of Bico Industries SA.

The shareholding structure is as follows:

Shareholder	4 January 2023			31 decembrie 2021		
	No of shares	Value RON	% in total	No of shares	Value RON	% in total
Roca Investments	10,757,557	107,575,570	60.8%	10,595,767	105,957,670	60.3%
Mihai Bîrliba	1,014,461	10,144,614	5.7%	1,014,461	10,144,614	5.7%
Other	5,922,555	59,225,550	33.5%	6,084,345	60,843,446	34.0%
<b>Total</b>	<b>17,694,573</b>	<b>176,945,730</b>	<b>100%</b>	<b>17,694,573</b>	<b>176,945,730</b>	<b>100%</b>

Losses related to equity instruments represent the costs with intermediaries for the private placement in December 2021, following which the Company attracted RON 45 mn from individual and professional investors.

## BICO S.A.

### P&L ANALYSIS: Turnover +30.6%, EBITDA margin 8.4%, net profit margin 1.4%

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
<b>Operating income</b>	<b>118,361,522</b>	<b>83,950,632</b>	<b>41%</b>
Turnover	102,356,628	78,400,943	31%
Inventory variation	15,209,654	5,085,344	199%
Other operating income	795,240	464,345	71%
<b>Operating expenses, of which:</b>	<b>112,977,177</b>	<b>77,392,640</b>	<b>46%</b>
Material expenses, of which:	87,318,081	59,214,734	47%
<i>Expenses with raw materials and consumables</i>	<i>74,867,663</i>	<i>48,482,903</i>	<i>54%</i>
<i>Expenses on goods</i>	<i>8,222,291</i>	<i>7,992,967</i>	<i>3%</i>
<i>Other expenses</i>	<i>4,228,127</i>	<i>2,738,864</i>	<i>54%</i>
Personnel expenses	14,727,446	11,794,234	25%
Depreciation expenses and value adjustments	3,543,179	1,201,999	195%
Other operating expenses	7,388,471	5,181,672	43%
<b>Operating result</b>	<b>5,384,345</b>	<b>6,557,992</b>	<b>-18%</b>
Financial income	1,890,983	292,208	547%
Financial expenses	5,552,198	1,172,254	374%
<b>Financial result</b>	<b>(3,661,215)</b>	<b>(880,045)</b>	<b>316%</b>
Total income	120,252,505	84,242,840	43%
Total expenses	118,529,375	78,564,893	51%
<b>Gross profit</b>	<b>1,723,130</b>	<b>5,677,947</b>	<b>-70%</b>

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
Income tax	386,254	861,383	-55%
<b>Net profit</b>	<b>1,336,876</b>	<b>4,816,564</b>	<b>-72%</b>

During 2022, Bico increased turnover by 31% compared to the previous year, from RON 78.4 mn up to RON 102.4 mn. Said increase was due to several factors:

- Investments made in the course of 2021 to increase and enhance production capacity, as well as of the significant increase of the market for the products made and sold by the company, they resulting in an **increase in the volumes sold in the first part of 2022**. While the amount of sales in the first half of the year was impetuous, the mesh sales and mesh manufacture contracted in the second half of the year, and the Turbotex segment was the only one in which volumes sold increased by 46% year/year;
- **Rising prices at raw materials in the first half of 2022**, increase that was partly incorporated in the price of products sold;
- **Increased share of sales on the external markets**, reaching 54% from the total sales throughout 2022 and 75% in December.

In the light of the sale contraction (in terms of quantity) and as continues the production process in order to cover the estimated need at the beginning of 2023, the stocked production reached RON 15.2 mn, three times higher than the one at the end of 2021.

During 2022, the operating expenses recorded an increase by 46% compared to 2022, from RON 77.4 mn to RON 113.0 mn, mainly due to the rising prices of raw materials and consumables, the level of the related expenses being 54% higher year/year. This is the trend noted on the building materials market generated by the economic imbalances faced by the market.

The rising operating costs were also due to the increased salary cost (RON 14.7 mn, +25% compared to 2021), following increase in salaries and number of employees during 2022, taking into account the seasonality of the activity (Q2 and Q3 being the quarters with intense activity).

Based on these developments, Bico obtained at the end of 2022 an EBITDA of RON 8.9 mn, +15% year/year. The investments made in 2021 contributed to increasing costs for amortisation and value adjustments (RON 3.5 mn, +195% year/year), so the operating profit was RON 5.4 mn, 18% lower compared to 2021.

As to the financial loss of RON 3.7 mn (compared to RON 0.9 mn in 2021), it was generated on two levels. The first refers to the new short-term necessary credits contracted by Bico, corroborated with a rising interest rate in the last months of the year, so the company recorded significantly higher interest costs. The second level is generated by increased exports. Upon a more active presence on the external markets, the company is exposed to foreign currency fluctuations, the net result of these being negative at the end of 2022.

In the light of all these elements, the individual net profit of Bico at the end of 2022 was therefore RON 1.3 mn compared to RON 4.8 mn in 2021.

## BALANCE SHEET ANALYSIS

INDICATORI DE BILANȚ (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>61,206,657</b>	<b>31,774,356</b>	<b>93%</b>
Intangible assets	26,398	72,664	-64%
Tangible assets	40,934,959	31,038,141	32%
Financial assets	19,851,352	18,206	-
Fixed assets under investment	393,948	645,345	-39%
<b>Current assets, of which:</b>	<b>49,649,913</b>	<b>54,627,765</b>	<b>-9%</b>
Inventories	40,253,421	26,380,162	53%
Receivables	5,247,863	6,507,145	-19%
<i>Trade receivables</i>	<i>4,285,311</i>	<i>4,220,136</i>	<i>2%</i>
<i>Other assets</i>	<i>962,552</i>	<i>2,287,009</i>	<i>-58%</i>
Short-term investments	494,740	17,925,855	-97%
Cash and cash equivalents	3,653,889	3,814,602	-4%
<b>Total assets</b>	<b>110,856,570</b>	<b>86,402,120</b>	<b>28%</b>
<b>Current liabilities, of which:</b>	<b>68,016,363</b>	<b>37,905,303</b>	<b>79%</b>
Third-party providers	8,935,747	8,033,354	11%
Receivables with affiliated companies	5,191,832	-	-
Bank debts	33,163,855	14,628,237	127%
Debts to shareholders	12,562,005	7,684,105	63%
Other current liabilities	8,162,924	7,559,607	8%
<b>Non-current liabilities, of which:</b>	<b>7,003,131</b>	<b>8,937,887</b>	<b>-22%</b>
Bank debts	7,003,131	7,134,625	-2%
Other non-current liabilities	-	1,803,262	-100%
<b>Provisions</b>	<b>37,830</b>	<b>61,843</b>	<b>-39%</b>
<b>Deferred income</b>	<b>2,997,185</b>	<b>3,521,013</b>	<b>-15%</b>
<b>Total debts</b>	<b>78,054,509</b>	<b>50,426,046</b>	<b>55%</b>
<b>Equity, of which:</b>	<b>32,802,061</b>	<b>35,976,074</b>	<b>-9%</b>
Subscribed and paid-up capital	10,700,000	10,700,000	0%
Share premium	16,749,484	16,749,484	0%
Legal reserves	2,117,703	2,031,546	4%
Other reserves	1,814,091	1,786,382	2%
Deffered profit	170,064	170,064	0%
Profit for the year	1,336,876	4,816,564	-72%
Profit distribution	(86,157)	(277,965)	-69%
<b>Total equity and liabilities</b>	<b>110,856,570</b>	<b>86,402,120</b>	<b>28%</b>

## Non-current assets

The non-current assets worth RON 61.2 mn at 31 December 2022, +93% higher than at the end of 2021, are largely represented by **tangible assets**. These are company's goods that are necessary to carry out the operative activity, and the increase by 32% compared to the end of 2021 was generated by new investments made and by completing those started during 2021.

Another significant component of non-current assets is represented by the **financial assets** (RON 19.9 mn at 31 December 2022 vs RON 0.02 mn at 31 December 2021). These represent participations in Bico subsidiaries, as the value increases following the full acquisition of Terra and the acquisition of 50% of Europlas.

## Current assets

The current assets (RON 49.6 mn, -9% year/year) are mostly made up of **inventories**. Following the increased value of the inventories of finished products (on one hand, in terms of quantity, on the other hand due to the rising prices of raw materials). Inventories increased by 53%, from RON 26.4 mn in December 2021 to RON 40.3 mn at 31 December 2022.

Receivables maintained a relative constant level between the two reference periods, and the most important component is represented by **trade receivables** worth RON 4.3 mn at the end of 2022 (+2% year/year).

The decrease by 97% of **short-term investments**, from RON 17.9 mn at 31 December 2021 to RON 0.5 mn at the end of 2022, was generated by the release during 2022 of the amount deposited in an escrow account in 2021 for the acquisition of Terra, completed on 23 March 2022.

## Total debts

Total debts have increased by 55% at the end of 2022 vs the end of 2021 (RON 78.1 mn vs RON 50.4 mn), which stems exclusively from the increased **short-term debts**.

While the **trade payables** remained low (RON 8.9 mn at 31 December 2022, +9% compared to the end of 2021), the main increases were recorded by:

- **Debts to affiliated parties**, worth RON 5.2 mn, representing dividends payable to Roca Industry relating to the profit of 2021 (RON ~3.2 mn), as well as an intra-group loan granted by Terra, worth RON 2 mn, for the current activity.
- **Debts to shareholders**, worth RON 12.6 mn at the end of 2022, (+63% year/year) following the use of the credit of EUR 2 mn granted by Roca Industry in March 2022 for the financing of the working capital, of which EUR 1 mn was repaid by the end of the year and repaid in full on the date of this report.
- **Bank loans** worth RON 40.2 mn, compared to RON 21.8 mn in December 2021, represented by the financing necessary for the investments started in 2021 and

completed in 2022, as well as for other investments made during 2022, and other financing necessary for the current activity.

## Equity

With a total worth of RON 32.8 mn, 9% lower than at 31 December 2021, the equity structure has remained unchanged compared to the previous year. The main components are the **share capital** of RON 10.7 mn and the **equity premiums** of RON 16.7 mn following the previous capital increases. As the net result related to 2021 has been fully distributed as reserves and dividends, the **deferred profit** remained at the same level as at the end of the previous year.

## TERRA

### P&L ANALYSIS: Turnover +19.7%, EBITDA margin 9.6%, net profit margin 6.4%

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
<b>Operating income</b>	<b>44,197,023</b>	<b>36,907,844</b>	<b>20%</b>
Turnover	44,197,023	36,907,844	20%
Inventory variation	-	-	-
Other operating income	-	-	-
<b>Operating expenses, of which:</b>	<b>40,526,518</b>	<b>34,115,366</b>	<b>19%</b>
Material expenses, of which:	28,694,790	27,077,582	6%
<i>Expenses with raw materials and consumables</i>	<i>28,389,186</i>	<i>26,331,635</i>	<i>8%</i>
<i>Expenses on goods</i>	<i>305,604</i>	<i>33,104</i>	<i>823%</i>
<i>Other expenses</i>	<i>-</i>	<i>712,843</i>	<i>-100%</i>
Personnel expenses	5,037,255	5,737,650	-12%
Depreciation expenses and value adjustments	579,894	(408,192)	-242%
Other operating expenses	6,214,579	1,708,326	225%
<b>Operating result</b>	<b>3,670,505</b>	<b>2,792,478</b>	<b>31%</b>
Financial income	-	-	-
Financial expenses	503,387	977,943	-49%
<b>Financial result</b>	<b>(503,387)</b>	<b>(977,943)</b>	<b>-49%</b>
Total income	44,197,023	36,907,844	20%
Total expenses	41,029,905	35,093,309	17%
<b>Gross profit</b>	<b>3,167,119</b>	<b>1,814,535</b>	<b>75%</b>
Income tax	347,090	262,899	32%
<b>Net profit</b>	<b>2,820,028</b>	<b>1,551,636</b>	<b>82%</b>

Terra registered an increase in **turnover** of 20% in 2022 vs 2021 (from RON 36.9 mn to RON 44.2 mn), generated mainly in the first half of the year. This was mainly based on the upward development of the sale price, while the quantities sold diminished by 14% compared to 2021.

Despite the economic development, **costs of raw materials and materials**, the most important component of the operating expenditure, grew considerably less than sales (+8%, from RON 26.3 mn to RON 28.4 mn), as a result of more efficient production.

Following these developments, Terra obtained an **EBITDA** of RON 4.3 mn, 78% higher than the one related to 2021, representing an **EBITDA margin** of 10% (compared to 6% in 2021) and a **net profit** of RON 2.8 mn, 82% higher than the one related to 2021 (December 2021: RON 1.5 mn).

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>6.428.007</b>	<b>6.021.705</b>	<b>7%</b>
Intangible assets	945	1.360	-31%
Tangible assets	5.671.289	5.588.693	1%
Financial assets	682.200	427.747	59%
Fixed assets under investment	73.573	3.905	1784%
<b>Current assets, of which:</b>	<b>17.133.529</b>	<b>15.837.870</b>	<b>8%</b>
Inventories	12.160.786	8.391.225	45%
Receivables	4.166.063	5.939.228	-30%
<i>Trade receivables</i>	1.841.522	5.809.022	-68%
<i>Receivables with related parties</i>	2.014.813	-	-
<i>Other assets</i>	309.728	130.206	138%
Short-term investments	-	34.451	-100%
Cash and cash equivalents	806.680	1.472.967	-45%
<b>Deferred expenses</b>	<b>12.297</b>	<b>11.194</b>	<b>10%</b>
<b>Total assets</b>	<b>23,573,833</b>	<b>21.870.769</b>	<b>8%</b>
<b>Current liabilities, of which:</b>	<b>3,333,431</b>	<b>4.192.233</b>	<b>-20%</b>
Trade payables	76.411	110.490	-31%
Bank debts	2.595.978	3.484.385	-25%
Other current liabilities	661.042	597.358	11%
<b>Non-current liabilities, of which:</b>	<b>4.826.126</b>	<b>2.454.538</b>	<b>97%</b>
Bank debts	4.826.126	2.454.538	97%
<b>Provisions</b>	<b>157.528</b>	-	-
<b>Total debts</b>	<b>8.317.085</b>	<b>6.646.772</b>	<b>25%</b>
<b>Equity, of which:</b>	<b>15.256.748</b>	<b>15.223.997</b>	<b>0%</b>
Subscribed and paid-up capital	13.757.071	13.966.276	-1%
Legal reserves	8.000	8.000	0%
Conversion reserves	(185.330)	-	-
Deferred profit or loss	(1.150.885)	778.573	-248%
Loss for the financial year	2.827.892	479.148	490%
Profit distribution	-	(8.000)	-100%
<b>Total equity and liabilities</b>	<b>23,573,833</b>	<b>21.870.769</b>	<b>8%</b>

### Total assets

Terra did not record significant changes in the balance sheet structure, the main changes in value were identified at **inventories** level (RON 12.2 mn, +45% compared to FY 2021, a normal trend given the rising costs of raw materials and materials). The company managed

to optimise its process to collect the **trade receivables**, which diminished by 68% (RON 1.8 mn compared to RON 5.8 mn in December 2021).

During 2022, the company granted a **financing** to Bico for the current activity, its outstanding amount at 31 December 2022 being RON 2.0 mn.

### Total debts

Terra **total debts** were at the end of 2022 of RON 8.3 mn, an increase of 25% compared to 2021. They largely consist of credit facilities (RON 7.4 mn at 31 December 2022, 25% higher than at 31 December 2021).

### Equity

Total worth of Terra **equity** at the end of 2022 is RON 15.3 mn, similar to 2022. The company has a **share capital** of RON 13.7 mn (the differences between the periods stem exclusively from the change in the exchange rate used for the conversion of the results from Moldovan Lei to RON).

## EUROPLAS

For Europlas results, a company in which Roca Industry has an indirect minority stake, a 35% share was recognised from its net profit related to the period October-December, following the date when Bico acquired 50% of the share capital. Given the reduced impact that the company's performance has at consolidated level, hereinbelow are presented only the main P&L and balance sheet items.

### P&L ANALYSIS: Turnover +12.7%, EBITDA margin 9.3%, net profit margin 6.2%

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
<b>Operating income</b>	<b>10,764,595</b>	<b>9,432,657</b>	<b>14%</b>
Turnover	10,616,527	9,416,501	123%
Other operating revenues	148,067	16,156	816%
<b>Operating expenses, of which:</b>	<b>40,211,923</b>	<b>37,931,939</b>	<b>6%</b>
Cost of goods sold	8,695,319	7,929,331	10%
Other operating expenses	5,150,154	4,233,125	22%
<b>Operating result</b>	<b>792,038</b>	<b>507,272</b>	<b>56%</b>
Financial income	71,560	27,397	161%
Financial expenses	155,363	85,632	81%
<b>Financial result</b>	<b>(83,803)</b>	<b>(58,235)</b>	<b>44%</b>
Total income	10,836,155	9,460,054	15%
Total expenses	14,000,836	12,248,088	14%
<b>Gross profit</b>	<b>708,234</b>	<b>449,036</b>	<b>58%</b>
Income tax	46,128	22,879	102%
<b>Net profit</b>	<b>662,106</b>	<b>426,157</b>	<b>55%</b>

During 2022, Europlas **turnover** was 12.7% higher than in 2021, up to RON 10.6 mn (compared to RON 9.4 mn in 2021). This fully derives from the sale of finished products and

goods and was mainly generated by the upward development of the sale price, while the quantities sold diminished by 16% compared to 2021.

Despite the challenging context of the building materials market, the company was able to efficiently manage the rising prices for raw materials; **costs of raw materials** therefore only increased by 9.7% (from RON 7.9 mn in 2021 to RON 8.7 mn in 2022), 3 percentage points below the increase in turnover. Adjusting the **gross margin** (RON 1.9 mn, +29,2% compared to 2021) with the rest of the operating expenses and income, the **operating result** obtained by the company was 56.1% above the one for 2021 (RON 0.8 mn in 2022 vs RON 0.5 mn in 2021), and the **EBITDA** margin was 9.3% (RON 1.0 mn in 2022).

Corroborating thus all elements presented above, Europlas was able, in the context of 2022, to obtain a **net profit** of RON 0.7 mn, 55.4% above the profit related to 2021.

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>511,547</b>	<b>658,817</b>	<b>-22%</b>
Intangible assets	13,577	16,692	-19%
Tangible assets	497,970	631,041	-21%
Financial assets	-	11,084	-100%
<b>Current assets, of which:</b>	<b>2,023,835</b>	<b>1,370,987</b>	<b>48%</b>
Inventories	1,813,324	1,129,352	61%
Receivables	32,310	80,351	-60%
Cash and cash equivalents	178,201	161,284	11%
<b>Total assets</b>	<b>2,535,382</b>	<b>2,029,804</b>	<b>25%</b>
<b>Current liabilities, of which:</b>	<b>1,169,674</b>	<b>590,536</b>	<b>98%</b>
Trade payables	120,253	191,906	-37%
Other current liabilities	1,049,421	398,629	163%
<b>Non-current liabilities, of which:</b>	<b>333,526</b>	<b>1,049,775</b>	<b>-68%</b>
Bank debts	333,526	1,037,346	-68%
Other non-current liabilities	-	12,429	-100%
<b>Total debts</b>	<b>2,535,382</b>	<b>2,029,804</b>	<b>25%</b>
<b>Equity, of which:</b>	<b>1,032,182</b>	<b>389,493</b>	<b>165%</b>
Subscribed and paid-up capital	24	25	0%
Deferred profit	383,934	389,469	-1%
Profit for the year	648,224	-	-
<b>Total equity and liabilities</b>	<b>2,535,382</b>	<b>2,029,804</b>	<b>25%</b>

### Total assets

**Total assets** registered by Europlas at the end of 2022, worth RON 2.5 mn, higher by 24.9% compared to 2021, consist to the extent of 79.8% of **current assets** (RON 2.0 mn, +47,6% compared to 31 December 2021). **Inventories** are the main current assets of the company, worthing RON 1.8 mn, higher by 60.6% compared to FY 2021, a normal trend given the increased costs of raw materials and materials.

## Total debts

Europlas **total debts** at the end of 2022 were RON 1.5 mn, 8% below the level of December 2021. While **long-term debts** have decreased by 68.2% following long-term credit repayments, trade advances received of RON 0.9 mn (compared to RON 0.2 mn at the end of 2021) generated an increase of 98.1% in the **current debts** compared to 2021.

## Equity

**Equity** worth RON 1 mn at 31 December 2022, 165% higher than the ones in December 2021, and the change derives exclusively from the **net profit** of the period. The rest of the equity positions did not change.

## SARCOM

### P&L ANALYSIS: Turnover +19.8%, EBITDA margin 12.3%, net profit margin 9.0%

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
<b>Operating income</b>	<b>80,070,399</b>	<b>67,375,058</b>	<b>19%</b>
Turnover	77,029,926	64,316,091	19.8%
Inventory variation	2,794,714	2,902,418	-4%
Other operating income	245,759	156,549	57%
<b>Operating expenses, of which:</b>	<b>71,577,506</b>	<b>58,176,536</b>	<b>23%</b>
Material expenses, of which:	55,525,150	45,768,925	21%
<i>Expenses with raw materials and consumables</i>	53,483,730	43,466,125	23%
<i>Expenses on goods</i>	1,343,020	1,928,505	-30%
<i>Other expenses</i>	698,400	374,295	87%
Personnel expenses	8,939,288	6,347,019	41%
Depreciation expenses and value adjustments	988,909	1,165,030	-15%
Other operating expenses	6,124,159	4,895,561	25%
<b>Operating result</b>	<b>8,492,893</b>	<b>9,198,522</b>	<b>-8%</b>
Financial income	192,490	459	41866%
Financial expenses	836,157	213,021	293%
<b>Financial result</b>	<b>(643,667)</b>	<b>(212,563)</b>	<b>203%</b>
Total income	80,262,889	67,375,517	19%
Total expenses	72,413,663	58,389,558	24%
<b>Gross profit</b>	<b>7,849,226</b>	<b>8,985,960</b>	<b>-13%</b>
Income tax	934,146	1,212,988	-23%
<b>Net profit</b>	<b>6,915,080</b>	<b>7,772,972</b>	<b>-11%</b>

During 2022, Sarcom obtained a **turnover** of RON 77.0 mn, 20% above the level of 2021. This increase is generated mainly by the adjustment of the commercial strategy and of the portfolio to the market developments, as well as by the company's capacity to integrate the increase in the acquisition prices of raw materials, utilities and other production costs in the price of the sold products, although with albeit with a certain delay. As part of the commercial strategy, the company launched a new line of products, water-based enamels. In addition, price renegotiation was implemented beginning with March 2022, and

subsequently, in Q2 2022, the payment dates with the main customers were renegotiated and channels of distribution extended.

In terms of quantity, sales slightly exceeded the level of 2021, by 1.2%, and the increase is due to the plaster products. Given the market conditions of this season, the company enhanced efficiency between the stocked production and the pace of sales, and the variation of stocks diminished by 4%.

As regards the **operating costs**, they increased by 24%, from RON 58.2 mn in 2021 to RON 72.2 mn in 2022. The main component is represented by the **costs for raw materials and consumables** (RON 53.5 mn, +23% year/year), which increased due to the unfavourable development of the building materials market in the second half of the year.

Being able to adjust to the market conditions, but, at same time, not being able to incorporate increased costs for raw materials in the price of the sold products, Sarcom obtained a RON 9.5 mn **EBITDA**, 9% lower than the one related to 2021 and an **EBITDA margin** of 12.3%. Increased **financial expenses** (+293%, up to RON 0.8 mn), generated mainly by higher bank debts, corroborated with a rising reference interest during the year, affected the **net profit**. It was in total RON 6.9 mn in 2022, 11% lower than the one related to 2021.

Given the seasonality of the market where the company operates, we note that quarters 1 and 4 generate lower sales.

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>76,695,178</b>	<b>10,462,979</b>	<b>633%</b>
Intangible assets	61,079,464	4,023	-
Tangible assets	13,796,395	9,843,557	-7%
Fixed assets under investment	1,819,319	615,399	196%
<b>Current assets, of which:</b>	<b>36,109,190</b>	<b>27,300,000</b>	<b>32%</b>
Inventories	16,088,317	13,401,365	20%
Receivables	9,554,850	13,529,650	-29%
<i>Trade receivables</i>	<i>9,067,094</i>	<i>13,062,800</i>	<i>-31%</i>
<i>Other assets</i>	<i>487,756</i>	<i>466,850</i>	<i>4%</i>
Cash and cash equivalents	10,466,023	368,985	-
<b>Deferred expenses</b>	<b>505,862</b>	<b>4,157</b>	<b>-</b>
<b>Total assets</b>	<b>113,310,230</b>	<b>37,767,136</b>	<b>200%</b>
<b>Current liabilities, of which:</b>	<b>62,275,420</b>	<b>26,290,270</b>	<b>137%</b>
Third-party providers	10,345,868	3,870,000	167%
Bank debts	5,720,800	1,500,000	281%
Debts to shareholders	30,762,450	19,864,153	55%
Other current liabilities	15,446,302	1,056,117	-
<b>Non-current liabilities, of which:</b>	<b>42,469,264</b>	<b>-</b>	<b>-</b>
Bank debts	42,469,264	-	-
<b>Provisions</b>	<b>266,193</b>	<b>175,428</b>	<b>52%</b>

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
Deferred income	-	69,837	-100%
<b>Total debts</b>	<b>105,010,877</b>	<b>26,535,535</b>	<b>296%</b>
<b>Equity, of which:</b>	<b>8,299,353</b>	<b>11,231,601</b>	<b>-26%</b>
Subscribed and paid-up capital	119,590	103,560	15%
Share premium	8,356,940	-	-
Legal reserves	23,918	23,000	4%
Other reserves	9,044,042	3,592,303	152%
Carried forward result	(15,324,321)	-	-
Profit of the year	6,915,078	7,772,971	-11%
Profit distribution	(835,894)	(260,234)	221%
<b>Total equity and liabilities</b>	<b>113,310,230</b>	<b>37,767,136</b>	<b>200%</b>

The balance sheet structure faced significant changes in December 2022 due to the merger with Colorock13, a special purpose vehicle established by Roca Industry with the purpose of providing the necessary financing structure (leveraged-buyout) for the acquisition in full of Sarcom. The merger between the two companies was one of the main conditions negotiated with the creditor in order to obtain the credit facility and further financing of Sarcom. The main new elements recognised at the time of the absorption of Colorock13 by Sarcom were the followings:

- The goodwill related to the transaction, representing the difference between the cost of acquisition of Sarcom and the fair value of the acquired net assets, at the date of the transaction. It is amortised on a period of 10 years;
- The bank debts of Colorock13 necessary to finance the acquisition of Sarcom which were taken over by the company;
- The debts to shareholders, namely the loans granted by Roca Industry to Colorock13 to ensure the resources necessary to conduct the acquisition of Sarcom;
- The share capital, the share premium increased as difference between the value of the net contribution to merger (i.e. the value of net assets) of the incorporated company, namely Colorock13, and the increased value of the share capital of the incorporated company, namely Sarcom. Also, the deferred result underwent substantial changes necessary for the decrease of the value of the goodwill at the level of the one in the consolidated financial statements.

None of these elements has an impact on the individual or consolidated financial results of Roca Industry, in addition to the impact before the merger.

### Non-current assets

The largest part of the of the company's total assets (RON 113.3 mn, +200% compared to the end of 2021) is represented by the **non-current assets** (67.7% of total assets). Worth RON 76.7 mn at 31 December 2022, they increased to RON 10.5 mn at 31 December 2021, particularly due to the **goodwill** of RON 60.8 mn recognised at the time of the merger by incorporation of Colorock13. In addition, Sarcom is in process of developing new investments, the most important is to create new storage spaces, therefore the **assets in progress** worth RON 1.8 mn, 196% higher than at the end of 2021.

## Current assets

**Current assets**, increased by 32% compared to FY 2021, from RON 27.3 mn in December 2021 up to RON 36.1 mn at the end of 2022, mainly consist of:

- **inventories** of RON 16.1 mn (+20% year/year) – These are slightly higher compared to the quarters of the year, because the specific activity of the company requires preparation of the necessary inventory in the last months of the year, in order to meet the market needs in a prompt manner at the beginning of the following year;
- **trade receivables** 31% lower compared to FY 2021 (RON 9.1 mn), a decrease due to the renegotiation of the payment deadlines with the main customers implemented in Q2 2022;
- **cash in hand and cash at bank** of RON 10.5 mn at 31 December 2022, rising compared to RON 0.4 mn at the end of 2021, due to the collection of the receivables but also an efficient cash flow management.

## Total debts

The increase in the **total debts**, worth RON 105.0 mn at 31 December 2022 compared to RON 26.5 mn at 31 December 2021 was generated by several elements, among which the most important are

- take over of the bank facility subsequent to the merger with Colorock13 – **bank debts** which are of RON 48.2 mn, including the interests payable at the end of 2022, divided by short- or long-term depending to the repayment schedule
- **debts to shareholders** rising from RON 19.9 mn at 31 December 2021 to RON 30.8 mn at the end of 2022. The total amount of RON 30.8 mn stems from the take over of the loans granted by Roca Industry to the SPV Colorock13. The first credit, granted in November 2021, was necessary to pay part of the price for the acquisition of Sarcom to the former shareholders. Subsequently, in November 2022, Roca Industry granted an additional loan for the payment of the second instalment to them
- **trade payables**, worth in total RON 10.3 mn in December 2022 (+167% vs December 2021), increase which was registered on one hand following the negotiation of the payment deadlines with suppliers, as well as the increase in turnover
- **other short-term debts** worth RON 15.4 mn at FY 2022 vs RON 1.1 mn at the end of 2021, representing debts taken over from Colorock13 to pay the third instalment to the former shareholders of Sarcom.

## Equity

Worth in total RON 8.3 mn, equity has deteriorated by 26% mainly subsequent to the merger with Colorock13. The share capital, the share premium increased as difference between the value of the net contribution to merger (i.e. the value of net assets) of the incorporated company, namely Colorock, and the increased value of the share capital of the incorporated company, namely Sarcom. Also, the deferred result underwent substantial changes necessary for the decrease of the value of the goodwill at the level of the one in the consolidated financial statements.

## EED

### P&L ANALYSIS: Turnover +19.9%, EBITDA margin 17.5%, net profit margin 7.8%

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021	Change 2022 vs 2021 (%)
<b>Operating income</b>	<b>68,063,382</b>	<b>59,462,925</b>	<b>18%</b>
Turnover	67,093,037	55,963,769	20%
Inventory variation	(707,158)	2,618,065	-127%
Other operating income	1,677,503	881,091	90%
<b>Operating expenses, of which:</b>	<b>60,189,143</b>	<b>50,931,188</b>	<b>18%</b>
Material expenses, of which:	40,872,593	32,573,756	25%
<i>Expenses with raw materials and consumables</i>	<i>35,522,840</i>	<i>27,063,494</i>	<i>31%</i>
<i>Expenses on goods</i>	<i>3,529,206</i>	<i>4,222,194</i>	<i>-16%</i>
<i>Other expenses</i>	<i>1,820,547</i>	<i>1,288,068</i>	<i>41%</i>
Personnel expenses	5,834,939	4,754,466	23%
Depreciation expenses and value adjustments	3,895,018	3,176,986	23%
Other operating expenses	9,586,593	10,425,980	-8%
<b>Operating result</b>	<b>7,874,239</b>	<b>8,531,737</b>	<b>-8%</b>
Financial income	303,961	65,016	368%
Financial expenses	2,376,108	439,276	441%
<b>Financial result</b>	<b>(2,072,147)</b>	<b>(374,260)</b>	<b>454%</b>
Total income	68,367,343	59,527,941	15%
Total expenses	62,565,251	51,370,464	22%
<b>Gross profit</b>	<b>5,802,092</b>	<b>8,157,477</b>	<b>-29%</b>
Income tax	546,142	910,324	-40%
<b>Net profit</b>	<b>5,255,950</b>	<b>7,247,153</b>	<b>-27%</b>

Throughout 2022, the company's **turnover** increased by 20% compared to 2021, from RON 56.0 mn to RON 67.1 mn. Such increase was generated by the update of the sale prices beginning with March by incorporating a portion of the increased prices in raw materials, utility costs and other production costs. In terms of quantity, sales increased for two of the three products (veneer doors and doors ready for painting), but slightly increased in the case of painted doors which also generate the largest margin.

The company adjusted quickly to the unfavourable market conditions, the production therefore was diminished in order to meet the lower market demand. Therefore, the **inventory variation** reached a negative level, of RON 0.7 mn, compared to RON +2.6 mn during 2021.

As to the **operating expenses**, the most significant are for the acquisition of the needed **raw materials and consumables**, which increased by 31% compared to 2021, reaching the level of RON 35.5 mn. Although this increase is not fully identified in the turnover increase, the situation is to be found at the level of the entire building materials market.

Despite the economic conditions and the impossibility to incorporate all increased costs in the prices of sold products but with delay, EED obtained a **EBITDA** of RON 11.8 mn, 1% over than the one in 2021, and the **EBITDA margin** reached the level of 17.5%.

While, from an operational point of view, EED maintained approximately at the level of 2021, the increase in the **financial expenses** (from RON 0.4 mn in 2021, to RON 2.4 mn at the end of 2022), generated mainly by the higher bank debts, corroborated with a rising interest rate in the course of the year, has affected the **net profit**. It decreased by 27% between the two periods, and reached RON 5.3 mn (**net profit margin** of 7.8%).

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>35,448,649</b>	<b>22,728,218</b>	<b>56%</b>
Intangible assets	6,851	16,691	-59%
Tangible assets	34,701,428	18,398,855	89%
Financial assets	-	11,387	-100%
Fixed assets under investment	740,370	4,301,285	-83%
<b>Current assets, of which:</b>	<b>38,872,758</b>	<b>33,980,280</b>	<b>14%</b>
Inventories	22,187,559	25,164,011	-12%
Receivables	2,888,278	8,412,358	-66%
<i>Trade receivables</i>	<i>2,875,902</i>	<i>8,090,557</i>	<i>-64%</i>
<i>Other assets</i>	<i>12,376</i>	<i>321,801</i>	<i>-96%</i>
Cash and cash equivalents	13,796,921	403,911	3316%
<b>Deferred expenses</b>	<b>180,617</b>	<b>29,138</b>	<b>520%</b>
<b>Total assets</b>	<b>74,502,024</b>	<b>56,737,636</b>	<b>31%</b>
<b>Current liabilities, of which:</b>	<b>26,539,967</b>	<b>13,678,212</b>	<b>94%</b>
Third-party providers	8,536,554	11,497,497	-26%
Receivables with affiliated companies	9,178,268	-	-
Bank debts	8,572,422	1,907,407	349%
Other current liabilities	252,723	273,308	-8%
<b>Non-current liabilities, of which:</b>	<b>17,691,368</b>	<b>3,730,295</b>	<b>374%</b>
Bank debts	15,529,064	649,951	-
Other non-current liabilities	2,162,304	3,080,344	-30%
<b>Provisions</b>	<b>1,756,493</b>	<b>-</b>	<b>-</b>
<b>Deferred income</b>	<b>2,391,099</b>	<b>2,812,376</b>	<b>-15%</b>
<b>Total debts</b>	<b>48,378,927</b>	<b>20,220,883</b>	<b>139%</b>
<b>Equity, of which:</b>	<b>26,123,097</b>	<b>36,516,753</b>	<b>-28%</b>
Subscribed and paid-up capital	5,643,500	5,643,500	-100%
Share premium	5,189,785	5,189,785	0%
Legal reserves	8,975,317	5,766,674	56%
Carried forward profit or loss	4,267,187	13,152,482	-68%
Loss for the financial year	5,255,951	7,247,155	-27%
Profit distribution	(3,208,643)	(482,843)	565%
<b>Total equity and liabilities</b>	<b>74,502,024</b>	<b>56,737,636</b>	<b>31%</b>

## Non-current assets

During 2022, the company made significant investments in equipment necessary for the development and efficiency of the activity, and purchased bays for production and storage with the related land, resulting in an increase in the **non-current assets** by 56%, from RON 22.7 mn in December 2021 up to RON 35.4 mn at the end of 2022.

## Current assets

**Current assets** represent 52% of the total EED assets. The value of **inventories** decreased by 12% (from RON 25.2 mn to RON 22.2 mn) as the company adjusted the production process based on the market demand. In addition, **trade receivables** worth RON 2.9 mn, were at the end of 2022 64% lower than in December 2021 in the context of negotiations with part of the customers. These two changes in the company's policy generated **cash and cash equivalents** at the end of 2022 worth in total RON 13.8 mn, compared to RON 0.4 mn at 31 December 2021.

## Total debts

**Total debts** increased by 139%, from RON 20.2 mn at 31 December 2021 to RON 48.4 mn at the end of 2022. While **trade payables** diminished by 26% reaching RON 8.5 mn, the increase comes largely from the new credit facilities entered into and from the loans granted by the shareholders for the acquisition of the non-current assets.

## Equity

**Equity** worth in total RON 26.1 mn at 31 December 2022, 28% lower than at the same date of 2021; the decrease was generated by the payment of dividends to former shareholders, as well as by a lower net profit in 2022 compared to the one of 2021.

## DIAL

### P&L ANALYSIS: Turnover +32.9%, EBITDA margin 12.0%, net profit margin 6.7%

INDICATORI CONT DE PROFIT ȘI PIERDERE (RON)	FY 2022	FY 2021	Variație 2022 vs 2021 (%)
<b>Operating income</b>	<b>67,012,187</b>	<b>55,933,428</b>	<b>20%</b>
Turnover	65,445,807	49,250,947	32.9%
Inventory variation	323,938	6,682,481	-95%
Other operating income	1,242,442	-	-
<b>Operating expenses, of which:</b>	<b>61,184,829</b>	<b>45,234,285</b>	<b>35%</b>
Material expenses, of which:	51,368,868	34,095,303	51%
<i>Expenses with raw materials and consumables</i>	<i>49,156,606</i>	<i>32,763,134</i>	<i>50%</i>
<i>Expenses on goods</i>	<i>1,112,328</i>	<i>780,738</i>	<i>42%</i>
<i>Other expenses</i>	<i>1,099,933</i>	<i>551,432</i>	<i>99%</i>
Personnel expenses	4,723,435	3,221,195	47%
Depreciation expenses and value adjustments	1,997,542	2,335,729	-14%
Other operating expenses	3,094,984	5,582,058	-45%

INDICATORI CONT DE PROFIT ȘI PIERDERE (RON)	FY 2022	FY 2021	Variație 2022 vs 2021 (%)
<b>Operating result</b>	<b>5,827,358</b>	<b>10,699,143</b>	<b>-46%</b>
Financial income	401,499	-	-
Financial expenses	1,357,402	536,482	153%
<b>Financial result</b>	<b>(955,903)</b>	<b>(536,482)</b>	<b>78%</b>
Total income	67,413,686	55,933,428	21%
Total expenses	62,542,231	45,770,767	37%
<b>Gross profit</b>	<b>4,871,455</b>	<b>10,162,661</b>	<b>-52%</b>
Income tax	497,242	1,669,700	-70%
<b>Net profit</b>	<b>4,374,213</b>	<b>8,492,961</b>	<b>-48%</b>

The **turnover** recorded during 2022 was RON 65.4 mn, increased by 33% compared to 2021 (compared to RON 49.3 in 2021). This increase is due mainly to higher sale prices, in order to incorporate the higher costs of raw materials and materials. Sold quantities decreased in various proportions, depending on the product, in line with the market demand for building materials.

At the same time, the company adjusted to the decreased demand by reducing volume of production, therefore **inventory variation** reached the level of RON 0.3 mn at 31 December 2022 compared to RON 3.5 mn in 2021.

Subsequent to the market conditions, **the operating expenses** increased by 35% compared to 2021. Worth RON 61.2 mn they were largely generated by the **expenses with raw materials and consumables** (RON 49.2 mn, +50% year/year) due to the increased acquisition prices.

Therefore, as the impact of the increased prices of raw materials and electricity / gas was not transferred in full in the sale price, Dial obtained **EBITDA** of RON 7.8 mn, 40% lower than in 2021 (EBITDA margin of 12%), and a **net profit of** RON 4.4 mn, -48% compared to 2021.

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Fixed assets, of which:</b>	<b>24,586,533</b>	<b>23,927,758</b>	<b>3%</b>
Intangible assets	226,571	10,512	2055%
Tangible assets	15,087,667	16,557,434	-9%
Financial assets	19,785	19,785	0%
Fixed assets under investment	9,252,510	7,340,027	26%
<b>Current assets, of which:</b>	<b>28,333,874</b>	<b>28,175,625</b>	<b>1%</b>
Inventories	10,499,979	22,214,512	-53%
Receivables	6,393,589	5,077,977	26%
<i>Trade receivables</i>	4,992,372	3,055,296	63%
<i>Other assets</i>	1,401,217	2,022,681	-31%
Short-term investments	186,466	194,038	-4%
Cash and cash equivalents	11,253,840	689,098	1533%
<b>Deferred expenses</b>	<b>2,586</b>	<b>2,371</b>	<b>9%</b>
<b>Total assets</b>	<b>52,922,993</b>	<b>52,105,754</b>	<b>2%</b>

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021	Δ %
<b>Current liabilities, of which:</b>	<b>7,644,895</b>	<b>5,175,701</b>	<b>48%</b>
Third-party providers	607,928	3,058,256	-80%
Bank debts	4,140,499	1,883,012	120%
Other current liabilities	2,896,468	234,433	1136%
<b>Non-current liabilities, of which:</b>	<b>6,900,926</b>	<b>10,000,000</b>	<b>-31%</b>
Bank debts	6,900,926	10,000,000	-31%
<b>Deferred income</b>	<b>199,191</b>	<b>246,997</b>	<b>-19%</b>
<b>Total debts</b>	<b>14,745,012</b>	<b>15,422,698</b>	<b>-4%</b>
<b>Equity, of which:</b>	<b>38,177,981</b>	<b>36,683,055</b>	<b>4%</b>
Subscribed and paid-up capital	10,600	10,600	0%
Legal reserves	2,120	2,120	0%
Other reserves	20,896,993	20,896,993	0%
Deferred profit or loss	12,894,054	7,278,925	77%
Profit for the financial year	4,374,214	8,494,417	-49%
<b>Total equity and liabilities</b>	<b>52,922,993</b>	<b>52,105,753</b>	<b>2%</b>

### Non-current assets

**Total assets** at the end of 2022, worth RON 52.9 mn (+2% compared to FY 2021), consist as 46.5% of non-current assets, mainly representing **tangible assets** (land, constructions and equipment necessary for the current activity – RON 15.1 mn, 9% below the level at FY 2021). The company also has **fixed assets under investment** represented by a new production bay (RON 9.2 mn, increased by 26% compared to the end of 2021).

### Current assets

**Current assets** were maintained at a similar level to the one at the end of 2021 (RON 28.3 mn) and are mainly represented by:

- **inventories** necessary to the activity (RON 10.5 mn, 53% lower than in the comparable period) following the adjustment of production at the level of the market demand
- **trade receivables** (RON 5.0 mn), which increased by 63%, development in line with the increase in turnover
- **cash and cash equivalents** of RON 11.3 mn compared to RON 0.7 mn at 31 December 2021, following the decrease in the need for acquisition of raw materials and efficiency in cash management.

### Total debts

As to the total debts, they diminished by 4%, and the main components are:

- **Long-term bank debts**, of RON 11.0 mn, at a similar level with that for FY 2021, representing a loan for the completion of investments in the assets in progress. They were broken down by short-term and long term according to the repayment schedule
- **Trade payables**, of RON 0.6 mn, significantly lower than at the level of RON 3,1 mn at the end of 2021

- **Other short-term debts**, namely advances granted for the investments in progress, which increased from RON 0.2 mn at 31 December 2021 up to RON 2.9 mn at the end of 2022.

## Equity

The company's **share capital** is RON 10,600, representing 1,060 shares with a nominal value of 10 RON/share. **Equity** is represented by **reserves** of RON 20.9 mn (profits of the previous years allocated in reserves), by **deferred profit** (RON 12.9 mn), as well as by **profit of the financial year** (RON 4.4 mn).

## DOORSROCK4

### P&L ANALYSIS

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
<b>Operating income</b>	-	-
<b>Operating expenses, of which:</b>	<b>109,842</b>	-
Material expenses, of which:	240	-
<i>Expenses with raw materials and consumables</i>	<i>240</i>	-
<b>Operating expenses, of which:</b>	109,602	-
<b>Operating result</b>	<b>(109,842)</b>	-
Financial income	771,906	-
Financial expenses	2,382,729	-
<b>Financial result</b>	<b>(1,610,823)</b>	-
Total income	771,906	-
Total expenses	2,492,571	-
<b>Gross loss</b>	<b>(1,720,665)</b>	-
Income tax	10,429	-
<b>Net loss</b>	<b>(1,731,094)</b>	-

Doorsrock4 is the company created for the purpose of structuring the acquisition transaction of EED, by which 70% of the share capital of the company was acquired in May 2022, while in December 2022 was acquired the rest of 30% of the share capital. The SPV recorded an **individual net loss** of RON 1.7 mn in 2022, mainly formed by the expenses related to the interests of the financing necessary to carry out the transaction.

### BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021
<b>Fixed assets, of which:</b>	<b>70,489,912</b>	-
Financial assets	70,489,912	-
<b>Current assets, of which:</b>	<b>9,511,272</b>	-
Receivables	9,239,285	-
<i>Trade receivables</i>	<i>9,178,268</i>	-
<i>Other assets</i>	<i>61,017</i>	-
Short-term investments	200,000	-

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021
Cash and cash equivalents	71,986	-
<b>Deferred expenses</b>	<b>664,801</b>	-
<b>Total assets</b>	<b>80,665,985</b>	-
<b>Current liabilities, of which:</b>	<b>15,957,077</b>	-
Third-party providers	551,187	-
Bank debts	2,565,412	-
Other current liabilities	12,840,478	-
<b>Non-current liabilities, of which:</b>	<b>35,169,818</b>	-
Bank debts	26,753,581	-
Other non-current liabilities	8,416,237	-
<b>Total debts</b>	<b>51,126,895</b>	-
<b>Equity, of which:</b>	<b>29,539,090</b>	-
Subscribed and paid-up capital	31,270,180	-
Share premium	4	-
Result of the year	(1,731,094)	-
<b>Total equity and liabilities</b>	<b>80,665,985</b>	-

This company has a balance sheet structure specific to a special purpose vehicle, with **financial assets** represented by participations in EED (100% of the share capital at the end of 2022) and with **receivables with related parties** representing loans granted by Doorsrock4 to EED.

**Debts** are largely represented by loans necessary for the acquisition of EED.

**Equity** consists of the share capital of RON 31.3 mn (contribution by Roca Industry for the acquisition of EED in two instalments, the last of which in the last part of 2022, in order to provide the necessary resources for the acquisition of the 30% package of the share capital) and of the loss obtained during the year in progress (RON 1.7 mn).

## NATIVEROCK1

### P&L ANALYSIS

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
<b>Operating income</b>	-	-
<b>Operating expenses, of which:</b>	<b>29,656</b>	-
Material expenses, of which:	30	-
<i>Expenses with raw materials and consumables</i>	30	-
<b>Operating expenses, of which:</b>	29,626	-
<b>Operating result</b>	<b>(29,656)</b>	-
Financial income	3,371,266	-
Financial expenses	1,628,012	-
<b>Financial result</b>	<b>1,743,254</b>	-
Total income	3,371,266	-
Total expenses	1,657,668	-
<b>Gross result</b>	<b>1,713,598</b>	-

PROFIT AND LOSS ACCOUNT INDICATORS (RON)	FY 2022	FY 2021
Income tax	5	-
<b>Net result</b>	<b>1,713,593</b>	<b>-</b>

The purpose of the SPV was to provide the financing structure for the acquisition of Dial. As this transaction was completed on 23 September 2022, Nativerock1 does not have significant expenses at the end of 2022. **Financial income** of RON 3.3 mn is mainly represented by dividends distributed by Dial, while the **financial expenses** of RON 1.6 mn consist of expenses related to interests and unfavourable exchange rate differences.

## BALANCE SHEET ANALYSIS

BALANCE SHEET INDICATORS (RON)	31.12.2022	31.12.2021
<b>Fixed assets, of which:</b>	<b>57,540,132</b>	<b>-</b>
Financial assets	57,540,132	-
<b>Current assets, of which:</b>	<b>4,204,116</b>	<b>-</b>
Receivables	4,053,246	-
Trade receivables	4,053,247	-
Other assets	(1)	-
Cash and cash equivalents	150,870	-
<b>Deferred expenses</b>	<b>802,968</b>	<b>-</b>
<b>Total assets</b>	<b>62,547,216</b>	<b>-</b>
<b>Current liabilities, of which:</b>	<b>28,997,004</b>	<b>-</b>
Third-party providers	716,438	-
Bank debts	951,939	-
Other current liabilities	27,328,627	-
<b>Non-current liabilities, of which:</b>	<b>31,836,519</b>	<b>-</b>
Bank debts	31,836,519	-
<b>Total debts</b>	<b>60,833,523</b>	<b>-</b>
<b>Equity, of which:</b>	<b>1,713,693</b>	<b>-</b>
Subscribed and paid-up capital	100	-
Result of the year	1,713,593	-
<b>Total equity and liabilities</b>	<b>62,547,216</b>	<b>-</b>

Assets largely consist of **financial assets** (RON 57.5 mn) represented by the participation held in Dial. **Current assets** fully consist in receivables with the related parties, representing dividends to be received from Dial (RON 2.5 mn) and interim dividends, allocated in the course of the financial year, which will be settled after the approval of the annual financial statements (RON 1.6 mn) and in cash and cash equivalents (RON 150.9 thousand).

**Deferred expenses** represent the fees related to the legal consultancy agreements and bank fees which will be extinguished during the loan agreement.

**Long-term debts** consist of bank loans necessary for the acquisition of Dial. In the short term, the company records **debts to the parent company** (Roca Industry) due to rebilling with respect to the transaction by which Dial was acquired, as well as other short-term

payables, namely the amount to be paid to the company's founder for its know-how transfer.

**Equity** consists of the share capital of RON 100 and the profit obtained during the year 2022 (RON 1.7 mn).

# CONSOLIDATED CASH-FLOW

CASH-FLOW INDICATORS (RON)	31.12.2022	31.12.2021
<b>Cash flows from operating activities</b>		
Net result for the year - loss for the year	(18,223,767)	(973,687)
<b>Adjustments for:</b>		
Net financial result	8,762,743	134,577
Amortisation and depreciation	17,492,415	-
Impairment of tangible and intangible assets	12,859,436	-
Impairment of trade and other receivables, net	766,719	-
Changes in provisions, net	343,538	-
Income tax expense	1,499,509	-
<b>Cash generated from operating activities before working capital changes</b>	<b>23,500,593</b>	<b>(839,110)</b>
<b>Changes in working capital:</b>		
Increase of inventories	(4,260,886)	-
Decrease/(increase) of trade receivables and prepayments	22,978,218	(124,191)
Decrease of liabilities and deferred income	(19,799,663)	(6,732,047)
Interests paid	(4,165,532)	-
Income tax paid	(2,865,719)	-
<b>Net cash generated from/(used in) operating activities</b>	<b>15,387,011</b>	<b>(7,695,347)</b>
<b>Cash flows from investing activities</b>		
Payments for acquisition of subsidiaries	(38,251,273)	-
Payments for purchase of tangible assets	(239,741)	-
Payments for purchase of intangible assets	(57,509,085)	-
Other purchases of tangible and intangible assets, net of cash	(70,413,999)	(62,556,624)
<b>Net cash generated (used in)/from investing activities</b>	<b>(166,414,098)</b>	<b>(62,556,624)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the subscribed share capital	-	105,933,430
Losses related to equity instruments	(66,030)	-
Payment of commissions related to contracted bank loans	-	(392,954)
Proceeds from bank loans	145,710,654	40,653,590
Reimbursements of bank loans	-	-
Dividends paid	(473,068)	-
Proceeds from loans received from related parties	12,231,400	-
Reimbursements from loans received from related parties	(7,300,000)	-
<b>Net cash generated (used in)/from financing activities</b>	<b>107,247,436</b>	<b>146,194,065</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(43,779,651)</b>	<b>75,942,094</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>80,125,681</b>	<b>-</b>
Cash and cash equivalents from subsidiaries acquired during the period	5,888,526	4,183,587
<b>Cash and cash equivalents at the end of the year</b>	<b>42,234,556</b>	<b>80,125,681</b>

# STANDALONE CASH-FLOW

CASH-FLOW INDICATORS (RON)	31.12.2022	31.12.2021
<b>Cash flows from operating activities</b>		
Net result	(9,826,503)	(175,042)
<b>Adjustments for</b>		
Net financial result	6,438,528	(168,746)
Amortisation and depreciation	7,766	-
Impairment of equity interests in subsidiaries	12,385,542	-
Income tax expense	28,835	5,071
<b>Cash generated from operating activities before working capital changes</b>	<b>9,034,168</b>	<b>(338,717)</b>
<b>Changes in working capital:</b>		
Increase of trade receivables and prepayments	(14,887,952)	-
Increase of liabilities and deferred income	419,699	218,769
Income tax paid	(22,734)	-
<b>Net cash generated used in operating activities</b>	<b>(5,456,819)</b>	<b>(119,947)</b>
<b>Cash flows from investing activities</b>		
Payments for loans granted in subsidiaries	(30,287,710)	(31,422,150)
Proceeds for loans granted in subsidiaries	17,176,514	-
Payments for purchase of tangible and intangible assets	(30,586)	-
Payments for acquisition of subsidiaries	(59,183,490)	-
Dividends received	559,735	-
<b>Net cash generated used in investing activities</b>	<b>(71,765,537)</b>	<b>(31,422,150)</b>
<b>Cash flows from financing activities</b>		
Proceeds from the subscribed share capital	-	105,933,430
Losses related to equity instruments	(66,030)	-
Proceeds from loans received from related parties	12,231,400	-
Reimbursements from loans received from related parties	(7,300,000)	-
<b>Net cash generated from financing activities</b>	<b>4,865,370</b>	<b>105,933,430</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(72,356,986)</b>	<b>74,391,333</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>74,391,333</b>	<b>-</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>2,034,347</b>	<b>74,391,333</b>

# RISKS

## FINANCIAL RISKS

### Liquidity risk

Liquidity risk is inherent in the operations of Roca Industry's subsidiaries and is associated with the holding of inventories, receivables or other assets and their conversion into liquidity within a reasonable time, so that the Subsidiaries can meet their payment obligations to its creditors and suppliers. In case of non-fulfillment by the Company's Subsidiaries of these payment obligations or of the liquidity indicators stipulated in the contract, the company's creditors (commercial suppliers, banks, etc.) could initiate actions to execute the company's main assets or even request the opening of insolvency proceedings which would significantly and adversely affect the shareholders and the business, prospects, financial condition and results of operations of Roca Industry and its Subsidiaries

**How the Group is addressing the risk:** The Company's subsidiaries constantly monitor their risk of facing a lack of funds to carry out their activity, by planning and monitoring cash flows, but as net revenues cannot be accurately predicted, there is a risk that this planning will be different from what will happen in the future. In addition, commercial policies are implemented to manage liquidity risk, both towards suppliers and towards customers.

### Interest rate and sources of financing risk

Some of the financing contracted by certain Subsidiaries have a variable interest rate. Therefore, the company is exposed to the risk of this interest rate increase during the credit facility period, which could lead to the payment of a higher interest rate and could have a negative effect on the business, financial condition and results of operations of the respective company or of Roca Industry. Also, in case of deterioration of the economic environment in which the Company's Subsidiaries operate, they may be unable to contract new financing under the conditions they previously benefited from, which could lead to increased financing costs and would significantly negative affect the financial situation of the respective company, and Roca Industry, respectively.

**How the Group is addressing the risk:** The Company and its Subsidiaries have a policy of careful monitoring and negotiation of interest rates, and, for the next period, they also focus on financing opportunities from non-reimbursable sources.

### Currency risk

Currency risk represents the risk that the value of a financial instrument will fluctuate as a result of the variation in exchange rates.

**How the Group is addressing the risk:** The Group tries to maintain monetary assets in foreign currency at the level of monetary liabilities in foreign currency, in order not to be significantly exposed to foreign exchange risk. The unwanted effects of currency risk can be mitigated by currency hedging and hedging operations on derivative markets. Such effects can also be avoided by including a currency clause or a price revision clause in the contract.

## OTHER BUSINESS RISKS

### **The risk associated with the business development plan**

The Company's objective is to ensure a sustainable growth of the activity, which is reflected in the main indicators - turnover and profitability. During the period of companies' transition to the integrated business model, based on principles of active partnership with the entrepreneur, there is the possibility of seeing fluctuations in the business, which can also manifest as initially lower performance compared to the previous one.

**How the Group is addressing the risk:** Roca Industry management has a long-term vision, which involves creating regional champions by creating a solid foundation and long-term investments in production capacities and the acquisition of companies. This stage will be managed by: establishing the growth strategy, individually, for each Subsidiary, establishing the organizational structure and appropriate management teams, as well as the main work processes

### **The risk associated with political and social instability in the region**

The political and military instability in the region, the war in Ukraine, have already produced adverse effects in the region and maintain a heightened state of unpredictability.

**How the Group is addressing the risk:** The Company analyzed the potential impact on each Subsidiary individually, specific measures were taken to correct the supply chain where it was affected, and, at the same time, actions were initiated to investigate the possibility of compensating the gaps left in the market by disruption of supply chains at the level of the Subsidiaries' products. In 2023 we aim to anticipate the incipient reconstruction needs in this area by mentioning here also the capacity for rapid intervention through the positioning of our factories versus these territories.

In addition, we estimate that there is equally a possible destabilizing impact in terms of raw material for certain branches (example – metal wire products), as a result of the economic impact produced by the natural disasters in Turkey / Syria, which affected both capacities production as well as transport routes for such raw materials.

**How the Group is addressing the risk:** We are closely monitoring the supply flow of construction materials to these areas in order to rebuild the infrastructure in the affected areas, as well as the needs in the local market for specific goods and construction materials that previously came from these areas.

### **Risk regarding the evolution of the construction materials market**

In the context of reduced purchasing power and limited access to credit, there is a risk of market growth slowing down, or even stagnating, which could negatively affect the Company's activity and operational results. We estimate that the residential construction sector will be affected to a greater extent than the infrastructure sector, which will benefit from various capital inflows from non-reimbursable funds.

**How the Group is addressing the risk:** Therefore, one of the main concerns for risk reduction is the diversification of the range of products sold, in an agile way, so that the group companies to be able to offer a portfolio of competitive products in those markets where there will be sufficient demand.

In the same time, efforts are being made to access diversified sales channels and build a range of complementary products, in various price segments.

Although an adverse evolution of the global construction market may impact various business lines of Roca Industry, the purpose of the consolidation at the Company level of various businesses, with complementary products and sectors of activity is to build an agile structure, which can adapt to new trends, in various ways, and can capitalize on opportunities arising from changes in market-related trends by modifying the business model or incorporating new lines of business into it, according to macroeconomic conditions

#### **The risk associated with the relationship with large retail customers**

One of the main sales channels for the activities carried out by Roca Industry through its Subsidiaries is represented by the big chains of do-it-yourself retail stores (such as Dedeman or Leroy Merlin). A possible change in the contractual conditions or requirements of these customers could affect the operational activity, as well as the results and financial position of the Company.

**How the Group is addressing the risk:** The diversified activity of Roca Industry and the strategy of the management team to diversify both sales channels (retail chains, traditional trade, B2B, export), as well as large retail customers, contribute to reducing this risk.

#### **Risk associated with development in foreign markets**

The future plans of Roca Industry's management team involve expanding the export business, which may involve various risks related to legislative, cultural or business differences and competition specific to each market addressed. Thus, foreign operations may not be up to the level estimated by the Company's management and may encounter various barriers that may slow down the development of the Company's business.

**How the Group is addressing the risk:** ROCA Industry develops both at the Holding level and in companies a process of integrating both know-how and best practices for export processes but also for the integration of any newly acquired companies.

#### **The risk associated with energy costs**

One of the important categories of operating costs of Roca Industry's Subsidiaries is represented by the costs of electricity and natural gas. It is possible that an increase in energy prices caused by external factors will adversely affect the operating activity of the Subsidiaries, as well as the financial results generated by them.

**How the Group is addressing the risk:** As a potential measure to reduce this risk, the Company's management team has put into practice since 2022 a strategy of using renewable energy solutions, and the investment plan for 2023 foresees the continuation of these efforts.

#### **The risk of investing in other companies**

Roca Industry can decide to invest in other companies, making the investment decision reasonably and diligently depending on future opportunities. The holding may decide to invest in companies that carry out activities within the same line of activities, or of complementary activities, taking into account the integration of these lines within the main

activity of the Company. Also, together with its subsidiaries, Roca Industry may decide to invest through certain subsidiaries in companies that complement their object of activity.

However, Roca Industry's efforts to estimate the financial effects of any such transaction on the Group's business may not be successful, and there can be no assurance that future acquisitions will be able to leverage the Group's business. In addition, acquisitions may distract management or divert financial or other resources from the Group's existing business or may require additional expenses. Such developments could have a material adverse effect on the Group's business, results of operations and financial condition.

The ability to make such investments may be limited by many factors, including the availability of financing, debt clauses in financing agreements, applicable regulations, and competition from other potential buyers. If acquisitions are made, there is no guarantee that the Group will be able to generate the expected margins or cash flows or realize the anticipated benefits of these acquisitions, including the expected increase or synergies.

Although the Group analyzes the companies that are the subject of the acquisition, these valuations are subject to a number of assumptions regarding profitability, growth, etc. There is no guarantee that the Group's assessments and assumptions regarding the acquisition objectives will prove to be correct and that actual developments may differ materially from its expectations, especially in a macroeconomic context marked by uncertainty.

There is no guarantee that the Group will successfully acquire new assets or that it will gain any of the benefits it anticipates as a result of these future acquisitions. If it makes acquisitions but does not acquire these benefits, these circumstances could have a material adverse effect on the Group's business, prospects, results of operations and financial condition

### **Business risk**

In commercial activity, the Company's Subsidiaries develop commercial relationships with suppliers of materials, raw materials and services, which are exposed to the risk of defective supply, in time and quality parameters below the accepted level, of price increases or cessation of the provision of services and products. Although there is no major dependence on a particular supplier or service, there is the risk of a significant negative impact on the activities of the Subsidiaries, until such supplier is replaced, Also, if the commercial partners in the supply chain enter a state of potential financial instability, this may have significant effects on the activities of the Subsidiaries.

**How the Group is addressing the risk:** The group tries to anticipate and manage such risks through its procurement and commercial policies, by verifying and validating commercial partners from the perspective of business sustainability and applying instruments to minimize the risks of financial exposure, as well as contractual clauses that provide for quality standards in the provision of the services and the delivery of the assumed goods, including the consequences of non-compliance with these clauses.

### **Price risk**

Price risk affects Roca Industry and its Subsidiaries to the extent that supplier prices increase without the Subsidiaries being able to profitably incorporate negative changes in its final price while maintaining turnover, or without being able to minimize adverse effects through

cost management. Especially in 2023 ROCA Industry anticipates that this risk will be pronounced, given all country forecasts regarding the evolution of inflation, not only for the national currency, but also for the main currencies for international trade.

**How the Group is addressing the risk:** The Company's subsidiaries address this risk through rigorous cost control. These measures allow for the sizing of profit margins so that, once the price risk materializes, its negative impact can be absorbed at the level of the final service price.

### **Environmental impact**

**How the Group is addressing the risk:** Roca Industry subsidiaries will monitor compliance with applicable environmental policies by proposing to conduct their business responsibly, in order to minimize the impact on the environment and the carbon footprint it leaves. There are no environmental disputes at the time of publishing this report and no environmental disputes are expected

# PRINCIPLES OF CORPORATE GOVERNANCE

Statement on alignment with BSE's Corporate Governance principles for the multilateral trading system - AeRO market

CODE	PROVISIONS TO BE OBSERVED	FULLY COMPLIANT	NOT COMPLIANT	EXPLANATIONS
<b>SECTION A - RESPONSIBILITIES OF THE MANAGEMENT BOARD (BOARD)</b>				
A1.	The company should have internal board regulations that include terms of reference regarding the board and key management functions of the company. The administration of the conflict of interests at council level should also be dealt with in the council regulation	√		The company fully complies with this provision. BoD regulation is available on company's website at the link <a href="#">Corporate Governance   ROCA Industry</a>
A2.	Any other professional commitments of the members of the board, including the position of executive or non-executive member of the board in other companies (excluding subsidiaries of the company) and non-profit institutions, will be notified to the board before appointment and during the term of office.	√		The company fully complies with this provision. Information on any professional commitments of BoD members are available under <a href="#">Corporate Governance</a> section
A3.	Each member of the board shall inform the board of any connection with a shareholder who directly or indirectly holds shares representing not less than 5% of the total number of voting rights. This obligation shall take into account any connection which may affect the position of that member on matters relating to decisions of the council.	√		The company fully complies with this provision.
A4.	The annual report will inform whether an evaluation of the council under the chairmanship has taken place. The annual report shall contain the number of meetings of the council.	√		The Board of Directors consider that an assessment of the Board under the guidance of the chairman is appropriate after at least a year of collaboration between the BoD members. It has not been thus conducted an assessment of the Board of Directors during 2022, but it will be conducted at the end of 2023, the results of which will be included in the Annual Report for 2023 Information on BoD's number of meetings is available in this

CODE	PROVISIONS TO BE OBSERVED	FULLY COMPLIANT	NOT COMPLIANT	EXPLANATIONS
				report under <a href="#">Corporate Governance</a> section
A5.	The procedure for cooperation with the authorized consultant for a period during which such cooperation is applicable shall contain at least the following:	√		The company had signed a contract with Cornerstone Communications SRL for the provision of authorized consultant services, post-listing, for a period of 12 months. This agreement expired at the end of February 2023.
A.5.1.	Contact person for the authorized consultant	√		
A.5.2.	The frequency of meetings with the authorized consultant, which will be at least once a month and whenever new events or information involve the submission of current or periodic reports, so that the authorized consultant can be consulted;	√		
A.5.3.	The obligation to inform the bucharest stock exchange about any malfunction that occurred during the cooperation with the authorized consultant, or the change of the authorized consultant.	√		
<b>Section B - internal control / audit</b>				
B1.	The board will adopt a policy so that any transaction of the company with a subsidiary representing 5% or more of the company's net assets, according to the latest financial reporting, is approved by the board.	√		The company fully complies with this provision.
B2.	The internal audit must be carried out by a separate organizational structure (internal audit department) within the company or through the services of an independent third party, which will report to the board and, within the company, report directly to the general manager.	√		The company fully complies with this provision, these services being provided by a third party.
<b>Section C - fair rewards and motivation</b>				
C1.	The company will publish in the annual report a section that will include the total income of the members of the board and the general manager and the total amount of all bonuses or any variable compensation, including the key assumptions and principles for their calculation.	√		The company fully complies with this provision. Information on these aspects are available in this report under <a href="#">Corporate Governance</a> section.
<b>Section D - building value through investor relations</b>				

CODE	PROVISIONS TO BE OBSERVED	FULLY COMPLIANT	NOT COMPLIANT	EXPLANATIONS
D1.	The company must organize an investor relations service made known to the general public through the responsible person. In addition to the information required by the legal provisions, the company must include on its website a section dedicated to investor relations, in romanian and english, presenting all relevant information of interest to investors, inclusive:	√		The company complies with all rules regarding the IR function, as detailed below. The company has a section dedicated to investor relations on the website, at link <a href="#">Investors   ROCA Industry</a> , which is available in both English and Romanian.
D1.1	The main regulations of the company, in particular the articles of incorporation and the internal regulations of the statutory bodies;	√		The company 's key regulations can be found on its website, at the link <a href="#">Corporate Governance   ROCA Industry</a>
D1.2	Cvs of members of statutory bodies;	√		The biographies of the company's management can be found on the issuer's website at the link <a href="#">Roca Industry   Despre noi</a> , as well as in the annual reports under <a href="#">Corporate Governance</a> section.
D1.3	Current and periodic reports;	√		All current and periodic reports of the issuer are available on its website, at the link <a href="#">Current reports   ROCA Industry</a>
D1.4	Information on general meetings of shareholders: agenda and related materials; decisions of general meetings;	√		All information on Company's GMS are available on the website, at the link <a href="#">General Shareholders' Meetings   ROCA Industry</a>
D1.5	Information about corporate events such as the payment of dividends or other events that result in the acquisition or limitation of a shareholder's rights, including time limits and the principles of such operations;	√		If applicable, this information will be published by the company on the issuer's website, as well as in a current report sent to BSE.
D1.6	Other extraordinary information that should be made public: cancellation, modification, initiation of cooperation with an authorized consultant; or signing, renewing or terminating an agreement with a market marker.	√		If applicable, this information will be published by the company on the issuer's website, as well as in a current report sent to BSE.
D1.7	The company must have an investor relations function and include in the section dedicated to this function, on	√		Contact details for the issuer's IR department can be found on the company's website, at

CODE	PROVISIONS TO BE OBSERVED	FULLY COMPLIANT	NOT COMPLIANT	EXPLANATIONS
	the company's website, the name and contact details of a person who has the ability to provide, upon request, appropriate information.			the links <a href="#">Investors   ROCA Industry</a> and <a href="#">Contact   ROCA Industry</a>
D2.	The company must adopt a dividend policy as a set of guidelines / principles regarding the distribution of net profit. The dividend policy must be published on the company's website.	√		The company's dividend policy is available on the website at the link <a href="#">Corporate Governance   ROCA Industry</a>
D3.	The company must adopt a policy on forecasts, indicating whether or not they will be provided. Forecasts are quantified conclusions of studies aimed at determining the total impact of a list of factors for a future period (hypotheses). The policy must provide the frequency, the period considered and the content of the forecast. If published, the forecasts will be part of the annual, half-yearly or quarterly reports. The forecast policy will be published on the company's website.	√		The company's forecast policy is available on the company's website at the link <a href="#">Corporate Governance   ROCA Industry</a>
D4.	The company must establish the date and place of a general meeting so as to allow the participation of as many shareholders as possible.	√		The company organizes and will continue to organize the GSM in working days, at the company's headquarters in Bucharest as well as online.
D5.	The financial statements must include information in both romanian and english on the main factors that influence changes in sales, operating profit, net profit or any other relevant indicator.	√		The company issues all investor information, including financial statements, bilingually, in English and Romanian.
D6.	The company must hold at least one meeting / conference call 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 time of that meeting / conference call.	√		The company organized "ROC1 investor's day" at least once a year - an event to which all stakeholders, including investors, analysts and media representatives will be invited. The financial calendar for 2023 is available on company's website at the link <a href="#">Financial calendar   ROCA Industry</a>

# DECLARATION OF THE MANAGEMENT

**Bucharest, 27 March 2023**

“I confirm, according to the best available information, that the individual and consolidated financial results for the period between 01.01.2022 and 31.12.2022 give a correct and consistent picture of the assets, liabilities, financial position profit and loss account of Roca Industry Holdingrock1 SA and that the management report provides a correct and realistic picture of the important events that took place in 2021 and their impact on the company's financial statements.”

**Ioan Adrian Bindea**

**Chairman of the Board of Directors**